



CAVITE-LAGUNA (CALA) EXPRESSWAY PROJECT

INFORMATION MEMORANDUM **01 April 2013**

With Assistance From



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EXECUTIVE SUMMARY

The Cavite-Laguna (CALA) Expressway will provide a critical link for the provinces of Cavite and Laguna, connecting two major toll roads, the Cavite Expressway (CAVITEX) and the South Luzon Expressway (SLEX). As the region grows in importance, especially as an industrial area and in urban development, the Republic of the Philippines (ROP) through the Department of Public Works and Highways (DPWH) has recognized the need to address and resolve traffic congestion in the said region to support economic development. The expressway is envisioned to provide a safe and high-speed access to the major industrial estates and urban development areas in the region and relieve existing roads such as the Aguinaldo Highway of the huge traffic volume.

The CALA Expressway Project is in line with the 2011-2016 Philippine Development Plan (PDP) transport sector objective, which is to develop an integrated multimodal logistics/transport system to achieve an "economic corridor" through development of smaller towns and rural areas along the corridor. Specifically, it is consistent with the PDP objective of providing dependable access to production areas, Cavite being a rapidly growing industrial and commercial center in the south of Metro Manila.

In terms of the overall transport network development in the National Capital Region (NCR) and its neighboring provinces, the CALA Expressway Project is one of the identified road links as priority under the CALA Feasibility Study (F/S) conducted through the assistance of the Japan International Cooperation Agency (JICA) in 2006.

HIGHLIGHTS OF THE INVESTMENT OPPORTUNITY

The CALA Expressway Project, sponsored by the DPWH, is one of the priority projects of the ROP under its Public-Private Partnership (PPP) Program launched by President Aquino in November 2010.

The Project is a strategic component of the Metro Manila Urban Expressway Network that is intended to provide a high-standard expressway that would facilitate the efficient flow of existing and future traffic to and from Kawit, Cavite and South Luzon Expressway (SLEX).

The GOP, represented by DPWH, will be the direct counterparty in the Concession Agreement to be implemented under the Philippine BOT Law (Republic Act 6957 as amended by Republic Act 7718).

The Project will be procured under a fully transparent and competitive process strictly following the rules and procedures of the Philippine BOT Law and its Implementing Rules and Regulations as revised in July 2012.

The complete requirements for the issuance of the Toll Operations Certificate (TOC) by the Toll Regulatory Board (TRB) will be provided to bidders and incorporated in the Concession Agreement. Upon compliance with these requirements, DPWH will

ensure the issuance by the TRB of the TOC within the pre-agreed timeline, which will be defined in the Concession Agreement.

The Project will involve a 35-year concession period, inclusive of the design and construction period. The toll rate structure to be adopted will be affordable and competitive, with levels to be set comparable with tolls charged in existing toll roads serving Metro Manila. A toll adjustment formula will be prescribed in the Concession Agreement and its application over the concession period will be guaranteed by the DPWH.

The Government will facilitate the delivery of Right-of-Way (ROW) required for the Project, also at a pre-agreed timeline to be specified in the Concession Agreement.

DEFINITIONS

"Bid Proposal" means Bid Letter, Bid Security, and Additional Requirements for Consortiums with New Members, Technical Proposal and Financial Proposal to be submitted by the Bidders pursuant to the Instructions to Bidders that will be released by DPWH after Pre-Qualification.

"Bid Proposals Submission Date" means the day to be set by the DPWH for the submission of the Bid Proposals.

"Bid Security" means the instrument to be provided by a Pre-Qualified Bidder to guarantee that it shall comply with all of its obligations under the Instructions to Bidders that will be released by DPWH after Pre-Qualification.

"Bidder" means any partnership, corporation, or Consortium which participates in the Bidding Process by submitting an Application to Pre-Qualify to Bid, passing Pre-Qualification process, and submitting a Bid Proposal on the Bid Proposal Submission Date.

"Bidding Documents" means the documents enumerated in Section 16 of the Instructions to Prospective Bidders which may be purchased by Pre-Qualified Bidders.

"Bidding Process" means the process beginning from the publication of the Invitation to Pre-Qualify to Bid until the signing of the Concession Agreement, as described in Section 3 of the Instructions to Prospective Bidders.

"BOT" means Build-Operate-Transfer, which is a contractual arrangement whereby the Project Proponent undertakes the Construction, including financing, of a given infrastructure facility, and the operation and maintenance thereof, The Project Proponent operates the facility over a fixed term then transfers it to the Agency/LGU concerned at the end of the fixed term that shall not exceed fifty (50) years.

"BOT Law" means Republic Act No. 6957, as amended by Republic Act No. 7718, and the "Revised Implementing Rules and Regulations of Republic Act No. 6957, "An Act Authorizing the Financing, Construction, Operation and Maintenance of Infrastructure Projects by the Private Sector and for Other Purposes", as amended by Republic Act No. 7718."

"BTO" means Build-Transfer-Operate, which is a contractual arrangement whereby the Agency/LGU contracts out the construction of an infrastructure facility to a private entity such that the contractor builds the facility on a turnkey basis, assuming cost overruns, delays, and specified performance risks. Once the facility is commissioned satisfactorily, title is transferred to the Implementing Agency/LGU.

"CALA" means Cavite and Laguna provinces.

"CALA Expressway" means the "Project" or "CALAX", which is 47.018 Km, four (4) – lane expressway starting at Manila-Cavite Expressway (CAVITEX) in Kawit, Cavite (Km -0.518) and ends at Mamplasan Interchange of South

Luzon Expressway (SLEX) in Binan, Laguna (Km 46+500) with concession period of thirty-five (35) years, including design and construction period. Divided into two sections – the Cavite Section and Laguna Section, defined further as follows:

- a. **"Cavite Section"** means the 28.90 Km, four (4) – lane expressway from CAVITEX to Aguinaldo Highway at Silang, Cavite Interchange that includes four (4) interchanges, thirty-eight (38) bridges and a 1.16 Km long viaduct.
- b. **"Laguna Section"** means the 18.10 Km, four (4) – lane expressway from Aguinaldo Highway at Silang, Cavite Interchange up to the Mamplasan Interchange of South Luzon Expressway (SLEX) in Binan, Laguna that includes four (4) interchanges, thirteen (13) bridges and a 3.5 Km long viaduct.

"CALABARZON" means the Region IV-A, also known as Southern Tagalog Mainland, composed of the provinces of Cavite, Laguna, Batangas, Rizal and Quezon.

"CAVITEX" means the Manila-Cavite Expressway connecting Metro Manila and Cavite via Coastal Road and coast of Bacoor Bay, starting from Roxas Boulevard, Paranaque City up to Tirona Highway, Kawit, Cavite.

"Concession Agreement" means the contract to be executed between the DPWH and the Winning Bidder or a legal entity formed by the Winning Bidder.

"Conceptual Engineering Design" or "CED" means the design relating to the Project to be prepared by each Bidder in its Technical Proposal.

"Concession Period" means the thirty-five (35) year period of operations and maintenance, inclusive of the design and construction period, reckoned from the signing of Concession Agreement.

"Concessionaire" means the corporation which is a party to the Concession Agreement.

"Consortium" means an unincorporated association of natural or juridical persons, solidarily undertaking, by mutual written agreement to submit a Bid in accordance with the Bidding Documents.

"Control" means, for purposes of defining an Affiliate, the power to direct or cause the direction of the management policies of a body corporate whether through: (i) ownership of at least fifty one percent (51 %) of the outstanding voting shares or (ii) ownership of at least twenty percent (20%) of the outstanding voting shares and possession of at least fifty one percent (51%) of the voting rights through voting trust or other voting agreements entered into at least one year before the Qualification Documents Submission Date.

"Detailed Engineering Design (DED)" means the design for CALAX – Cavite Section, which will be prepared by the Concessionaire pursuant to the

Concession Agreement, in particular the Minimum Performance Standards and Specifications.

"DPWH" means the Department of Public Works and Highways, which is the engineering and construction arm of the GOP, and mandated by virtue of Executive Order 686 to enter into contracts for the construction, operation and maintenance of toll facilities for highways, roads, bridges and public thoroughfares.

"Financial Proposal" means the financial offer made by a Pre-Qualified Bidder as part of its Bid Proposal.

"GOP" means the Government of the Philippines.

"ICC" means the Investment Coordination Committee, which is one of five inter-agency committees established under Executive Order No. 230, or "Reorganizing the National Economic and Development Authority" which is tasked to act as a recommendatory body to the NEDA Board.

"Independent Consultant" or "IC" means the firm appointed by the DPWH and the Concessionaire to provide independent advice regarding the Design and Construction of CALAX Project.

"Instructions to Bidders" means the document issued by the DPWH to Pre-Qualified Bidders as part of the Request for Proposals explaining the requirements for the preparation and submission of Bid Proposals.

"Instructions to Prospective Bidders" means the document issued by the DPWH to Prospective Bidders as part of the Invitation Documents explaining the requirements for the preparation and submission of the Pre-Qualification Documents.

"Invitation Documents" means the Bidding Documents provided by the DPWH to Prospective Bidders consisting of the (i) Invitation to Pre-Qualify to Bid, (ii) Information Memorandum, and (iii) Instructions to Prospective Bidders.

"Invitation to Pre-Qualify to Bid" means the document published by the DPWH inviting Prospective Bidders to pre-qualify to submit Bid Proposals in the bidding for the Project.

"IRR" means Implementing Rules and Regulations.

"MPSS" means the "Minimum Performance Standards and Specifications" or the minimum performance or functional standards and specifications that the Concessionaire must comply with in undertaking the design, construction, operation and maintenance of the CALAX Project, which is made an annex to the Concession Agreement.

"PPP" means Public-Private Partnership, which is a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies.

"PPP Center" means the Public-Private Partnership Center of the Philippines, formerly known as the BOT Center, which is an attached agency to NEDA that is mandated to; (1) provide technical/advisory assistance to the implementing agencies, local government units (LGUs); (2) monitor implementation of PPP projects, and; (3), recommend plans, policies, and implementing guidelines, among others.

"Pre-Bid Conference" means the conference to be conducted by the DPWH for Pre-Qualified Bidders to clarify and respond to queries regarding any part of the Request for Proposals.

"Pre-Qualification" means the first stage of the Bidding Process involving the submission, opening and evaluation of the Pre-Qualification Documents submitted by Prospective Bidders.

"Pre-Qualification Conference" means the conference to be conducted by the DPWH for Prospective Bidders to clarify and respond to queries regarding any part of the Invitation Documents.

"Pre-Qualification Documents" means the documents required to be submitted by a Prospective Bidder during the Pre-Qualification, as provided in the Instructions to Prospective Bidders.

"Pre-Qualified Bidder" means a Prospective Bidder which passed Pre-Qualification.

"Prospective Bidder" means any partnership, corporation, or consortium which participates in the Bidding Process by applying to pre-qualify to Bid.

"Qualification Documents" means the documents required to be submitted by a Prospective Bidder during the Pre-Qualification, as provided in the Instructions to Prospective Bidders.

"Qualification Documents Submission Date" means the day set by the DPWH for the submission of Qualification Documents.

"ROW" means Right-of-Way, which is the land or land rights required for the Project.

"SLEX" means South Luzon Expressway, which is a network of three expressways connecting Metro Manila to the provinces of the CALABARZON region in the Philippines.

"Special Bids and Awards Committee" or "SBAC" means the Special Bids and Awards Committee for Public-Private Partnership Projects of the DPWH constituted under Special Order No. 68, dated 28 March 2011, , as amended by Special Order No. 117, Series of 2011 dated 13 June 2011, pursuant to the BOT Law.

