Davao Sasa Port Modernization Project
Information Memorandum

Republic of Philippines
Department of Transportation and Communications and the Philippine Ports Authority

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Transaction Advisors

With support from:

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CONTENTS

Executive Summary 4
Introduction 6
I. Project Background 7
A. Location 7
B. Davao Bay Private Ports 8
C. Davao Sasa Port Today 10
a. Existing Port infrastructure 10
b. Existing Port operations 13
c. Road Access 15
D. Traffic: Historical and Forecast 15
E. Vessel Forecast 19
F. Current Tariff Structure 21
II. Project Description 26
III. Project Implementing Agency/ies 28
A. Department of Transportation and Communications 28
B. Philippine Ports Authority 29
IV. Concession Structure 30
A. Legal Framework for Concession 30
V. Procurement Process 30
A. Legal Basis of Procurement 30
B. Nature of the Procurement Process 30
VI. Indicative Timetable 32
VII. Transaction Team and Contact 32

EXECUTIVE SUMMARY

The Government is launching the tender for the Davao Sasa Port Modernization Project (the "Project") through public-private partnership ("PPP") for the right to develop, operate and manage the port over a 30-year concession period. The Project is part of the Government's priority PPP program and is in line with its infrastructure policy strategy as enunciated in the current Philippine Development Plan of "*increasing competitiveness and productivity of the industry, services and agriculture sectors by facilitating efficient shipping and cargo-handling services"*. The Project aims to develop the existing Davao Sasa Port (the "Port") into a modern, international-standard container terminal, with quality services provided by a competitively-selected qualified private concessionaire.

Davao Sasa Port is the most important container terminal in Mindanao, servicing the needs of the Davao region (Region XI) and neighboring provinces. It is located within Davao City, the Philippines' largest urbanized area in terms of population outside Metro Manila.

The Philippines is the world's second largest supplier of bananas (next to Ecuador). About 3.27 million metric tons of bananas valued at USD962.57 million were exported in 2013. Compared to 2012, this volume of banana exports is up by 23.4 percent and its value higher by 48.9 percent. The share of bananas to the country's total value of agricultural exports was 15 percent in 2013 (up from 12.8% in 2012). Banana exports were also the second largest agricultural export of the Philippines in 2013, coconut oil the largest.

The Davao region is the largest producer of bananas (Cavendish) in the country with 2.4million Metric Tons ("MT") accounting for 57% of total Philippines production in 2013 and representing 78% of total banana exports of the Davao region (equivalent to 3.08million MT) in 2013.

The Government is keen to retain the country's competitiveness in the industry, and with the Port's development provide opportunities for exporters to reach new markets, such as the United States of America, following recent trade agreements. Bananas are the top exported fruit in the world in terms of volume, and the second after citrus fruit in terms of value.

Strong regional economic growth, robust international trade and the increasing containerization of bananas have highlighted the crucial deficiencies of the Port. Originally designed and developed to cater to non-containerized traffic, the Port in the most recent years has experienced high levels of congestion and vessel wait times that have become a source of significant additional logistics costs to shippers.

The objectives of the Project are to: a) improve trade access to Mindanao and the Philippines by providing a dedicated containerized port in the region; b) support the growing agro-industrial sector; c) assist in creating an enabling environment and model for private sector participation in port infrastructure through the development of a financially sound public-private partnership (PPP) scheme; and d) spur economic activity through linkages arising from the Project.

The Project will be implemented as a PPP initiative and follow the international competitive tender provisions of the Philippine Build-Operate-Transfer Law, i.e., Republic Act (RA) 6957 as amended by RA 7718 (the "BOT Law") and its Implementing Rules and Regulations ("IRR").

The Project will be structured under the Build-Transfer-Operate ("BTO") arrangement under the BOT Law or a variant thereof, and be structured as a "landlord port" concession. The private concessionaire will be required to finance, design, construct, install and acquire all necessary infrastructure, facilities and equipment in order to meet the prescribed minimum performance standards and specifications; and, throughout the concession period manage, operate and maintain Davao Sasa Port against agreed key performance indicators for efficiency, productivity, safety, environmental and security standards. PPA will retain ownership of the entire port area and infrastructure throughout the concession period,

and shall perform both technical and economic regulatory functions. The Private Concessionaire shall be allowed to directly collect agreed fees or charges for cargo-handling and other ancillary services provided at the Port over the duration of the concession for the recovery of investments and a reasonable rate of return. However, the PPA and the ROP shall not guarantee the volume of cargo that shall pass through the port. PPA shall retain all port dues levied on vessels. These dues shall be set at levels that would not render the Davao Sasa port uncompetitive with nearby ports.

