

RO-RO Policy in the Philippines: Reform and Development Impact

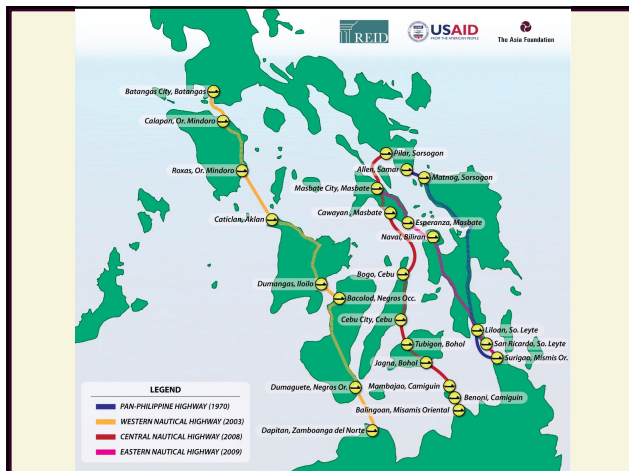
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Definitions and Policy

- LO-LO (Lift On/Lift Off): containerized cargo that must be lifted on and off vessels and other vehicles using cargo handling equipment; predominant pre-2003
- RO-RO (Roll On/Roll-Off): system designed to carry rolling stock cargo which does not require cranes/fork lifts to be loaded or off-loaded the ship
- RO-RO Policy (Executive Order 170) signed in 2003
 - Eliminated cargo handling and wharfage fees
 - Shifted freight charging from weight to lane meter
 - Eliminated "commodity classification" on RO-RO cargoes



Reform: The "How" and "What"

Governance and Political Economy Analysis

- The Reform Context
- Key policy and institutional issues
- The Equilibrium State and Business Model

The Reform Agenda and Strategy

- Which reform will shift incentives?
- Who might have sufficient political capital and self-interest to support reform?
- Does the reform seem politically feasible?

Execution

- Strategic importance of Coalitions
- Providing specific information in a timely manner in a useful form
- Constantly assess and adjust activities and outputs based on changing circumstances and opportunities



Political Economy of Reform

Government and Business RO-RO Policy Supporters

- Department of Agriculture: *Transport of agricultural products*
- Development Bank of the Philippines: *Loan program*
- National Economic Development Authority: *Economic Development*
- Mindanao Business Council: *Transport of goods from Mindanao*
- Supply Chain Management Association of the Philippines: *Transport Costs, Efficiency, and Competition*
- Philippine Chamber of Commerce and Industry: *Competitiveness and Regional Development*

Implementing Partners

- Center for Research and Communications with support from The Asia Foundation and (CRC) and USAID



Political Economy of Reform

Government and Business Opposition to RO-RO in early 2000s

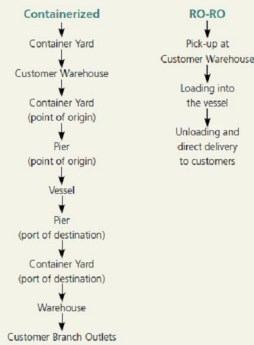
- Philippine Ports Authority
 - Corporate profitability and competition to its port network
 - Internally conflicting interests — both regulator and operator
- Maritime Industry Authority
- Department of Transportation and Communications
- Terminal Operators, Cargo Handling Companies, Port Labor Unions, and some politicians
 - Benefitted from cargo handling
- Liner Shipping
 - Benefitted from cargo handling and double-charging

Politics, Policy and Providence

- Tipping Point: Mindanao and the 2004 elections



Comparative Systems of Shipping Goods



LO-LO vs. RO-RO:

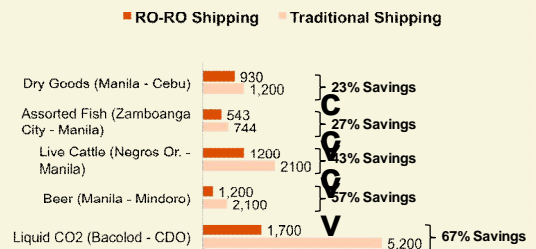
From 9 to 3 steps

Source: 2GO Presentation; 2GO is a subsidiary of Aboltiz Transport System, the largest integrated transport provider in the Philippines



Reduced Transport Costs

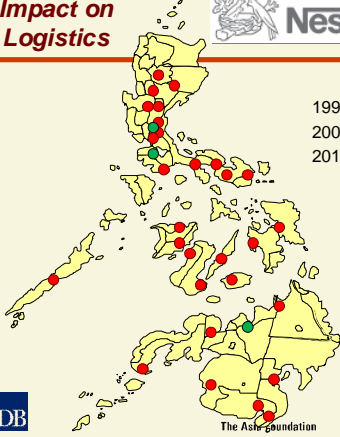
(Door-to-Door Transport in USD*)



Source: Various interview, October-December 2009
*per 10-wheeler truck



Impact on Logistics



Nestlé Good Food, Good Life

1990s: 36 Distribution Centers
 2003: RO-RO policy
 2010: 3 Distribution Centers

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New Businesses, New Routes




Montenegro Shipping Lines

- New subsidiary, **RO-RO Bus**, for Manila – Cebu route on the Central Nautical Highway
- Developed a **private commercial RO-RO port** in Pilar, Sorsogon
- Expanding into **trucking services**

Vallacar Transit Corporation

- Started on Western Nautical Highway in 2003
- Expanded operations to Central Nautical Highway through east-west lateral RO-RO connections

Unexpected Expansions

Mega Bus, Silver Star, Joanna Jess, and N. Bonalos Bus Lines serving new routes (Manila – Bohol)

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Impact on Other Sectors

- Passenger Mobility
- Competition and Choice
- Structure and Operations of Maritime Industry
- Logistics Operations and Strategy
- Local Area and Development
- Local Government Finances
- Tourism
- Agricultural Productivity



Expanding Connectivity: Regional RO-RO



October 2009: ASEAN Connectivity Initiative

April 2010: ASEAN High Level Task Force on Regional Connectivity

On-going: Developing Master Plan on ASEAN Connectivity for October 2010 Summit

Explore feasible routes

Lessons Learned

1. Governance and political economy realities need to be analyzed and addressed in project activities
2. Focus on the private sector -- the real driver of growth, investment, employment and poverty reduction
3. The correct policy environment with relatively small public investments can yield large private sector investments and development impact
4. Recognize the value of connected network
 - High impact on local economies despite minimal economic activities prior to RO-RO
 - New growth centers and routes emerged unexpectedly
 - Network effects broadened scope of impact



Thank you

Bridges across Oceans: Initial Impact Assessment of the Philippines Nautical Highway System and Lessons for Southeast Asia, ADB-Asia Foundation, April 2010

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