"Technical Proposal" means the Traffic Study, Conceptual Engineering Design, Construction Plan, and Operation and Maintenance Plan, among

others, submitted by the Pre-Qualified Bidder as part of its Bid Proposal, in compliance with the Instructions to Bidders.

"Toll Operation Certificate" means the certificate issued by the TRB to the Concessionaire or, as applicable, to the entity designated by the Concessionaire as the Facility Operator, authorizing the operation of the CALAX Project as a public utility, including the collection of Tolls.

"TRB" means the Toll Regulatory Board, an agency attached to the Department of Transportation and Communications, which possesses regulatory authority over all toll facilities in the Philippines.

"Winning Bidder" means the Bidder determined by the DPWH as having the highest complying post-qualified Bid and issued a notice of award.

PART I. THE CALA EXPRESSWAY PROJECT

I. INTRODUCTION

In November 2010, the Philippine government launched the Public-Private Partnership (PPP) program to pursue key infrastructure development that would support its objectives of sustained and inclusive economic growth. The Cavite-Laguna (CALA) Expressway Project is among the government's priority PPP to be implemented under the Philippine Build-Operate-Transfer Law (the BOT Law) through the solicited mode.

The CALA Expressway started through the CALA Transport Study developed in 2006 by the Department of Public Works and Highways (DPWH), which contained the Department's medium-term corollary transport investment program and identified priority transport projects for funding and implementation for the CALA region. The CALA region's continuous growth spurred DPWH plans to implement a number of transport projects in the area in order to address growing serious traffic congestion.

Moreover, improving the overall investment climate together with the road network has been an urgent matter to foster domestic and foreign investments. In particular, economic activities are extremely concentrated in Metro Manila, causing serious congestion and delays of distribution of goods and movement of people, thus resulting to huge damage to economy and lowering the country's international competitiveness as an investment destination. Living condition on Metro Manila likewise eroded due to air pollution and traffic noise caused by chronic congestion.

Accordingly, solving traffic congestion in Metro Manila by networking surrounding cities and upgrading/expanding highways around Mega Manila, which covers Metro Manila, Central Luzon and CALABARZON, contributes to the improvement of both investment and living climate. The CALA Expressway will provide vital transport access to provinces of Cavite and Laguna, where rapid urbanization propelled by the private developers is on-going and economic/industrial zones are and being developed.

With the NEDA Board's approval on the Project last 18 January 2013, the Public-Private Partnership Center of the Philippines (PPP Center) provides the DPWH with technical assistance in the preparation of documents, particularly the invitation documents, and in the implementation of tender for the Project. In addition, the services of a Transaction Advisors will be engaged to finalize the PPP transaction structure, prepare the tender documents, and facilitate the conduct of the competitive tender process.

II. PROJECT DESCRIPTION

The Project, divided into two sections – Cavite and Laguna, is located in Region IV-A, crossing both provinces of Cavite and Laguna from east to west. The Cavite Section traverses the eastern to mid-section of the region, which is mostly agrarian with some residential and industrial areas. The Laguna Section traverses mostly build-up areas comprising of residential, industrial and commercial areas.

The Cavite Section is in the northern part of the Project in which the road alignment will commence at Kawit, Cavite, as KM -0.518. It will connect with the existing Manila-Cavite Expressway (CAVITEX) terminate at Aguinaldo Highway in Silang, Cavite at KM 28.400. The endpoint of the Cavite Section is the beginning of the Laguna Section that will end at SLEX Mamplasan Exit in Laguna. The financing and construction of this road section will be undertaken through GOP-ODA.

A. OBJECTIVES

The CALA Expressway Project will provide a more convenient and faster route to/from Metro Manila to Laguna, Cavite and nearby provinces. As such, it is expected to:

- a) Decongest traffic on existing national road network in the Cavite and Laguna (CALA) area, particularly;
 - i. Governor's Drive
 - ii. Aguinaldo Highway
 - iii. Sta. Rosa – Tagaytay Road
- b) Reduce travel time from the CALA area to Metro Manila and vice-versa;
- c) Serve as connector from the existing and operational CAVITEX and SLEX; and
- d) Improve competitiveness of Region IV-A/CALABARZON as an investment destination.

B. COMPONENTS

The Project involves:

- a) The Financing, Design and Construction of the Cavite Section, which is 28.90 Km from Manila-Cavite Expressway (CAVITEX) in Kawit, Cavite to Aguinaldo Highway in Silang, Cavite; and
- b) The Operation and Maintenance of the CALA Expressway Project as a close-system tolled expressway, which is a total of 47.018 Km,

composed of Cavite Section and Laguna Section, starting from CAVITEX and ending at South Luzon Expressway (SLEX) Mamplasan Interchange in Binan, Laguna.

FIGURE 1. Alignment of CALAX Project



The Project will include in addition to 4-lane highway, construction of centralized toll plazas, toll collection system, viaducts, bridges (i.e. waterway, expressway, overpass, underpass, and ramps).

The Laguna Section will be financed and constructed by the government. Upon completion, its operation and maintenance will be transferred to the CALA Expressway Concessionaire.

TABLE 1. Technical Description Summary

	CAVITE Section	LAGUNA Section
Length	28.9KM	18.1KM
Lanes	4 lanes	4 lanes
Lane Width	3.5 meters/lane	3.5 meters/lane
Median Width	1.2 meters	1.2 meters
Inner Shoulder Width	1.0 meters	1.0 meters
Outer Shoulder Width	2.5 meters	2.5 meters
ROW	60 meter wide ROW through generally flat terrain	60 meter wide ROW through rolling/hilly terrain
Interchanges	4 grade separated interchanges	5 grade separated interchanges
Structures	7,928 meters total length of bridges inclusive of 1,118 Km of viaduct	4,279 meters total length of bridges inclusive of 3,500 Km of viaduct
Design Speed	100 kph	100 kph
Roughness Index	2.5	2.5

TABLE 2. Alignment Summary

Description	Total Length (Km)	No. of Lanes	From	To
CAVITE Section				
CAVITEX Connection (Partially constructed by CAVITEX, CALA Expressway to complete interface with CAVITEX)	0.518	4	KM -0.518	KM 0.00
	1.500	4	CAVITEX Connection	Kawit Interchange
Interchange 1	7.500	4	Kawit Interchange	Daang Hari Interchange
Interchange 2	11.200	4	Daang Hari Interchange	Governor's Drive Interchange
Interchange 3	7.950	4	Governor's Drive Interchange	Aguinaldo Highway, Silang Interchange
Laguna Section				
Laguna Connection	0.250	4	Silang Interchange	Laguna Connection
Interchange 4	3.360	4	Aguinaldo Highway, Silang Interchange	Silang East Interchange
Interchange 5	5.250	4	Silang East Interchange	Sta. Rosa-Tagaytay Interchange

Interchange 6	2.400	4	Sta. Rosa- Tagaytay Interchange	Laguna Blvd. Interchange
Interchange 7	3.150	4	Laguna Blvd. Interchange	Technopark Interchange
Interchange 8	2.050	4	Technopark Interchange	Toll Barrier
SLEX Connection	1.890	4	Toll Barrier	SLEX
Total	47.018			

C. TOLL SYSTEM AND FEES

The Project will adopt a "close toll system" wherein toll rate will be based on the number of kilometers travelled from origin to destination exit. Both electronic and manual systems will be used for the collection of toll.

The following table shows the toll rate multiplier to be applied per vehicle class.

TABLE 3. Vehicle Class and Toll Rate Multiplier

Vehicle Class		Toll Rate Multiplier
Class 1	Light Vehicles: Car, Jeep, Passenger Van/Pickup, Taxi, Mega-Taxi, Jeepney, Mini-Bus	1.0x
Class 2	Medium Weight Vehicles: Aircon & Non-Aircon Bus, Goods Van/Pickup, 2-Axle Truck, Dump Truck, Tanker, Mixer	2.0x
Class 3	Heavy Vehicles: Rigid Truck with 3 or more Axles, Trailer (Articulated)	3.0x

The initial toll rate, starting year 2017, will be PhP5.00 per Km, inclusive of VAT. The toll rate adjustment will vary every 2 years with increase based on the Consumer Price Index (CPI) on the year of adjustment.

D. CONSTRUCTION COST

The construction cost was estimated based on several factors, as follows:

- a) Unit price used for similar GOP and PPP projects implemented or tendered from 2011 - 2012; and
- b) Procedures and composition for the derivation of base construction cost, used in similar projects.

The estimated civil works cost for the Cavite Section is PhP13,659.38 Million. Below is the over-all estimated project cost for the CALA Expressway.

TABLE 4. Estimated Project Cost, PhP Million

Component	Cavite Section (28.9 km.)	Laguna Section (18.1 km.)
Civil Works, DED & Other Costs	13,695.38	10,435.34
Government Subsidy/ Cost Share	72.10	1,327.49
ROW	5,937.32	4,109.20
Sub-TOTAL	19,704.79	15,872.03
Grand TOTAL	PhP 35,576.82 Million	

The construction of the Cavite Section will be financed by the private sector, including about 75% of the section's ROW cost. The Laguna Section on the other hand will be financed by the government.

E. TRAFFIC ANALYSIS

The project traffic estimation was based on a network traffic model developed using the JICA STRADA software, including all steps of the travel model calibration and demand forecasting. The JICA STRADA is a software tool for planning, managing, and analyzing of transportation systems and has been used for studies done around the world such as in Manila (1999), Ho Chi Minh (2004), Jakarta (2003), Cairo (2002), Hanoi (2005) and Nairobi (2004). The software provides a set of tools for traffic demand modeling as well as capabilities for presentation graphics and transportation models.

Projections in the CALA Study served as basis on the estimation of the traffic demand since the Project is located within the CALA Area. Other supplement studies used are:

- 2006 – JICA Feasibility Study and Implementation Support on CALA East West National Road project;
- 2010 – Study of Master Plan on High Standard Highway (HSH) Development in the Republic of the Philippines; and
- 2010 – Preparatory Survey for PPP Infrastructure Development Projects in the Republic of the Philippines.

Information on demographic, traffic and economic growth were considered in the forecasting model to estimate future changes to the nature and volume of trips in the study area. Major assumptions in the traffic study include:

- a) Values of time of the road users;
- b) Vehicle operating costs;
- c) Future road networks and road capacity;
- d) Future infrastructure development plan for the study area;

- e) Population;
- f) Employment rate;
- g) Income and poverty; and
- h) Economic assumptions - GDP and GNP.

Specifically, to update the data of previous studies done for the CALA Expressway, traffic surveys within the study area from October to November 2011 were conducted:

- a) Traffic Count Survey
- b) Travel Time Survey
- c) Public Transport Survey
- d) Axle Load Survey
- e) Willingness-To-Pay Survey
- f) Business Establishment Survey

The base year of the forecasts is year 2011. The horizon years are 2017, 2020, and 2030, with the assumption that the both Cavite and Laguna Sections will open in 2017. Applying the ramp-up of 10% in 2017, 60% in 2018, 80% in 2019 and 90% in 2020-onwards, the below is the conservative traffic assumed for the project.

TABLE 5. TRAFFIC FORECAST

Unit: AADT	2017	2020	2030
CAVITE SECTION			
CLASS 1	11,722	54,391	80,516
CLASS 2	4,826	21,830	28,239
CLASS 3	2,587	11,066	14,181
LAGUNA SECTION			
CLASS 1	7,481	88,107	147,706
CLASS 2	3,049	31,319	43,344
CLASS 3	1,658	16,092	20,978

F. GEOMETRIC DESIGN STANDARDS

The design criteria used in the preliminary engineering design both Cavite and Laguna Sections conform with the standards and specification of *AASHTO 2004*, the DPWH Highway Safety Design Standard, and the DPWH Road Safety Design Manual. The geometric design standard for CALAX Project is summarized in Table 6.