The Project will be tendered in two (2) stages, a pre-qualification stage and bid tender stage with only pre-qualified bidders invited to submit bids. The bid parameter will be the concession fee to be paid to Government, with the highest offer deemed to be the winning bid.

Cargo-handling services at Davao Sasa Port is currently outsourced to two (2) local cargo-handling companies, whose contracts will expire April 2016 (DIPPSCOR, handling container traffic) and August 2016 (Filport, handling break-bulk or general cargo traffic). It is expected that the Concessionaire will assume operations of the port upon expiry of the main cargo-handling contract (DIPPSCOR), and therefore no pre-termination of this contract will be necessary.

The key milestones for the tender and concession shall be prescribed in greater detail in the project bid documents. These will include prescribed deadlines for Submission of Qualification Documents, results of Pre-qualification, Bid Submission Date and Notice of Award and signing of the Concession Agreement.

INTRODUCTION

The Philippine government in November 2010 launched an aggressive program for implementing PPPs in order to mobilize much needed investments in infrastructure that would support its objectives of sustained and inclusive economic growth.

As part of the Government's strategy to promote trade, agricultural development and competitiveness, the Davao Sasa Port Modernization Project is envisaged to facilitate the entry of large gearless containerized vessels that bring with them cost efficiencies and economies of scale. Along with modern technology-enabled port equipment and world standard port operations and maintenance, the Project is expected to significantly reduce shippers' logistics costs and eliminate the unnecessary double-handling of import-export cargo given the limitations in depth and containerized cargo handling capacity, among others, at the existing Port. The Project also aims to support the growth and development objectives of the country in view of its membership in the Association of Southeast Asian Nations ("ASEAN") which has plans to launch the ASEAN Economic Community by 2015 amongst member countries as well as with other trade partners.

The modernized Davao Sasa Port will be ready, as well, to cater to increased import traffic anticipated from a robust economy in the Davao region, which grew at 6.8% (constant 2000 prices) in 2013, and is expected to further grow with increased investments in infrastructure, initiatives of the national and local governments (e.g. Department of Tourism, Davao City, etc.) to promote the region's natural and cultural attractions to the world, and population growth. The region's population grew at a rate of 2.4% per annum from 2007 to 2010, much faster than that of the country in the same period (which grew at 1.40% p.a.).

Strategically located within Davao City, Davao Sasa Port possesses the ideal environment for a commercial port, namely: natural protection from the force of high winds and powerful waves for safe berthing or anchorage (along the Pakiputan Strait and opposite Samal Island) that does not entail the construction of breakwaters, and deep waters sufficient to accommodate larger ships with minimal dredging. Brownfield in nature, the Project will benefit from support that is already in place in the form of customs, depots/warehouses, and shipping agents without need for any immediate acquisition of right of way ("ROW") to achieve the minimum required port capacity and operational productivity. Moreover, as currently envisaged, the Port may be redeveloped in phases to allow for operations and revenue-generation to continue while construction is ongoing.

The DOTC has engaged the services of DBP who has sub-engaged IFC (a member of the World Bank Group) and together with IFC, act as lead transaction advisors (the "Advisors") in developing and structuring the PPP transaction and in assisting the DOTC and its attached agency, the PPA, in conducting the competitive tender for the Project. IFC, in turn, has hired specialized consultants to support the work of the Advisors for the Project, who include: Hamburg Port Consultants ("HPC") (international technical advisor) and Pinsent Masons (international legal advisor), and Gatmaytan Yap Patacsil Gutierrez & Protacio Law (local legal counsel).

I. PROJECT BACKGROUND

A. LOCATION

Davao Sasa Port is the most important port and container terminal in Mindanao servicing the needs of the Davao region and neighboring provinces. The Port is situated in Davao City, within the Davao Gulf, and is bounded by the Davao City – Panabo City road (or the Davao-Agusan National Highway) to the west, the Samal Ferry Terminal to the north, Pilipinas Shell depot to the south, and the islands of Samal and Talikud across the Pakiputan Strait to the east.

Figure 1: Location of Davao Sasa Port (Source: Google maps)

Davao City, with its population of 1.5 million, is the Philippines' largest urbanized area in terms of population outside of Metro Manila. At least 200 of the country's largest companies operate in the city and the Davao region is Mindanao's major economic center in terms of value of gross domestic product ("GDP"). Growth is attributed primarily to the performance of the services sector, particularly in the trade and repair of motor vehicles, motorcycles, personal and household goods subsector, as well as in the business services and real estate subsectors.