TABLE 6. Geometric Design Standard

Elements of Design	Criteria	Remarks
Design Speed, V		
Desired	60 kph	Flat Terrain, Urban Setting
Minimum	50 kph	Flat Terrain, Urban Setting
Stopping Sight Distance		
V = 60 kph	85 meters	2004 Ed. AASHTO
V = 50 kph	65 meters	2004 Ed. AASHTO
V = 40 kph	50 meters	2004 Ed. AASHTO
Typical Section		
Travel Lane Width	3.65 meters	Urban Setting
Inner Shoulder Width/Median Strip	1.00 meters	Urban Setting
Normal Crown Cross Slope	2%	2004 Ed. AASHTO
Normal Crown Outside Shoulder Cross Slope	2%	2004 Ed. AASHTO
Maximum Super-elevation	6%	2004 Ed. AASHTO
Horizontal Alignment		
Minimum Radius (for e = 6%)		
V = 60 kph	123 meters	2004 Ed. AASHTO's A Policy on Geometric Design of Highways and Streets
V = 50 kph	79 meters	
V = 40 kph	43 meters	
Minimum Curve Length		
V = 60 kph	100 meters	
V = 40 kph	70 meters	
Vertical Alignment		
Maximum Grade	4%	
Minimum Grade	0.30%	
A level grade is permissible in level terrain, uncurbed roadways and at toll facilities.		
Minimum Radius of Curvature		
Crest Curve, V = 60 kph	1500 meters	
Sag Curve, V = 60 kph	2000 meters	
Minimum Length of Vertical Curve	60 meters	DPWH Design Guide
Super-elevation Transition		
Super-elevation Runoff (Maximum Relative Gradient)		
V = 60 kph	1/167	2004 Ed. AASHTO
V = 40 kph	1/143	2004 Ed. AASHTO
For Simple Curve, 2/3 of super-elevation runoff shall be on the tangent and 1/3 within the curve.		

G. DETAILED ENGINEERING DESIGN

The Concessionaire will prepare the Detailed Engineering Design (DED) for Cavite Section, based on its Conceptual Engineering Design (CED) submitted as part of the Technical Proposal in its Bid, and as accepted by the DPWH. The DED shall be in accordance with the MPSS and shall be undertaken with a degree of accuracy that will allow estimates to be made within approximately plus or minus five percent (+/- 5%) of the final quantities.

Following are the outputs required from the Concessionaire for Cavite Section DED:

- a) Parcellary Plan
- b) Detailed design of the expressway and appurtenant structures;
- c) Detailed design of the toll facilities;
- d) Detailed design of expressway traffic safety devices;
- e) Supporting data for a), b) and c) above, including topography plans, geological investigation, hydraulic/drainage design, highway/geometric design, pavement, structural analysis and calculations, detailed specifications of materials, road safety report, and value engineering report; and
- f) Updated/Detailed Construction Plan, including schedule, milestones, and S-curve, and Traffic Management Plan.

H. RIGHT-OF-WAY

For transparency, government acquires the private properties through Republic Act No. 8974, otherwise known as the "Act To Facilitate the Acquisition of Right-Of-Way, Site Or Location For National Government Infrastructure Projects And For Other Purposes" or the Right-of-Way Acquisition Act, and that appropriate government agencies are responsible for that task.

I. IMPLEMENTATION SCHEME AND SCHEDULE

The Project will be implemented following the Build-Transfer-Operate (BTO) scheme/arrangement under the BOT Law of Republic Act 6957, as amended by Republic Act 7718 and its Implementing Rules and Regulations, July 2012 revision.

It will involve a 35-year concession period, inclusive of the design and construction period.

III. PROJECT IMPLEMENTING AGENCY

The Project is being implemented by DPWH, a department of the executive branch of Philippine Government. The DPWH is the engineering and construction arm of the Government and primarily responsible for the planning, classification, design, construction, operation, maintenance, and supervision of all public works and infrastructure facilities, particularly national roads and highways.

Its specific legal mandate in relation to national roads and highways is set out in its charter, Executive Order (EO) No. 1242 as amended under Book IV, Title V, Chapter 1, Section 3 of EO 2923 or the Administrative Code of 1987 as follows:

- a) Provide technical services for the planning, design, construction, maintenance, or operation of infrastructure facilities;
- b) Develop and implement effective codes, standards, and reasonable guidelines to ensure the safety of all public and private structures in the country and assure efficiency and proper quality in the construction of public works;
- c) Ascertain that all public works plans and project implementation designs are consistent with current standards and guidelines;
- d) Identify, plan, secure funding for, program, design, construct or undertake prequalification, bidding, and award of contracts of public works projects with the exception only of specialized projects undertaken by Government corporate entities with established technical capability and as directed by the President of the Philippines or as provided by law;
- e) Provide the works supervision function for all public works constructions and ensure that actual construction is done in accordance with approved government plans and specifications;
- f) Assist other agencies, including the local governments, in determining the most suitable entity to undertake the actual construction of public works projects;
- g) Maintain or cause to be maintained all highways, flood control, and other public works throughout the country except those that are the responsibility of other agencies as directed by the President of the Philippines or as provided by law;
- h) Provide an integrated planning for highways, flood control and water resource development systems, and other public works;
- i) Classify road and highways into national, regional, provincial, city, municipal, and barangay roads and highways, based on objective criteria it shall adopt; provide or authorize the conversion of roads and highways from one category to another;

- j) Delegate, to any agency it determines to have the adequate technical capability, any of the foregoing powers and functions; and
- k) Perform such other functions as maybe provided by law.

In addition to its charter, the EO 686 issued in 2007 provides that the DPWH also has the powers to:

- a) Determine the kind, type and nature of roads and highways;
- b) Enter into construction, operation and maintenance contracts of toll facilities for highways, roads, bridges and public thoroughfares; and
- c) Condemn private property for roads and highways.

IV. CONCESSION STRUCTURE

A. LEGAL FRAMEWORK FOR CONCESSION

The BOT Law provides the legal framework for government agencies to enter into PPP contracts with qualified private sector proponents for the prosecution of government infrastructure or development projects. In particular, the BOT Law and its Revised IRR describe the requirements and procedures for the preparation, approval, tendering and implementation of PPP projects.

The Project will be a public utility. The Project provides flexibility for the Concessionaire to both own the income stream and operate the Project, provided it satisfies the Filipino nationality requirement under Art. XII, Section 11 of the Philippine Constitution, or to own the income stream from the Project and appoint a Facility Operator to operate the Project. Under the second option, only the Facility Operator needs to satisfy the Filipino nationality requirement.

B. PROJECT STRUCTURE

The Project will be implemented as a variant of the build-transfer-operate (BTO) contractual arrangement, which is one of the PPP variants specifically authorized under the BOT Law.

In a BTO scheme, the private sector party or concessionaire will be required to construct the infrastructure facility and assume construction-related risks arising from cost overruns, delays and other performance risks connected to construction. Once the facility is commissioned satisfactorily, title over the facility is transferred to the implementing agency, but the private sector party operates the facility on behalf of the implementing agency pursuant to the terms of the concession agreement. As a form of repayment for financing,

constructing, operating and maintaining the facility, the private sector party is authorized to charge and collect tolls, fees and charges from the end users.

The principal terms and conditions governing the transaction are set out in the Concession Agreement, which provides for the obligations of the DPWH and the Concessionaire in respect of the development and operation of the facility, and other mutual undertakings, covenants and conditions to be performed or fulfilled by each of the parties.

The Government further recognizes the need to extend fiscal support to the Project in order to reduce the impact on commuter fares and to enhance the viability and bankability of the Project.

C. KEY COMMERCIAL FEATURES OF THE DRAFT CONCESSION AGREEMENT

The following are some of the key commercial features and terms that are contemplated under the draft Concession Agreement being prepared for the Project:

a) Concessionaire Obligation:

- i. 35-year concession comprising the design, construction, and the O&M period, reckoned from the signing of the Concession Agreement;
- ii. Raise financing of the Project cost and achieve financial close within the prescribed period specified in the Concession Agreement;
- iii. Construct works within 36 months from approval of the Detailed Engineering Design;
- iv. Operate and maintain the Project, or if the Concessionaire is foreign-owned or controlled, through its qualified Facility Operator to undertake the operation of the Project to defined levels of performance standards;
- v. Collect the authorized toll from users of the Project which shall be operated as closed toll system;
- vi. Assume the commercial risks for the profit or loss in the Project as a going business concern;
- vii. Turn-over the Project in good condition to DPWH at the end of the concession period.

b) DPWH obligations:

- i. Set opening toll rates as approved by TRB. The approved toll rates will be disclosed during the tender process.
- ii. Deliver in a timely manner the required basic ROW;
- iii. Engage the Independent Consultant (IC). Selection will be done by DPWH from a shortlist of firms to be approved by the Concessionaire, pursuant to provisions of Republic Act 9184 or the "Government Procurement Reform Act".
- iv. Assist the Concessionaire in securing necessary national government consents for the Project;

- v. Ensure the grant of the Toll Operation Certificate (TOC) from the TRB, subject to Concessionaire compliance with pre-defined obligations; and
 - vi. Ensure the application of the toll adjustment formula prescribed in the Concession Agreement and provide compensation in the event of disallowances of authorized computed tolls.
- c) Other major commercial points:
- i. Cost of the IC shall be borne equally by DPWH and the Concessionaire.
 - ii. Periodic toll adjustments shall be made every after two (2) years and based only on a domestic inflationary index based on the following formula:

$$TR_n = TR_o [(CPI_n/CPI_o)]$$

where:
 TR_n = New Toll Rate as adjusted
 TR_o = Old Toll Rate as of the last adjustment
 CPI_n = Consumer Price Index for month of the new review date issued by the National Statistics Office
 CPI_o = Consumer Price Index for the month of the last review date issued by the National Statistics Office
 - iii. A performance regime related to efficient flow of traffic, ride quality, safety, security and cleanliness will be defined in the Concession Agreement and payment obligations will be imposed on failure to meet Key Performance Indicators.
 - iv. Force majeure shall be a risk that will be shared by both the Concessionaire and DPWH.

Below is the risk allocation matrix for the Project.

TABLE 7. Risk Allocation Matrix

Risk/Responsibility	Allocation	Remarks
Traffic	Concessionaire	No minimum traffic guarantee
Toll & Adjustment Implementation	DPWH	Compensation provided for disallowance of adjustment based on agreed formula
Project Financing	Concessionaire	Private financing
Inflation & Foreign Exchange	Concessionaire	Relief provided for domestic inflation through Toll Adjust formula
ROW Acquisition	DPWH/ Concessionaire	Delivered by pre-agreed timeline
Design/Construction	Concessionaire	Performance Security for Construction posted in favor of DPWH
Operation/ Maintenance	Concessionaire	KPIs set with corresponding

		penalties for non-compliance, Performance Security for Operations posted in favor of DPWH
Political Risks	DPWH	Limited events
Force Majeure	Concessionaire and DPWH	Relief provided to Concessionaire on O&M performance of obligations, procedure and mechanism for addressing impact of FM events to be provided in the TCA
Turn-over at the end of Concession	Concessionaire	At pre-agreed conditions, testing & acceptance regime included in TCA

PART II. PROCUREMENT PROCESS

I. LEGAL BASIS OF PROCUREMENT

The international competitive bidding for the Project (“the Bidding”) will be conducted in accordance with the procurement rules and procedures set forth in the BOT Law and its 2012 Revised IRRs.

The Special Bids and Awards Committee for Public Private Partnership Projects of the DPWH (SBAC) created by DPWH Special Order No. 68, Series of 2011 dated 28 March 2011, as amended by Special Order No. 117, Series of 2011 dated 13 June 2011, shall administer the process of pre-qualification and bidding for the project.