The modernized Davao Sasa Port will be ready, as well, to cater to increased import traffic anticipated from a robust economy in the Davao region, which grew at 6.8% (constant 2000 prices) in 2013, and is expected to further grow with increased investments in infrastructure, initiatives of the national and local governments (e.g. Department of Tourism, Davao City, etc.) to promote the region's natural and cultural attractions to the world, and population growth. The region's population grew at a rate of 2.4% per annum from 2007 to 2010, much faster than that of the country in the same period (which grew at 1.40% p.a.).

Davao Sasa Port is ideally located to service the import needs of the city and minimize inland transport trucking costs with its proximity to the city center.

The Davao region is the largest producer of bananas (Cavendish) in the country with 2.4million MT accounting for 57% of total Philippines production in 2013 and representing 78% of total banana exports of the Davao region (equivalent to 3.08million MT) in 2013.

Bananas are the 2nd major agricultural export of the Philippines (valued at USD962.57 million at the end of 2013), next to coconut oil, and total exports have placed the Philippines as the world's second

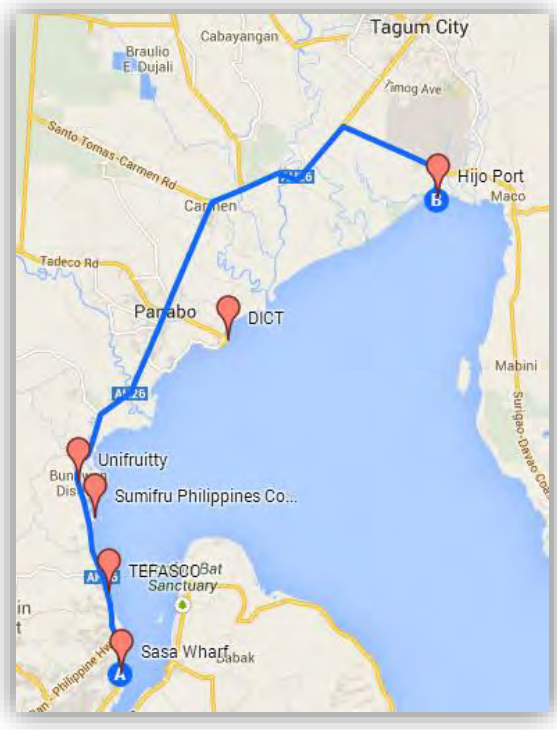
largest exporter of bananas after Ecuador. This important industry employed in 2010 more than 240,000 workers in farms across Mindanao with around 1.4 million persons, workers and their families directly and indirectly benefiting from the banana industry. Total annual average tax payments then was around PhP832 million with an additional PhP917 million in local taxes from banana suppliers and contractors.[1] The banana industry is also poised to grow further as additional markets have opened such as the United States of America which saw the first shipment of 3,000 metric tons of Cavendish bananas exported in October 2013.

Of the 3.08 million metric tons of bananas exported from the Davao region in 2013, 925.5 thousand metric tons (or 30%) were exported from Davao Sasa Port. The Port is expected to increasingly service more banana exports as new plantations are planted closer to Davao City, such as in Matalam, and as bananas become increasingly containerized (globally there has been a phasing out of traditional reefer vessels in favor of reefer containers).

B. Davao Bay Private Ports

Davao Sasa Port is one of five commercial ports in the Davao Bay area. These are located between Davao Sasa Port and along the coast up to Tagum City. The growth of handled containers at Davao Bay from 2001 to 2013 corresponds to an annual growth of 8.4% (Compounded Annual Growth Rate or CAGR). This growth rate, combined with the absence of loading closing times and dedicated berths (e.g. a bulk vessel may berth at the container quay anytime and wait for cargo there), is causing long waiting times for the container vessels, especially during weekends. The table below gives an overview of the current/planned containerized traffic ports in Davao Bay and General Santos areas, including private non-commercial ports that solely handle dedicated/own-cargo traffic.

Figure 2: Private Ports in Davao Bay (Source: PPA)



Port	Type	Area (ha)	Quay Length (m)	Depth (m)	Cranes (type/#)	Stated Capacity (TEU/yr)	2012 TEU
Sasa	Com'l	18	1,100	11	0	700,000	500,288
AJMR Wharf	own		300	14	0		26,100
Craft Haven	own		277	12	0		9,200
Legaspi Oil	own		139	11	0		2,757
Pacinter	own		110	12	0		13,430
Tefasco	Com'l	7.5	400	10	2 mobile Cranes		81,796
DICT	Com'l	8.8	250	15	2 STS Cranes	250,000	N.A.
Hijo	Com'l	50	1,200	13	N.A.	2 million (planned)	N.A.
Gen Santos	Com'l	3.0	263	12	0	200,000	156,294

Approx. distance to Sasa:
1. Hijo Port: 50km / 50min.
2. DICT: 30km / 30min.
3. TEFASCO: 5km / 6min.