II. OUTLINE OF THE BIDDING PROCESS

The Bidding for the Project will be conducted in an open and transparent manner following the two-envelope/two-stage system for soliciting bids under the Revised IRR. The general procedure for the Bidding will be as follows:

A. PRE-QUALIFICATION

The first stage is the pre-qualification Process, which will be governed by the Instructions to Prospective Bidders. Prospective Bidders may be partnerships, corporations or unincorporated consortia of two or more partnerships and/or corporations. During the Pre-Qualification stage, Prospective Bidders will have to submit documents that establish that they meet the legal, technical, and financial requirements set by the DPWH to bid for the CALAX Project.

Prospective Bidders will be asked to apply to pre-qualify to bid by submitting their Qualification Documents on the Qualification Documents Submission Date. After reviewing the documents, the SBAC will determine which Prospective Bidders fulfill the requirements to pre-qualify, and inform all Prospective Bidders who are pre-qualified within twenty (20) days of the Qualification Documents Submission Date. Only Pre-Qualified Bidders will be invited and allowed to submit a Bid for the Project.

B. PREPARATION OF BID PROPOSALS

After all Pre-Qualified Bidders are informed that they have pre-qualified, they may purchase the Instructions to Bidders and other Bidding Documents, which will include the Draft Concession Agreement and its Annexes, the Minimum Performance Standards and Specifications and its Annexes.

The Instructions to Bidders will contain the detailed rules and procedures for preparation, submission, and evaluation of Bid Proposals, the date, time, and location of the Pre-Bid Conference, and the Bid Proposal Submission Date,

which will be no less than 90 days after completion of pre-qualification. It will also describe the procedures to be followed from the Bid Proposal Submission Date until the signing of the Concession Agreement between the DPWH and the Winning Bidder or the corporation to be formed by the Winning Bidder.

Pre-Qualified Bidders will be allowed to send any comments and inquiries on any of the Bidding Documents, including the Draft Concession Agreement and the Minimum Performance Standards and Specifications.

C. PRE-BID CONFERENCE

During the Pre-Bid Conference, Pre-Qualified Bidders will be invited to raise any questions and issues regarding the Project, the Bidding Process, and the Bidding Documents. In addition, DPWH will make arrangements for Pre-Qualified Bidders which wish to have one-on-one discussions with it on any topic relating to the Bid.

The DPWH will release to Pre-Qualified Bidders the final drafts of the Concession Agreement and the Minimum Performance Standards and Specifications.

D. SUBMISSION OF BID PROPOSALS

Pre-Qualified Bidders will be asked to bid for the Project by submitting their Bid Proposals on the Bid Proposal Submission Date. The Bid Proposals to be submitted by Bidders on the Bid Proposal Submission Date shall contain:

- a) A Bid Letter in a prescribed form, corporate authorizations to bid, a Bid Security, and other supporting documents.
- b) A Technical Proposal, which will include:
 - i. Traffic Study;
 - ii. Conceptual Engineering Design of the Project;
 - iii. Construction Plan;
 - iv. Operation and Maintenance Plan;
 - v. Financial Model; and
 - vi. Other documents as may be required by DPWH.
- c) A Financial Proposal, which will include:
 - i. Bid Amount stating the highest concession payment to Government to undertake the Project according to the terms and conditions of the Concession Agreement; and
 - ii. Supporting financial model.

E. BID EVALUATION AND POST QUALIFICATION

The SBAC will first review the Bidders' Bid Letter and supporting documents. Only Bidders whose Bid Letters and supporting documents are complete will have their Technical Proposals opened. The SBAC will then review the Bidders'

Technical Proposals and evaluate them on a pass/fail basis. Bidders will be informed as to whether their Technical Proposals were passed. The SBAC will return the Financial Proposals of Prospective Bidders whose Technical Proposals did not pass.

Financial proposals of Bidders whose Technical Proposals were passed will be opened and evaluated. The Pre-Qualified Bidder whose Technical Proposal is passed and who submits a Bid with the Best Financial Proposal will be subject to a post-qualification process to verify the accuracy of the statements it made in its Qualification Documents and Bid Proposal.

Post-qualification will be done to verify and validate whether the Pre-Qualified Bidder whose Technical Proposal is passed and who submits a Bid with the Best Financial Proposal, passed all the requirements and conditions as specified in the Bidding Documents. Should the Bidder fail to meet any of the requirements or conditions, he will be "post-disqualified" and the SBAC will conduct the post-qualification on the Bidder with the next Best Financial Proposal.

F. AWARDING OF BIDDER AND ISSUANCE OF NOTICE OF AWARD

If the Winning Bidder with the Best Financial Proposal passes the post-qualification process, it will be designated the Winning Bidder and receive a Notice of Award.

G. SIGNING OF CONCESSION AGREEMENT

The Winning Bidder will have to provide proof of incorporation, capitalization, and availability of debt financing and post a Construction Performance Security within thirty (30) days of receipt of the Notice of Award, and will have to enter into a Concession Agreement immediately after providing these required documents.

III. INFORMATION AVAILABLE TO BIDDERS

Immediately after notifying Pre-Qualified Bidders that they have been pre-qualified, DPWH will allow Pre-Qualified Bidders access to a physical data room located at the DPWH Main Office, which contain documents and relevant background information relating to the Project, including but not limited to the following documents:

- a) 2006 JICA Feasibility Study and Implementation Support on CALA East West National Road project;
- b) 2010 Study of Master Plan on High Standard Highway (HSH) Development in the Republic of the Philippines;

- c) 2010 Preparatory Survey for PPP Infrastructure Development Projects in the Republic of the Philippines.
- d) 2012 Preparatory Survey for Expressway Projects in Mega Manila Region
- e) Detailed Engineering Design and Conceptual Engineering Design CALA Tollway Project – Cavite Section;
- f) Environmental Compliance Certificate for the Project; and
- g) Environmental Impact Assessment.

PART III. COUNTRY BACKGROUND

I. INVESTMENT CLIMATE

A. MACROECONOMIC OUTLOOK

The Philippines' macroeconomic fundamentals have remained resilient amidst recent international economic downturns. Immediately following the global economic recession that occurred in the years 2008 and 2009, the country registered an increase in GDP by 7.7%, the highest rate of increase in 34 years. It then registered a modest GDP growth of 3.9% in 2011 followed by a higher than expected growth of 6.6% in 2012. However as the global economic growth moderates, GDP growth is expected to decelerate to 5.9% in 2013.

From a high of PhP56.00 to the dollar in 2004, the Philippine peso has appreciated through the years rapidly against the US Dollar (USD). As of February 2013, the currency was trading at around PhP40.67 to the dollar. This is said to be mainly due to strong inflows of portfolio investments lured by prospects of high yields. A healthily growing economy against a background of weak developed-world economic growth, together with continued current-account surpluses, should further enhance the performance of the Philippine peso. The currency is forecasted to continue to appreciate against the US dollar, strengthening to an average of PhP38.00 to the dollar in 2015.

TABLE 7. Key Economic Indicators, Philippines, 2006-2012

Particulars	2006	2007	2008	2009	2010	2011	2012
GDP at Market Prices (PhP B)*	6,271	6,892	7,721	8,026	9,003	9,735	10,568
Real GDP growth (%)*	5.2	6.6	4.2	1.1	7.6	3.9	6.6
Consumer Price Inflation (Ave. %)*	5.5	2.9	8.3	4.1	3.8	4.6	3.2
Population/Census Year (M)*		88.5			92.3		
Exports of Goods at Current Prices (PhP B)*					2,260	2,069	2,126
Imports of Goods at Current Prices (PhP B)*					2,636	2,832	2,484
Exchange Rate (Ave.) PhP:US\$**	51.31	46.15	44.48	47.64	45.11	43.31	42.23

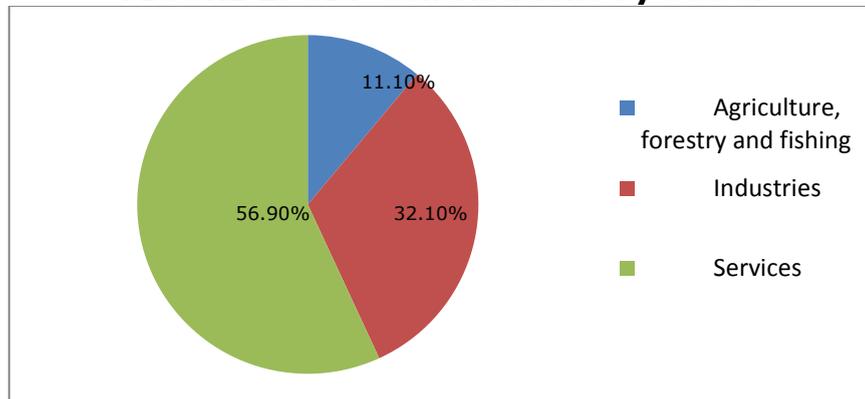
Source: *National Statistical Coordination Board

**Banko Sentral ng Pilipinas

In 2012, the Agriculture-Fishery-Forestry sector accounted for 11.10 % of the GDP while the Industry Sector accounted for 32.10% of the GDP. The service sector remains the main GDP driver accounting for 56.90% of the country's

GDP. This is due to the increasing telecommunication demand and trading activities in the country.

FIGURE 2. GDP Contributions by Sector



Source: National Statistical Coordination Board

With the robust growth of the Services sector led by Trade and Real Estate, Renting & Business Activities, accentuated by the sturdy performances of Manufacturing and Construction, the country's Gross Domestic Product (GDP) grew by 6.6% in 2012.

In terms of the country's credit rating, three major credit rating agencies upgraded the sovereign credit rating of the Philippines to near-investment grade. Credit agencies Standard & Poor's, Moody's, and Fitch upgraded the credit rating of the country from stable to positive or one notch below investment grade. These credit rating upgrades have been the result of recent sustained macroeconomic stability, high economic prospects and improved revenue collection in the country.

TABLE 8. Sovereign Credit Ratings of the Philippines to Date

Credit Rating Agency	Previous Rating	Current Rating	Date of Upgrade
Standard and Poor's	BB-	BB+	04 July 2012
Moody's	Ba2	Ba1	29 October 2012
Fitch	BB	BB+	23 June 2011

Source: Department of Finance

B. FINANCIAL SYSTEM

BANKING SYSTEM

The Philippines has a banking sector that dates back as early as the mid-1800s. As of September 2012, there are 37 universal and commercial banking companies operating in the country, with total 4,956 regional offices and 35 overseas. Bank distribution is concentrated in key urban areas specifically in NCR, CALABARZON (Region IV-A), Central Luzon (Region 3), and Central and Western Visayas (Region 7 and 6).

Among these banks are active in financing the infrastructure sector, i.e., Development Bank of the Philippines, Bank of the Philippine Islands, Land Bank of the Philippines, Philippine National Bank, Standard Charter, and Banco De Oro. Most of these banks have signified their keenness in financing Public-Private Partnership endeavours.

CAPITAL MARKETS

The country has a long-established, active stock market, called the Philippine Stock Exchange (PSE), which was created in 1992 from the merger of the Manila Stock Exchange (founded in 1927) and the Makati Stock Exchange (founded in 1963).

The PSE composite index (PSEi) from January 2010 to early March 2013 provides a glimpse of the recent performance of the Philippine capital market. The PSEi's upward trend depicts that market has been bullish as investors expect an increase of value of their investments. The table below sets out movements in the composite index from 1998 to 2013.

TABLE 9. COMPOSITE INDEX, 1998-2013

YEAR	COMPOSITE INDEX
1998	1,968.8
1999	2,142.9
2000	1,494.5
2001	1,168.1
2002	1,014.4
2003	1,442.4
2004	1,822.8
2005	2,096.0
2006	2,982.5
2007	3,621.6
2008	1,872.8
2009	3,052.7
2010	4,201.1
2011	4,371.9
2012	5,812.7
2013 (As of March 15, 2013)	6,654.6

Source: Philippine Stock Exchange, Inc.

To further provide alternative sources of capital, the Philippine Government has been active in developing a Philippine Fixed Income Exchange. This aims to centralize market transactions for fixed income securities and establish a venue for secondary trading of private and public fixed income securities. The Securitization Act of 2004 is also envisaged to boost the local capital market

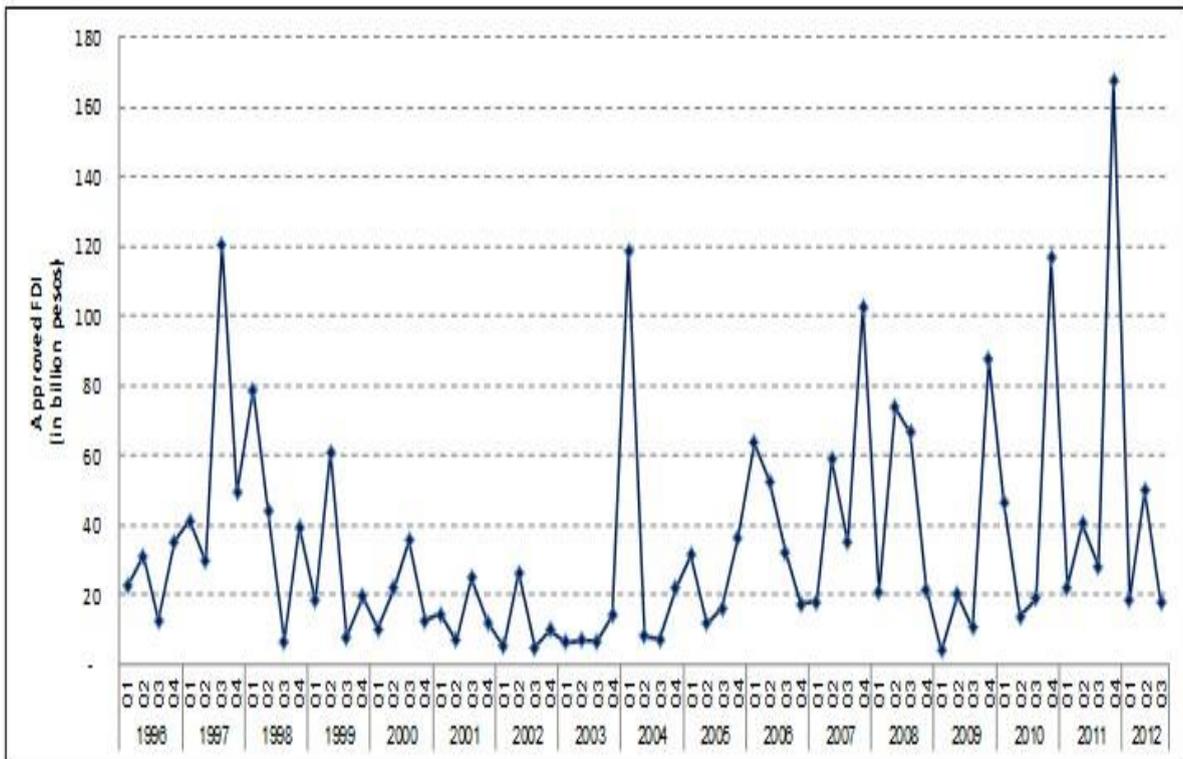
by providing an alternative source of funds other than bank loans or the issuance of equities in the stock market.

C. FOREIGN INVESTMENT

FDIs in 2012 recorded a 9.8% jump from 2011 rising from USD 1.9 Billion to USD 2 Billion. According to the Bangko Sentral ng Pilipinas, the factors that contributed to increase in investment confidence from foreigners were strong economic growth amid low and stable inflation, as well as a strong external payments dynamics.

As of the first nine months of 2012, a total of 86 Billion Pesos worth of FDIs have been secured, again, mainly towards manufacturing. Continues entry of FDIs assure steady rise in income and employment figures in the country, most notably in economic zones dispersed throughout the country.

FIGURE 3. Approved Foreign Direct Investments, 1996 - 2011



Source: National Statistical Coordination Board, (Aggregated Quarterly figures)

Figure 5 above shows that the approved amount of FDIs in the country is increasing since 2010.

The Philippines is also increasingly becoming the favorite place to invest by foreign firms as evidenced by the ASEAN Business Outlook Survey which revealed that the country is the most popular country for expansion in the ASEAN region increasing to 49% in 2012 from 32% in 2011.

According to the Department of Trade and Industry (DTI), with the global economic recession in 2008 that spilled over in 2009, the country was able to

bring in investments at reasonable levels. With the worst period of the global economic slump over, together with the private sector, DTI will continue to pursue policy reforms to improve the country's competitiveness in the global market. It is committed to place additional measures to make business transactions with the government easier and more transparent to take advantage of the global economic rebound.

D. INTEREST RATES

Together with an active and continuously expanding capital market through the years, the Philippines have modest interest rates. As can be seen in the Treasury Bill (T-Bill) Rates from 2010 to the mid-2011, interest rates showed an overall downward trend from over 12% in 2006 to around 4% as of March 2013.

FIGURE 4. T-Bill Rates, January 2000–March 2013



Source: Bangko Sentral ng Pilipinas

Lending rates also followed the same trend as rates have moderated from a high of above 15% and a low of around 12% in 2001, to a high of 6% and a low of around 5% in 2012. Philippine 10-year Treasury bill yields is likewise at an all-time low. From a high of 20.5% recorded in October of 2000, the yield is at an all-time low of 3.5% in March 2013.

FIGURE 5. Lending Rates, January 2000–March 2013

Source: *Bangko Sentral ng Pilipinas*

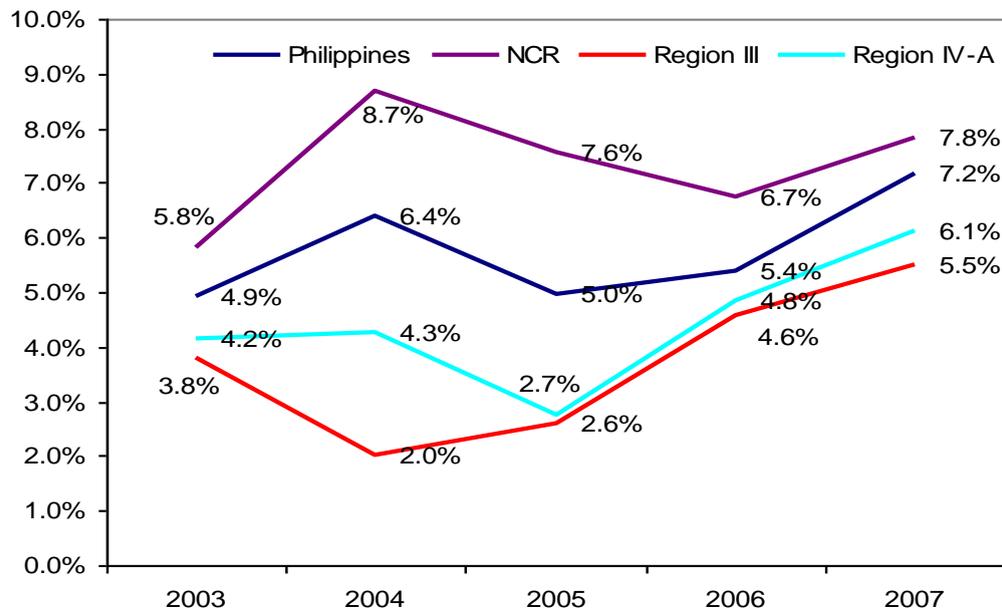
II. CALABARZON REGION SOCIO-ECONOMIC PROFILE

A. CALA PHYSICAL AND ECONOMIC TREND

The project is located in Region IV-A, specifically in the provinces of Cavite and Laguna. Region IV-A or CALABARZON is composed of five provinces of Cavite, Laguna, Batangas, Rizal and Quezon. The region covers about 16,873 km² or equivalent to 4.9% of land area of the country, compared to 620 km² or 0.2% share of NCR. The population of barangays directly affected by the alignment of CALA Expressway totaled 107,584, of which Cavite province has 45,952 and Laguna province has 61,632. The total area covered by these barangays is about 66.9 km² wherein 37.0 km² is located in Cavite side and the remaining is on the side of Laguna.

The economic performance of Region IV-A and its neighboring regions is shown in Figure 6. These three regions, NCR, Region III and Region IV-A, are considered the economic engine of the country contributing 56.8% of the country's economic output. NCR consistently surpassed the national average. Region IV-A's growth rate is just a bit lower than the national average but still a strong growth at 6.1%

FIGURE 6. GDP GROWTH RATE, 2007



Source: NSO, 2007

The industrial structure of the economy of Region IV-A is as follows: Primary Sector (18%), Secondary Sector (41%), and Tertiary Sector (41%) as shown in Table 10.

The Primary Sector includes agriculture (both subsistence and commercial), mining, forestry, farming, grazing, hunting and gathering, fishing, quarrying, and packaging and processing of raw materials. Secondary Sector covers manufacturing, processing, and construction, such as metal working and smelting, automobile production, textile production, chemical and engineering industries, aerospace manufacturing, energy utilities, engineering, breweries and bottlers, construction, and shipbuilding. Tertiary Sector is the service industry which include retail and wholesale sales, transportation and distribution, entertainment (movies, television, radio, music, theater, etc.), restaurants, clerical services, media, tourism, insurance, banking, healthcare, and law.

TABLE 10. INDUSTRIAL STRUCTURE OF THE ECONOMY, 2007

	Primary	Secondary	Tertiary	Total
Philippines	251,272	445,486	671,883	1,368,641
NCR	1	151,135	295,656	446,793
Region III	27,963	40,500	45,539	114,001
Region IV-A	30,253	67,971	67,853	166,077
IN PERCENTAGE				
Philippines	18 %	33 %	49 %	100 %
NCR	0 %	34 %	66 %	100 %
Region III	25 %	36 %	40 %	100 %
Region IV-A	18 %	41 %	41 %	100 %

Source: NSO, 2007

In terms of establishments and employment, Region IV-A has 114,208 in 2007. This number is higher than the number of establishments recorded in the neighboring provinces, except for Metro Manila. The said number of establishments generated 856,193 employments in the region.

TABLE 11. NUMBER OF ESTABLISHMENTS AND EMPLOYMENTS BY REGION/PROVINCE: LUZON

Region/Province	No. of Establishments			No. of Employments		
	2005	2006	2007	2005	2006	2007
Philippines	782,980	783,065	783,869	5,479,297	4,984,883	5,187,793
NCR	195,412	195,632	196,426	1,976,359	1,869,507	2,025,751
Region III	84,368	84,344	84,361	480,020	419,320	421,962
Region IV-A	114,182	114,114	114,208	924,867	857,361	856,193
Cavite	28,737	28,705	28,709	286,300	266,149	261,334
Laguna	27,028	27,015	27,059	318,264	311,564	322,732
Batangas	19,606	19,579	19,599	128,134	113,700	109,162
Rizal	22,592	22,592	22,618	124,583	111,996	110,490
Quezon	16,219	16,223	16,223	67,586	53,952	52,475
Luzon Total	362,654	362,819	363,539	2,790,975	2,564,084	2,723,991

Source: NSO, Statistical Sampling and Operations Division, 2000 List of Establishments

Moreover, the region has been home to a significant number of industrial and commercial firms, from large international firms, to emerging small and medium enterprises. It is as considered one of the country's main industrial hubs. The two provinces have capitalized on its strategic location being adjacent to the National Capital Region to sustain urban growth, while maintaining non-urban areas agro-industrial development. Construction of the Project will further boost the attractiveness of the region as the prime economic zone location in the country.