Assumed speed:50-60kph

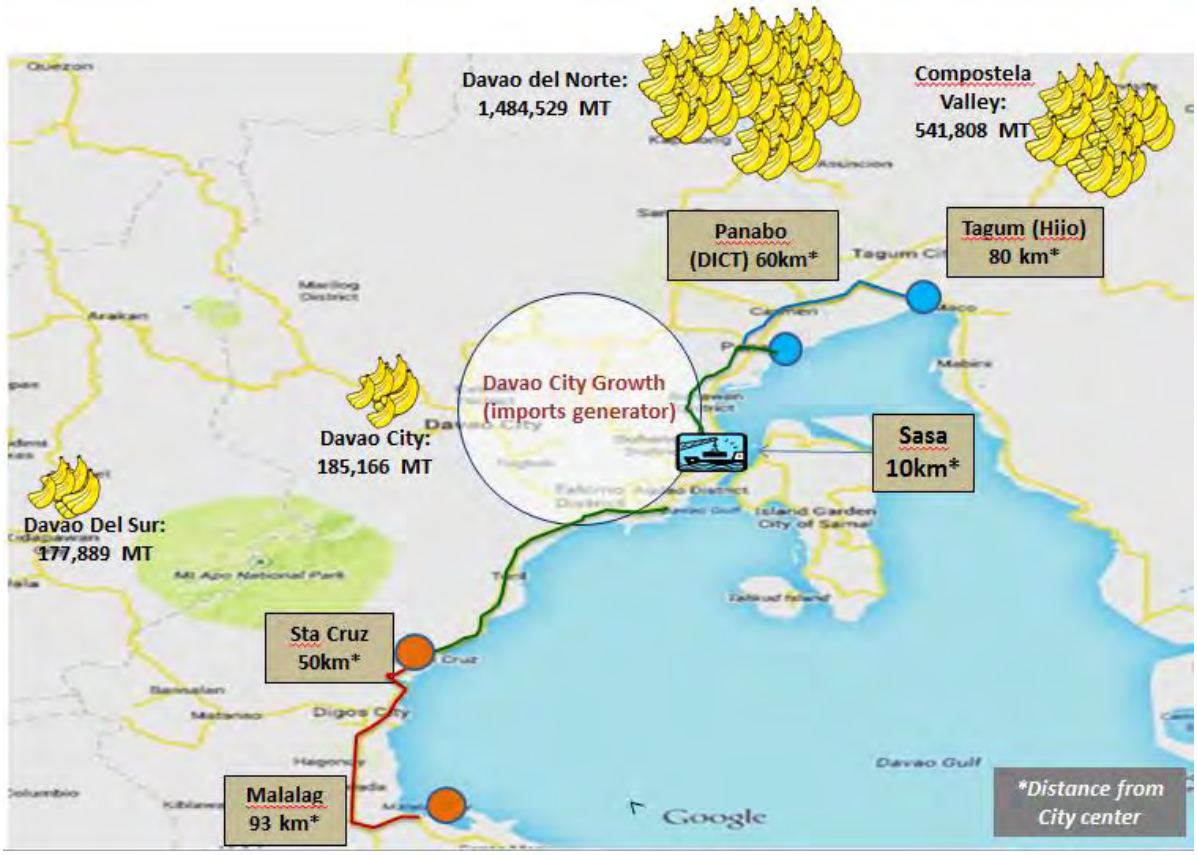
[1] Banana Industry Tripartite Council, Region 11 – Voluntary Code of Good Practices on Decent Work+ in the Banana Industry in Region 11

Presently, there are two new privately-owned container terminal initiatives in the Davao Bay region; the Davao International Container Terminal ("DICT") and the planned Hijo container terminal. The DICT terminal is located 60 km north of the center of Davao City and the planned Hijo container terminal is located south of Tagum City, 80 km north of the center of Davao City.

DICT is Mindanao region's most up-to-date container terminal covering an area of 8.8 ha and furnished with modern terminal handling equipment. DICT has two ship-to-shore cranes, three reach stackers, five empty container handling equipment, 18 terminal tractors/prime movers and a state-of-the-art Terminal Operations System ("TOS"). The terminal has an average draft of 15 meters that can accommodate Panamax vessels, as well as, reefer plug-in facilities to support the export of perishable items such as bananas. The project has been initiated by the Anflocor conglomerate. The terminal started operations in May 2013 and has handled around 228,000 thousand TEUs in 2014 and is expected to achieve their annual target of 250 thousand TEUs in 2015[3].