As of December 2012, a total of 29 operating economic zones and industrial parks have been developed in the two provinces.

TABLE 12. Economic zones in the Cavite-Laguna Area as of December, 2012

Province	Manufacturing, IT Economic Zones	Automobile Economic Zones	Total
Laguna	18	2	20
Cavite	9	0	9
Total	27	2	29

Source: Philippine Economic Zone Authority, 2012

B. VEHICLE OWNERSHIP IN CALA AREA

Vehicles that regularly ply the roads of Cavite are cars, utility vehicles, sports utility vehicle, trucks, buses, motorcycle/tricycle and trailers. Based on 2011

records of the Land Transportation Office (LTO), Region IVA in Lipa City, Batangas, a total of 240,049 units of motor vehicles are registered wherein 36.66% or 88,004 units are registered at Imus District Office; 22.93% or 55,043 units are at Kawit District Office; while Tagaytay City Extension Office reflects a total of 44,155 units and Dasmariñas Extension Office has a total registration of 52,847 units or a total of 22.02%.

The highest number of motor vehicles registered was motorcycle/tricycle with 53.20% of the total of 127,702 units followed by utility vehicles with 27.54% or 66,109 units, while cars registered a total of 33,026 units. The least of the registered vehicles is trailer truck with only 137 units.

For both in Cavite and Laguna, number of vehicle registration are in an upward trend with 184,268 total vehicle registered in both provinces in 2007 growing to 196,739 total vehicle registrations in 2010.

TABLE 12 Actual Vehicle Registration Cavite and Laguna, 2007-2010

Province	2007	2008	2009	2010
Cavite – Total	91,614	94,732	98,117	97,417
Class 1	87,593	90,623	94,106	93,662
Class 2	143	95	103	89
Class 3	3,878	4,014	3,908	3,666
Laguna – Total	92,654	93,231	99,667	99,322
Class 1	85,440	86,128	91,915	91,945
Class 2	204	281	343	246
Class 3	7,010	6,822	7,409	7,131

Source: Land Transportation Office, 2011

III. INVESTMENT FRAMEWORK

A. TAXATION

Laws governing the Philippine taxation are provided in the National Internal Revenue Code, as revised by the Tax Reform Act of 1997, effective January 1, 1998. Taxation is administered by the Bureau of Internal Revenue (BIR) under the Department of Finance.

CORPORATE TAX

Corporate tax is a tax to be paid by a corporation based on the amount of profit generated. Below is a table showing the various tax rates applicable:

TABLE 13. Corporate Income Taxation

Sources	Domestic/Resident Foreign Corporation	Non-resident Foreign Corporation
Taxable income not subject to special tax rates	30%	30%
Interest on foreign loans	20%	35%
Interest income derived by a domestic corporation from a depository bank under the expanded foreign currency deposit system	N/A	20%
Dividends from domestic corporations	7.5%	N/A
Gains on sales of shares of stock not traded in the Stock Exchange		
Not over Php100,000.00	5%	5%
On any amount in excess of Php100,000.00	10%	10%

Source: Board of Investments

A Minimum Corporate Income Tax (MCIT) was also established under the Tax Reform Act. A minimum of 2% MCIT on gross income on an annual basis is imposed on corporations whose regular corporate income tax liability is less than the MCIT beginning the fourth taxable year following the year they commenced business operation. Any excess of the MCIT over the normal tax will be carried forward and credited against the normal tax for the succeeding three (3) taxable years.

Aside from that, there is Improperly Accumulated Earnings Tax, which is a 10% tax imposed on the improperly accumulated earnings of a corporation, except in the case of publicly held corporations, banks, and other non-bank financial intermediaries and insurance companies. When a corporation allows its earnings or profit to accumulate beyond its reasonable needs, it is assumed that the purpose is to avoid tax on stockholders, unless proven to the contrary.

INCOME TAX

Income Tax is a tax on a person's income, emoluments, profits arising from property, practice of profession, conduct of trade or business or on the pertinent items of gross income specified in the Tax Code of 1997 less the deductions and/or personal and additional exemptions, if any, authorized for such types of income, by the Tax Code or other special laws.

TABLE 14. Individual Taxation

Sources	Rates
Non-resident aliens not engage in trade and business flat income tax rate	25%
Resident citizens/aliens (gainfully employed) Graduated income tax rates	0- 35%

VALUE-ADDED TAX (VAT)

VAT is a form of sales tax. It is equivalent to 12% of the gross selling price or gross value in money of goods or properties sold, bartered or exchanged. It is a tax on consumption levied on the sale of goods and services and on the imports of goods into the Philippines. Those required to file VAT returns are as follows:

- a) Every person or entity who in the course of their trade, or business, sells or leases goods, properties and services subject to VAT, if the aggregate amount of actual gross sales or receipts exceed One Million Five Hundred Thousand Pesos (P1,500,000.00) for any twelve month period.
- b) A person required to register as VAT taxpayer but failed to register.
- c) A person who imports goods.

VAT registered entities are required to issue an invoice or receipt for every sale and, in addition to regularly required accounting records, they must maintain subsidiary sales and purchase journals exclusively for VAT purposes. VAT reports must be submitted on a quarterly basis, twenty-five days after the end of the quarter. VAT payments must be made on a monthly basis.

TAX TREATIES

The Philippines has tax treaties with various countries to provide for tax relief on income derived by foreign or local residents of the Philippines and the foreign country from sources within their respective territories. The tax relief includes tax exemption or entitlement to preferential tax rates on certain types of income such as interest, royalties and dividends.

The business profits of a resident of another country with whom the Philippines has a tax treaty are taxable in the Philippines only if the resident has a permanent establishment in the Philippines to which the profits are attributable.

As of January 2012, the Philippines have a total of 37 effective tax treaties. Following is the list of countries and their dates of effectivity:

TABLE 15. Effective Philippine Tax Treaties

Country	Date of Effectivity	Date and Venue of Signature
1. Australia	January 1, 1980	May 11, 1979, Manila, Philippines
2. Austria	January 1, 1983	April 4, 1981, Vienna, Austria

3. Bahrain	January 1, 2004	November 7, 2001, Manila, Philippines
4. Bangladesh	January 1, 2004	September 8, 1997, Manila, Philippines
5. Belgium	January 1, 1981	October 2, 1976, Manila, Philippines
6. Brazil	January 1, 1992	Sept. 29, 1983, Brasilia, Brazil
7. Canada	January 1, 1977	March 11, 1976, Manila, Philippines
8. China	January 1, 2002	November 18, 1999, Beijing, China
9. Czech	January 1, 2004	November 13, 2000, Manila, Philippines
10. Denmark (Renegotiated)	January 1, 1998	June 30, 1995, Copenhagen, Denmark
11. Finland	January 1, 1982	October 13, 1978, Manila, Philippines
12. France	January 1, 1978	January 9, 1976, Kingston, Jamaica
13. Germany	January 1, 1985	July 22, 1983, Manila, Philippines
14. Hungary	January 1, 1998	June 13, 1997, Budapest, Hungary
15. India	January 1, 1995	February 12, 1990, Manila, Philippines
16. Indonesia	January 1, 1983	June 18, 1981, Manila, Philippines
17. Israel	January 1, 1997	June 9, 1992, Manila, Philippines
18. Italy	January 1, 1990	December 5, 1980, Rome, Italy
19. Japan	January 1, 1981	February 13, 1980, Tokyo, Japan
20. Korea	January 1, 1987	February 21, 1984, Seoul, Korea
21. Malaysia	January 1, 1985	April 27, 1982, Manila, Philippines
22. Netherlands	January 1, 1992	March 9, 1989, Manila, Philippines
23. New Zealand	January 1, 1981	April 29, 1980, Manila, Philippines
24. Norway	January 1, 1998	July 9, 1987, Manila, Philippines
25. Pakistan	January 1, 1979	February 22, 1980, Manila, Philippines
26. Poland	January 1, 1998	September 9, 1992, Manila, Philippines
27. Romania	January 1, 1998	May 18, 1994, Bucharest, Romania
28. Russia	January 1, 1998	April 26, 1995, Manila, Philippines
29. Singapore	January 1, 1977	August 1, 1977, Manila, Philippines
30. Spain	January 1, 1994	March 14, 1989, Manila, Philippines
31. Sweden (Renegotiated)	January 1, 2004	June 24, 1998, Manila, Philippines
32. Switzerland	January 1, 2002	June 24, 1998, Manila, Philippines
33. Thailand	January 1, 1983	July 14, 1982, Manila, Philippines
34. United Arab Emirates	January 1, 2009	September 21, 2003, Dubai, UAE
35. United Kingdom of Great Britain and Northern Ireland	January 1, 1979	June 10, 1976, London, United Kingdom
36. United States of America	January 1, 1983	October 1, 1976, Manila, Philippines
37. Vietnam	January 1, 2004	November 14, 2001, Manila, Philippines

Source: Bureau of Internal Revenue

TAX INCENTIVES

The Omnibus Investments Code grants tax holidays of either four or six years to Board of Investments-registered enterprises, provided qualifies under the annual Investments Priority Plan entitlements.

Tax credits are also granted for purchase of Philippine-made capital equipment and raw materials.

Under the BOT Law and its IRR, projects costing more than PhP 1 Billion are entitled to incentives, upon registration with the Board of Investments (BOI), as provided under the Omnibus Investment Code. Other incentives may be provided through P.D. 535 (1974), otherwise known as the "Tourism Incentives Program of 1974".

LGUs may also provide additional tax incentives, exemptions or reliefs, subject to the provisions of the Local Government Code (LGC) of 1991.

LOCAL TAX

The LGC of 1991 provides for the fiscal autonomy of cities or local governments from the national government, and allows them to impose local and real property taxes.

Cavite and Laguna Provinces, where the Project will be operated, are allowed to impose business taxes, based on their respective revenue ordinances or enacted resolutions/ordinances.

Local contractor's tax under which the Concessionaire could be subject is a graduated tax with a maximum of between 0.5% to 0.75% of gross receipts under the Local Government Code.

Below is a table showing the schedule of taxes that municipalities may levy on contractors, per gross receipts for the preceding calendar year. However, the rates of taxes that cities may levy may exceed the maximum rates allowed for the province or municipality by not more than 50%.

TABLE 16. Amount of Tax Per Annum

Gross Receipts (in PhP)	Amount of Tax Per Annum (in PhP)
Less than 5,000.00	27.50
5,000.00 or more but less than PhP 10,000.00	61.60
10,000.00 or more but less than 15,000.00	104.50
15,000.00 or more but less than 20,000.00	165.00
20,000.00 or more but less than 30,000.00	275.00
30,000.00 or more but less than 40,000.00	385.00
40,000.00 or more but less than 50,000.00	550.00

50,000.00 or more but less than 75,000.00	880.00
75,000.00 or more but less than 100,000.00	1,320.00
100,000.00 or more but less than 150,000.00	1,980.00
150,000.00 or more but less than 200,000.00	2,640.00
200,000.00 or more but less than 250,000.00	3,630.00
250,000.00 or more but less than 300,000.00	4,620.00
300,000.00 or more but less than 400,000.00	6,160.00
400,000.00 or more but less than 500,000.00	8,250.00
500,000.00 or more but less than 750,000.00	9,250.00
750,000.00 or more but less than 1,000,000.00	10,250.00
1,000,000.00 or more but less than 2,000,000.00	11,500.00
2,000,000.00 or more	at a rate not exceeding fifty percent (50%) of one percent (1%)

Source: Local Government Code of 1991, Book II Local Taxation and Fiscal Matters

B. FOREIGN EXCHANGE

Foreign exchange may be bought and sold freely by foreign corporations operating in the Philippines and may be brought into or sent out of the country with few restrictions.