Hijo International Port ("HIP") is located in the Davao Gulf, south of the city Tagum. International Container Terminal Services Inc. ("ICTSI") has announced plans to develop HIP and has acquired a 65% controlling stake in Hijo International Port Services Inc. Resources Group, owner and developer of HIP. The port is intended to be developed into a modern large container terminal with 12 Panamax STS gantry cranes, 36 rubber tired gantries, a total berth length of 1,200 m and total terminal area of 50 ha in its final stage. The development will most likely be carried out in phases with Phase I to be completed by 2015[4].

Figure 3: Port Services Markets and Location (Source: IFC)



[3] http://www.portcalls.com/davao-box-terminal-seeks-72-5-jump-in-volume/

[4] http://www.portcalls.com/hijo-port-construction-running-on-schedule/

C. DAVAO SASA PORT TODAY

a. EXISTING PORT INFRASTRUCTURE

Width of the terminal: The average width of the terminal between the existing quay line and the highway is approx. 150 m. Total area is approx. 180,000m².

Existing Quay Walls: Total length of existing quay walls is 1,093 m with four different types of construction:

Figure 4: Sasa Port Map (Source: Sellhorn 2013)

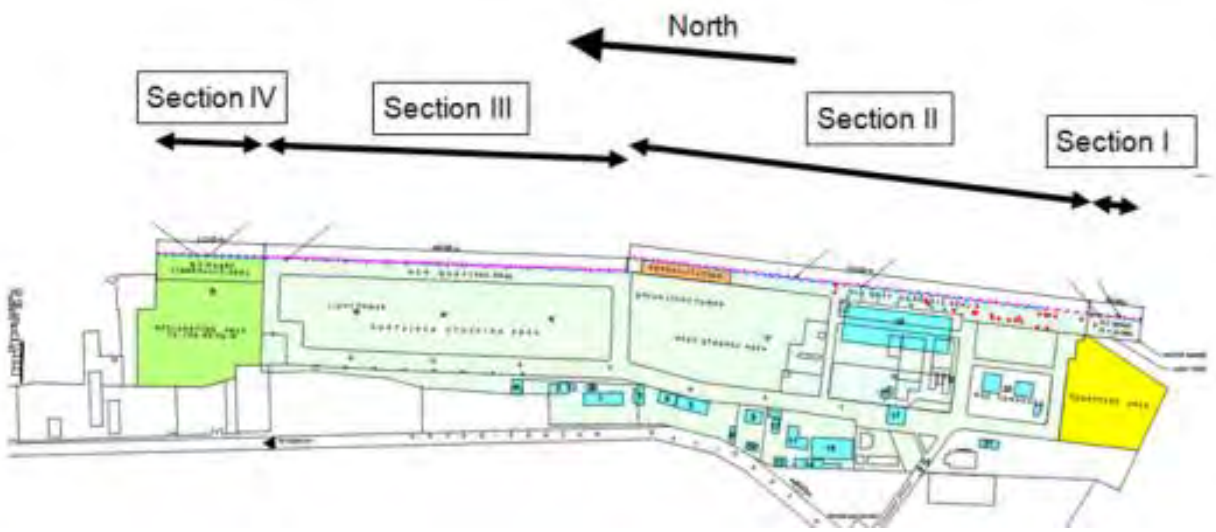


Figure 5: Overview of Sasa Port (Source: Sellhorn 2013)

Total Area	18.1 ha	Ground Slots/ha	209
Quay Length	1,093 m	Reefer Yard	0.2 ha
Berth Depth	-11 m	Other Storage	0.6 ha
Container Yard Size	4.15 ha	Largest Vessel: Davao Bay	3000 TEU
Container Yard Ground Slots	864	Largest Vessel: Sasa	500 TEU

Figure 6: Allocation of Berths from South to North (Source: Sellhorn 2013)

Section	Label	Type	Length
I	Old Quay Extension	RC Deck on Piles	60.0
II	Old Quay	RC Deck on Piles	515.0
III	New Quay	Anchored Sheet Pile Wall	405.0
IV	New Quay Extension	RC Deck on Piles	113.5

Old Quay: The Old Quay length is 515 m and was built in the 1950‘s, and the design criteria are unknown. It consists of concrete deck on RC-piles with a water depth of 10 m. The concrete deck is

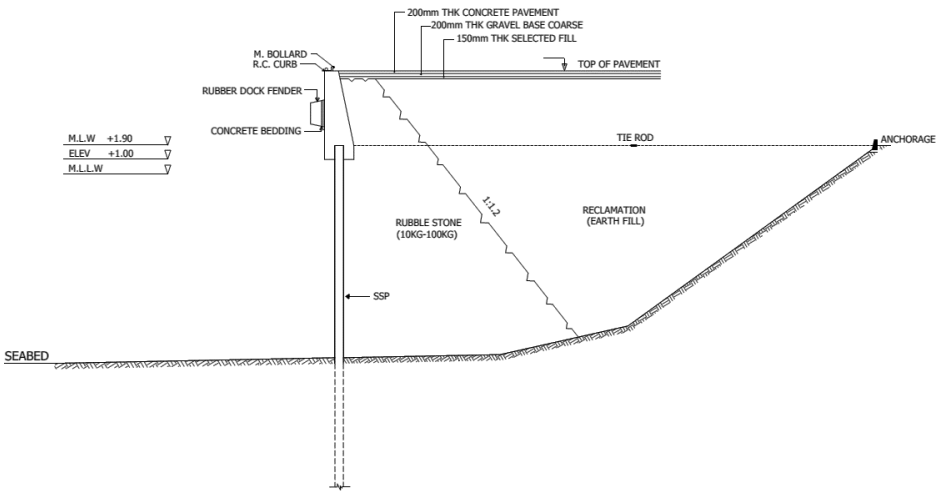
damaged, the RC piles show partly cracking and corrosion of steel bars. The pier cannot withstand the loads from modern handling technologies (reach stacker operation). The structure has reached its end of the life cycle. For future development, a new construction has to be considered, almost independently from the existing structure. As-built drawings are not available. Overstressing from cargo handling and reach stacker operations has caused serious damage to the concrete deck manifold bigger and smaller potholes are monitored on the deck and restrict efficient port operation considerably. Interim repair works are undertaken on an ongoing basis by PPA to enable ongoing operations; though these are only considered palliative.

Figure 7 and 8: Existing pile head and Damaged Portion of R.C.Deck (Old Pier) (Source: HPC 2013)

Southern Extension of Old Pier: The southern extension of the Old Pier is 60 m long, consists of a concrete deck on steel pipe foundation and has a water depth 10 m and a live load of 500 psf (2.40 t/m^2).Damages of the concrete deck exist and repair is required. The structure can serve in future for smaller vessels, pilot boats, tug boats and service/maintenance purposes.

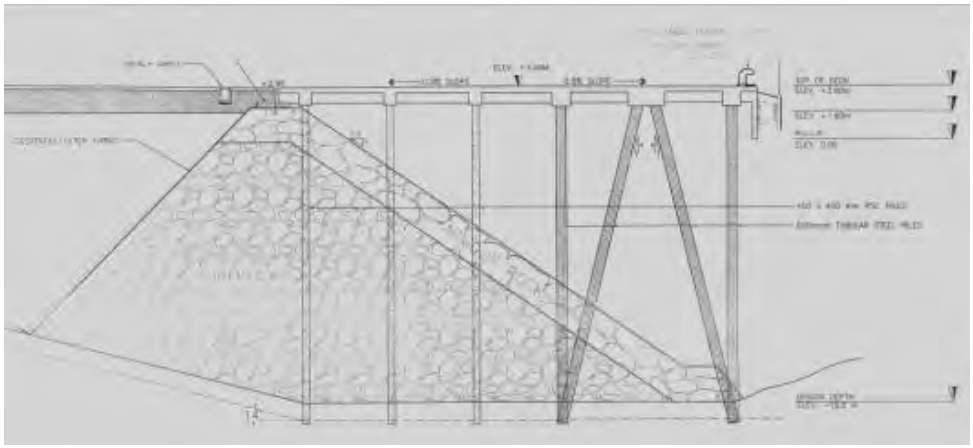
New Quay: The New Quay is 405 m long and was built in 1975/1980.It is a sheet pile type with concrete head and horizontal tie rods with anchor wall and has water depths of 10-11m, but no crane rail. The design criteria are not exactly known, but the structure obviously is suitable for today's handling technologies; no major damages are reported, the repair of quay face and replacement of fenders/bollards is on-going.

Figure 9: Cross Section New Quay (Source: Sellhorn 2013)



Northern Extension of the New Quay: The northern extension of the new pier is 114m long and was built 2010 to 2013.It consists of a concrete deck on RC piles and has a water depth of -10m, a live load 500 psf (2.40 t/m^2), and a storage area behind the quay wall still under construction.