Foreign investments and profits can also be repatriated in foreign exchange with minimal control from the Bangko Sentral ng Pilipinas (BSP or Central Bank of the Philippines). Registration of foreign investments with the BSP requires proof of inward remittance of the foreign exchange used to fund the investment and has now become essentially an automatic process after the necessary corporate registration has been completed by the Philippine Securities and Exchange Commission. Should the banking system be also used for the payment of royalties, the related royalty contract should be registered with the Technology Transfer Registry of the Bureau of Patents, Trademarks, and Technology Transfer.

C. FOREIGN OWNERSHIP AND MANAGEMENT

The Philippine Constitution and a number of Philippine laws operate to limit the extent to which non-Philippine nationals may participate in the ownership and management of public utilities. No franchise, certificate or any other form of authorization for the operation of a public utility shall be granted except to citizens of the Philippines or to 60% Foreign - 40% Filipino companies.

Only forty percent (40%) ownership of common shares, and not of the total outstanding capital stocks (common and non-voting preferred shares), of corporations operating public utilities is allowed to non-Philippine nationals. All

executive and managing officers of such corporation are then restricted to Filipino citizens.

To ensure compliance with these nationality requirements, Commonwealth Act No. 108, also known as the "Anti-Dummy Law," provides that any person, corporation or association with a right, franchise or privilege, the exercise or enjoyment of which is expressly reserved by the Constitution or the laws to the citizens of the Philippines or to 60/40 companies, is prohibited from permitting or allowing the use, exploitation or enjoyment of such right, franchise or privilege by a non-qualified person or entity or in any manner permitting or allowing any non-qualified person to intervene in the management, operation, administration, or control thereof, whether as an officer, employee or laborer therein, with or without remuneration, except technical personnel whose employment may be specifically authorized by the Secretary of Justice. The Anti-Dummy Law, however, allows the election of aliens as members of the board of directors or governing body of corporations in proportion to their allowable participation in the capital of such entities and the employment of foreigners in the capacity of technical consultants.

IV. REGULATORY FRAMEWORK

A. NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY

The National Economic and Development Authority (NEDA) is the country's independent economic development and planning agency. The NEDA is primarily responsible for formulating the country's social and economic policies, plans and programs, including the formulation of annual and medium-term public investment programs.

National projects implemented through the BOT Law and costing more than Php300 million must be submitted to the NEDA Board for approval upon the recommendation of the Investment Coordination Committee (ICC).

The NEDA Board is headed by the President, with the Secretary of Socio-Economic Planning, concurrently NEDA Director-General, as vice-chairman. The other members of the NEDA Board are the Executive Secretary and the (a) Secretary of Finance, (b) Secretary of Trade and Industry, (c) Secretary of Agriculture, (d) Secretary of Environment and Natural Resources, (e) Secretary of Budget and Management, (f) Secretary of Labor and Employment, and (g) Secretary of Local Government.

B. TOLL REGULATORY BOARD

The Toll Regulatory Board (TRB) is a government agency created on 31 March 1977 by virtue of Presidential Decree No. 1112 (PD 1112), otherwise known as the "Toll Operation Decree." It is an attached agency of the Department of Transportation and Communications.

The TRB Board is composed of the Secretary of Transportation and communications as Chairman, and its members are the Secretaries of Public Works and Highways, the Department of Finance, and the National Economic Development Authority, or their duly authorized representatives with ranks not lower than Undersecretary.¹¹ A representative from the public sector, preferably a lawyer or an economist with adequate experience in public utilities regulation, also serves on the Board.

The TRB has the powers to:

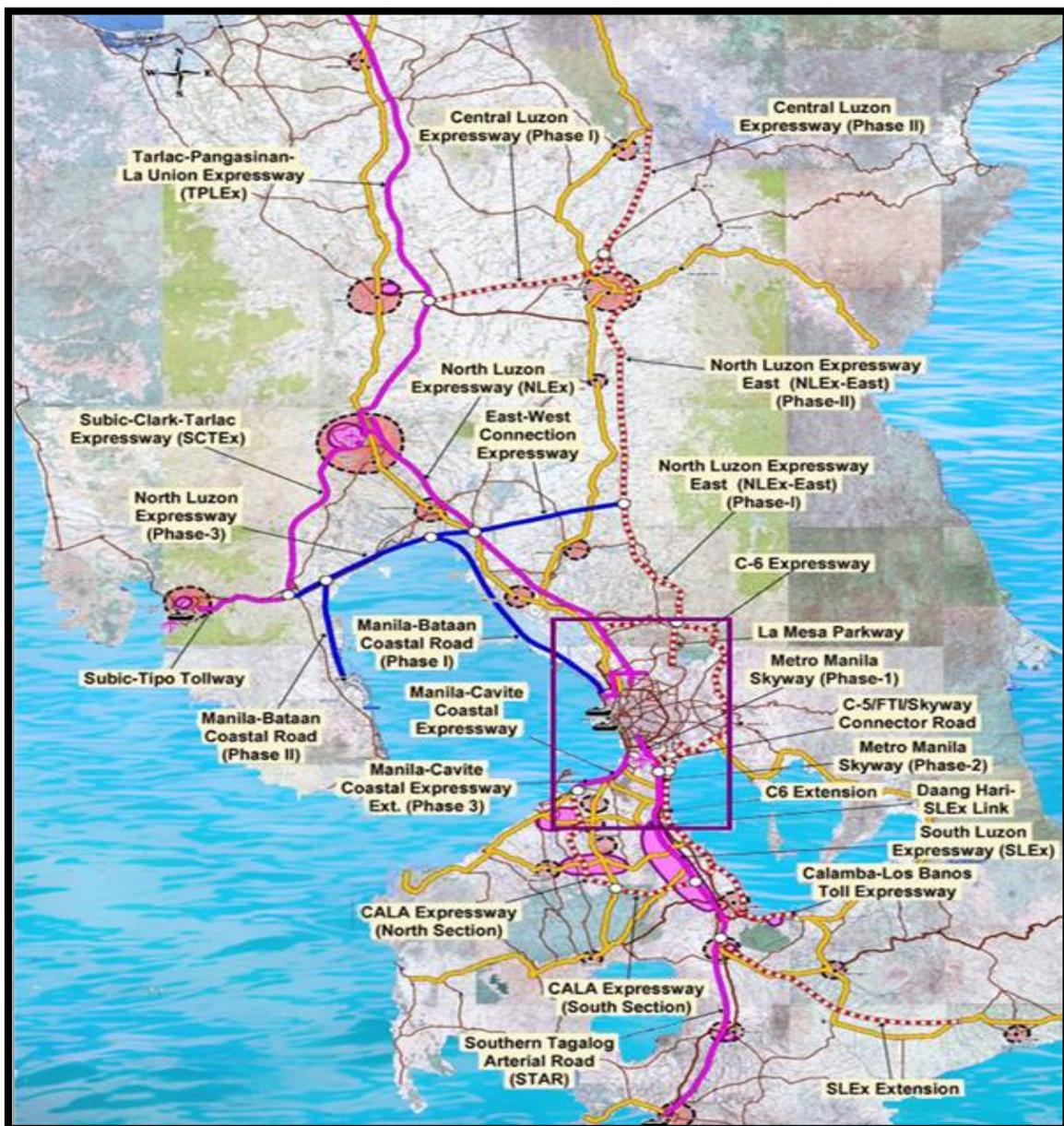
- a) Grant authority to operate a toll facility and to issue the necessary Toll Operation Certificate;
- b) Issue, modify and promulgate the rates of toll that will be charged the direct users of toll facilities; and
- c) Approve or disapprove petitions for toll increases.

PART IV. PHILIPPINE TOLL ROAD SYSTEM

The Philippine High Standard Highway Master Plan is shown in the figure below. It provides the long list of proposed Expressways as identified in the Master Plan for implementation in the Medium Term Plan, 2011-2016 and beyond.

The DPWH completed on July 2010 the Study of Master Plan on High Standard Highway (HSH) Development in the Republic of the Philippines through technical assistance of the Japan International Cooperation Agency (JICA). It focused on Metro Manila and its surrounding areas extending 200 KM radius including Metro Cebu and Tagum, Davao and General Santos Corridor.