Figure 10: Cross Section Northern Extension (Source: Sellhorn 2013)

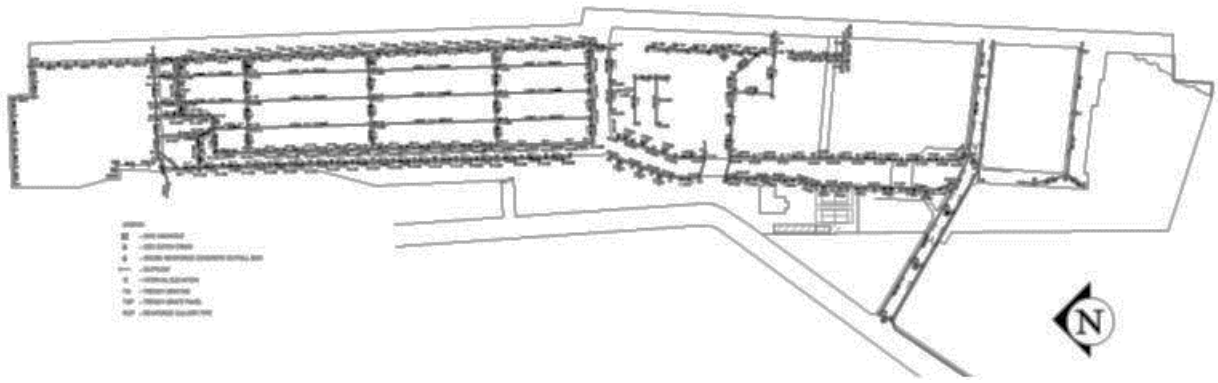


Project Area: The total project area of the terminal is approx. 160,000 m^2 (excluding about 20,000 m^2 which are occupied by informal settlers). Most of the area is paved with asphalt, in-situ concrete and prefabricated concrete blocks, depending on the type of use. The pavement in general is in relatively good shape, some repairs are required due to poor compaction of subsoil and damages from port operations. The runways for the RTG's are in good shape, the paved areas in between need partly refurbishment.

Figure 11: Storage areas (Source: Sellhorn 2013)

Storm Water Drainage System: The system with inlets and ducts and manholes covers the total paved areas of the port and is functioning properly, some ducts and inlets need to be repaired due to operational damages. The water is discharged to the open sea through outlets in the quay wall without further treatment.

Figure 12: Sasa Port Drainage Layout Plan (Source: Sellhorn 2013)



Sewage Water: The buildings have separate septic tanks. Sewage water is discharged to the public system, any shortcomings are not reported.

Drinking Water: Drinking water is supplied by the public Davao City Water District to the buildings. Water supply for ships is delivered separately by tank trucks or ships, if requested.

Firefighting: Davao Sasa Port does not have its own firefighting system for the terminal. In case of emergency the public fire brigade is alerted. Current Port operators partially have their own customized firefighting systems, extinguishers etc.

Electrical Power Supply: Electric power is supplied by the Davao Light and Power Company from its 69 kV main grid in the Davao District. Sasa Port is supplied on 13.8 kV level from the secondary line within the city. The transformer station for Sasa Port is located on the PPA premises, inside the so-called Powerhouse. Main consumers within Sasa Port are the reefer outlets, in total 288 units, with a total electric load of 1,800 kVA on 0.480 kV level. No shortcomings are reported. Two new power plants are under realization within a range of 40 km from Davao City. Thus, it can be expected, that the increased demand of electric energy by STS cranes and other equipment can be met.

b. Existing Port operations

The total area of Davao Sasa Port is 180,932 m2 or 18.09 ha, which includes administrative, commercial and operational areas. The administrative areas accommodate buildings of the Port District Office for Southern Mindanao, Davao Sasa Port Management Office, Port Police, Terminal Operations Department and stevedoring operators. The Philippine Bureau of Customs (Collection District XII) occupies a compound with three buildings, which is located separately from the other building clusters. There are also operational offices of the Animal Industry and Plant Quarantine Services and the Philippine Coast Guard inside Sasa port area.

Sasa Port is located close to downtown Davao City along the Pakiputan Strait. The Port is operated by PPA and Marine Services and Pilotage are provided by PPA licensed private entities. Stevedoring and arrastre services are provided by two operators under cargo handling contracts with PPA, DIPSSCOR (owned by ICTSI) and FILPORT Services. DIPSSCOR handles all foreign container vessels plus also some domestic carriers, while FILPORT handles only domestic carriers. PPA has also leased a reefer yard facility to DIPSSCOR. The reefer yard is about 2,000 m2, and is currently fitted with 288 reefer plugs installed in four level racks.

Figure 13: Existing PPA Operator Agreements at Sasa (Source: PPA)

Agreement	Service	Expiry
Cargo Service Agreement between PPA and Davao Integrated Port and Stevedoring Services, Inc (DIPSS)	Cargo Service	April 2016
Cargo Service Agreement between PPA and Filipinas Port Services, Inc (FPS)	Cargo Service	September 2016
Supplementary Cargo Service Agreement between PPA and DIPSS	Reefer facilities	April 2016
Permit to Operate Agreement between PPA and DIPSS	Reefer facilities	April 2020

Apart from containerized cargo the two companies handle also break-bulk and general cargoes. The Old Quay is normally used for berthing domestic vessels, whereas foreign going vessels are usually berthed along the New Quay.