FIGURE 7. High Standard Highway Masterplan



Source: Department of Public Works and Highways

FIGURE 8. PROPOSED HSH-1 AND HSH-2 NETWORK IN 2030 SOUTH OF METRO MANILA

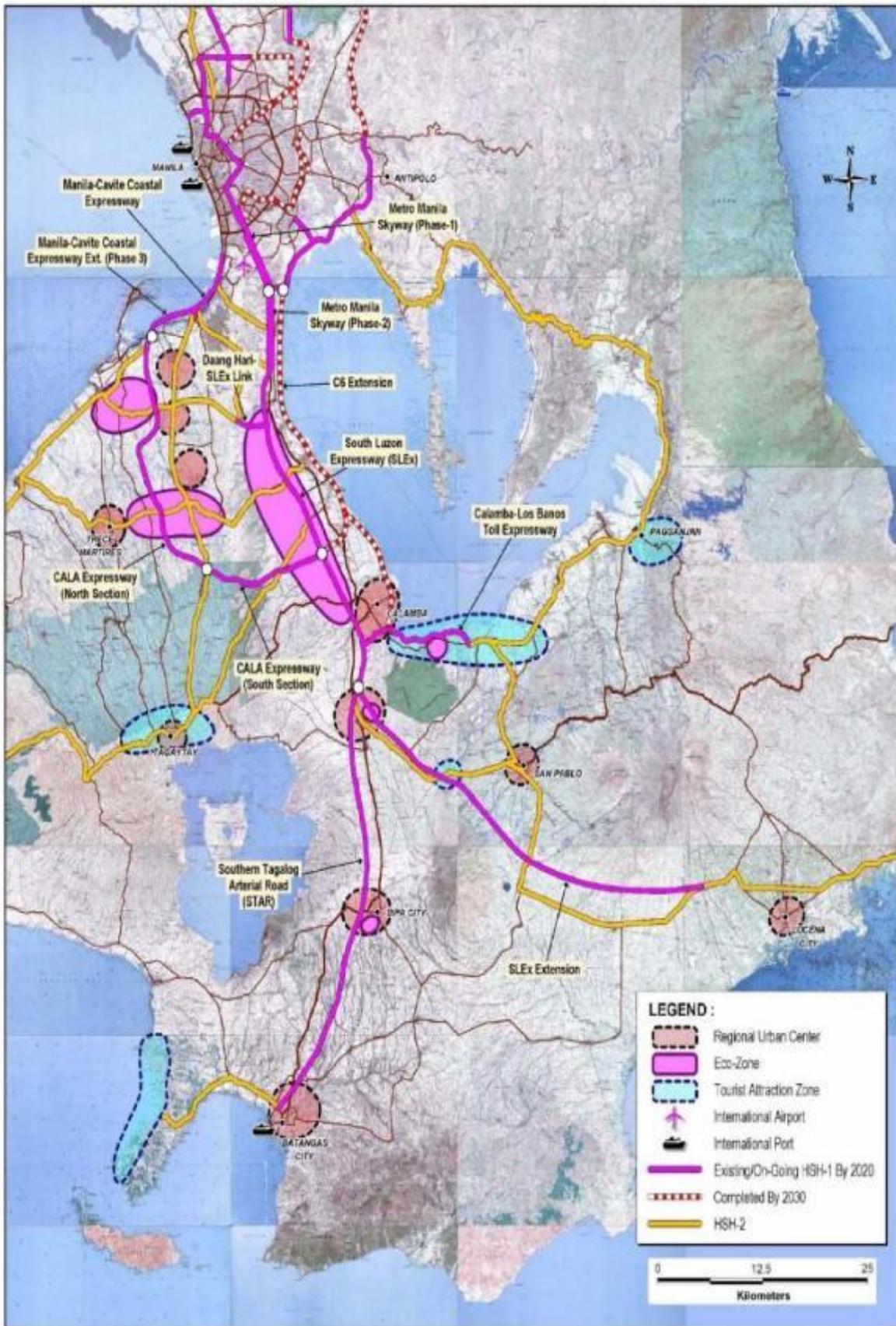
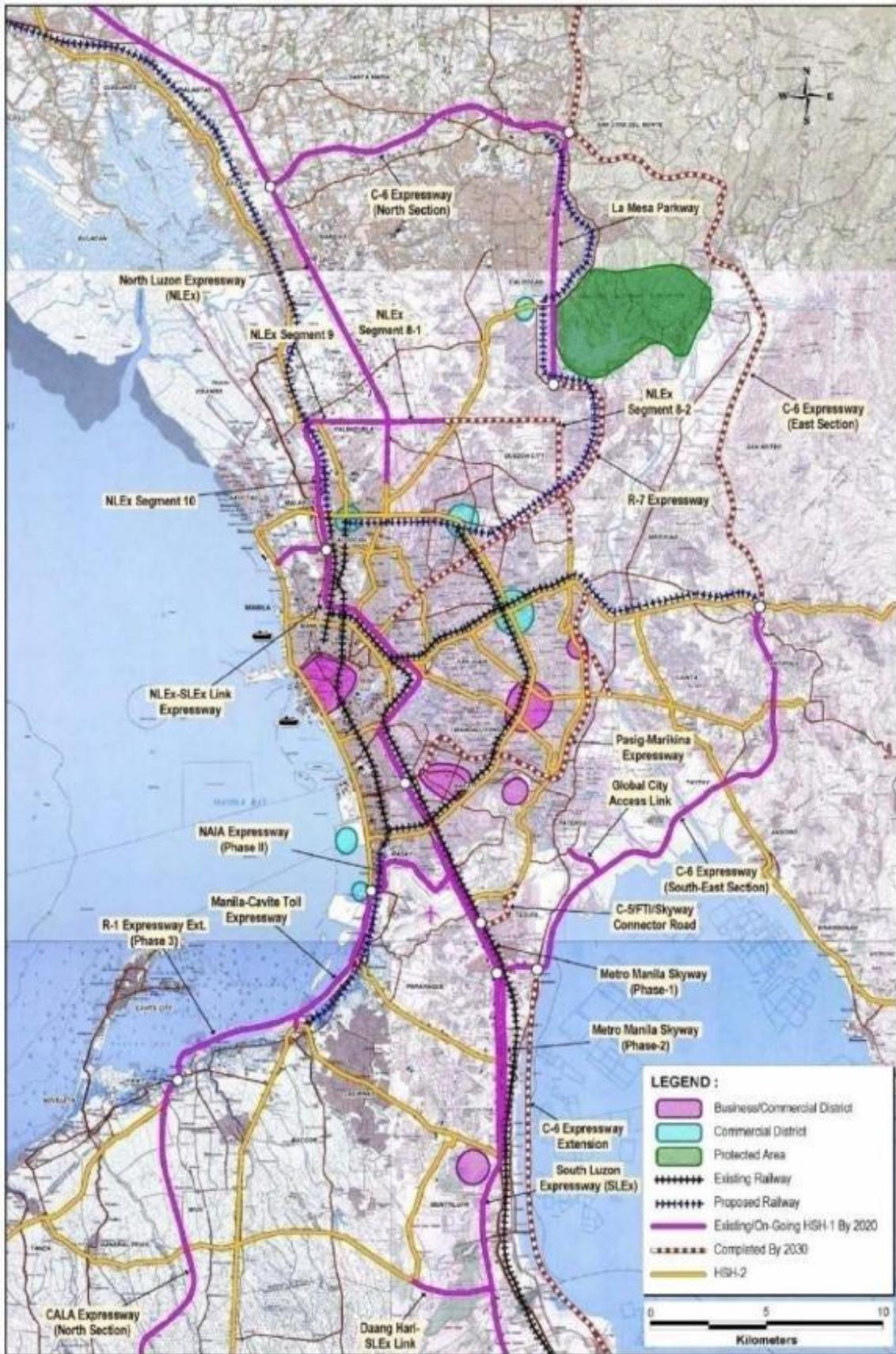


FIGURE 9. PROPOSED HSH-1 AND HSH-2 NETWORK IN 2030 METRO MANILA



**FIGURE 10. PROPOSED HSH-1 AND HSH-2 NETWORK IN 2030
NORTH OF METRO MANILA**

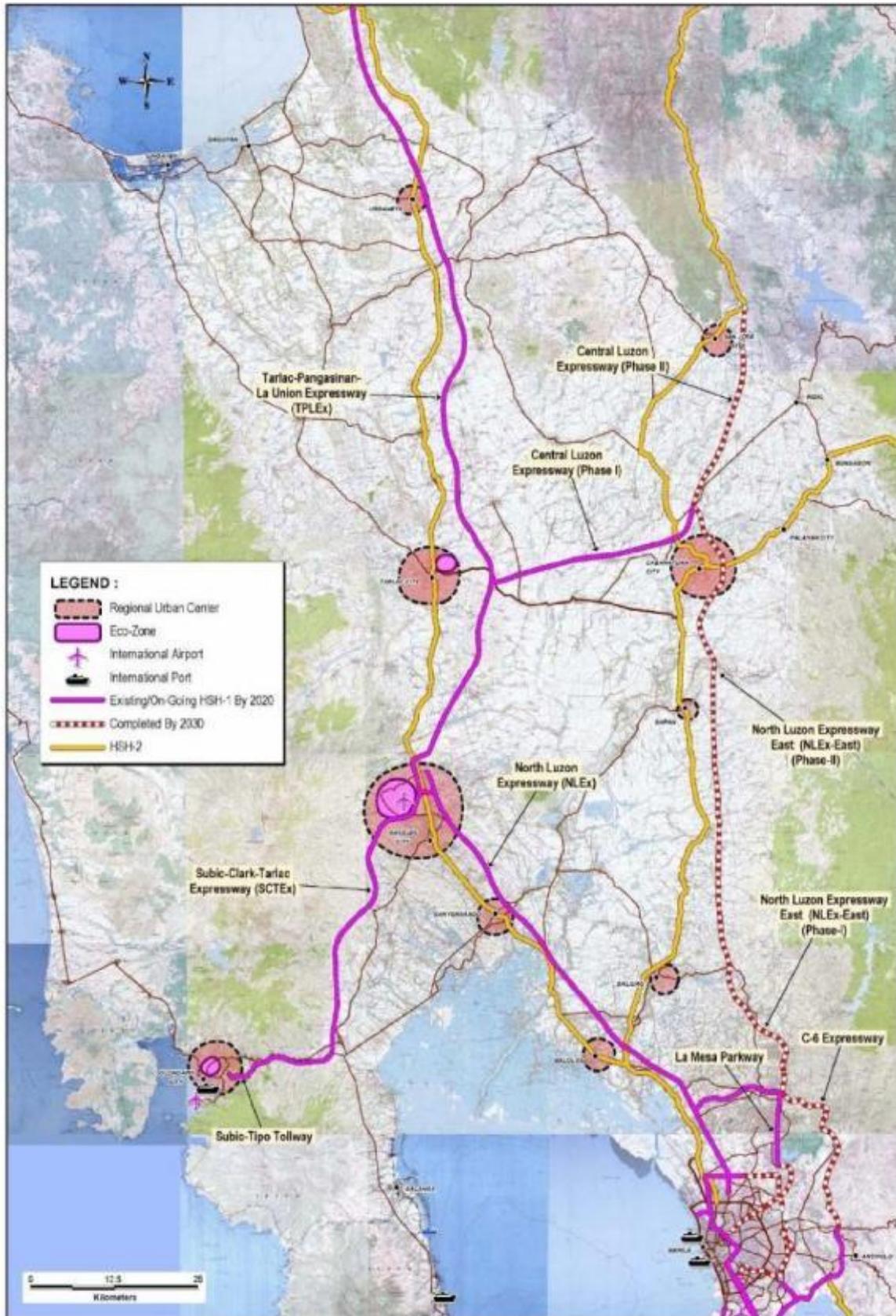


TABLE 17. High Standard Highway Master Plan 200km Sphere of Metro Manila

Existing	Length (Km)
Subic-Clark-Tarlac Expressway*	93.77
North Luzon Tollway*	82.62
C-5 Expressway (Segment 8.1)	2.34
Metro Manila Skyway, Stage 1*	9.30
SLEX (Magallanes-Alabang)*	13.43
Manila Cavite Toll Expressway*	6.75
South Luzon Tollway*	36.03
Manila-Cavite Toll Expressway (R-1 Extension)*	7.00
Metro Manila Skyway, Stage 2*	6.86
Southern Tagalog Arterial Road (Star)*	42.00
Total	300.00

Planned/On-Going	Length (Km)
Tarlac-Pangasinan-La Union Toll Expressway	88.58
C-5 Expressway (Segment 8.2, 9 & 10)	19.92
NLEX-SLEX Connector*	13.34
Total	122

Source: Department of Public Works and Highways

*Toll Road

The current toll rates on operational toll roads in the Philippines are provided in the next table. The toll rate proposed for the CALA Expressway will be comparable with the current SLEX and CAVITEX toll per km and is therefore considered to be an acceptable rate.

TABLE 18. Philippine Toll Road System Toll Rate (2011 Pesos per Km)

Toll Road		Class 1	Class 2	Class 3	Remarks
		Car, Jeep, Pick-up	Light Truck	Heavy Truck, Trailer	
Metro Manila Skyway (MMS)	NAIA Ex. Phase I	20	40		Per entry fixed fee*
	Elevated Phase 1	6.84	13.68	20.53	Skyway/Buendia - Bicutan (9.50 km)
	Elevated Phase 2	11.92	23.84	35.76	Alabang - Bicutan (6.88 km)
	At grade	7.85	15.70	23.56	Magallanes - Alabang (13.50 km)
North Luzon Expressway (NLEX)		2.38	5.92	7.08	
South Luzon Expressway (SLEX)		3.07	6.04	9.10	
Manila Cavite Toll Expressway (MCTE)	Phase 1	3.33	6.82	9.85	R-1 Extension to Bacoor (6.6 km)
	Phase 2	8.96	17.92	26.87	Bacoor Bay to Kawit (6.475 km)
Southern Tagalog Arterial Road (STAR)		1.43	2.86	4.26	
Subic-Clark-Tarlac Expressway (SCTEX)		2.68	5.36	8.04	

Source: TRB, 2011 May

*as of March 2012

Note: Skyway, Manila Cavite Expressway, part of NLEX are open system

PART V. INDICATIVE TIMETABLE

Date	Milestones
01 April 2013 08 April 2013 15 April 2013	ITPB Advertisement
22 April 2013	PQ Conference
03 June 2013	PQ Document Submission
17 June 2013	ITB Issuance
08 August 2013	Pre-Bid Conference
08 October 2013	Bid Submission
08 November 2013	NOA Issuance
06 December 2013	Contract Signing
December 2013 – December 2014	DED Period
January 2015 – December 2017	Construction Period
December 2017	Start of Full Operation