Operational areas consist of a container storage yard with 41,490 m2, an open storage yard with 19,737 m2 and other storage areas with 6,250 m2. The total length of the current berth is 1,093 m. The Main Entry Gate House, located at the end of the road linking Sasa Port area to the Davao-Panjabi main road, is not used as an operational gate for the container trucks, but only as a general access point to the entire port area. The actual terminal gate is inside the port area at the so called "Truck Scale Gate House", where Filport Services also operates the weighing bridges, which are integrated with the gate lanes

There are three RTGs operated by DIPSSCOR serving the storage blocks at the northern section of the terminal. In this area PPA is currently repairing the RTG drive-ways and parts of the storage block stacking surfaces. Customs currently carries out X-ray inspections of full and empty containers between these RTG blocks and the reefer blocks opposite berth no. 6.

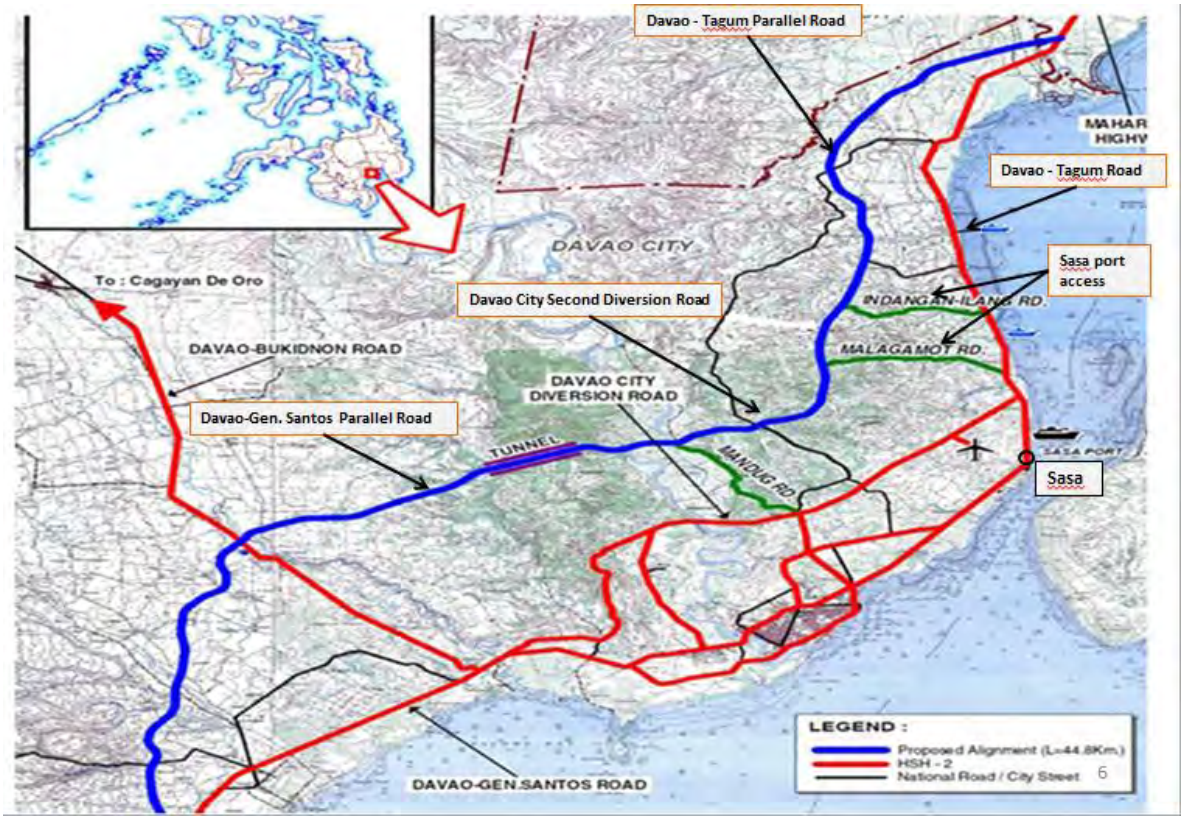
The surfaces in the open storage areas outside the RTG areas are partly damaged, so PPA is doing some repairs already by pouring concrete as a new top surface in the area behind the southern part of the new quay apron. The area around transit shed 1 is largely not used, and currently not suitable as container storage area. The shed is derelict and needs to be removed to make way for container yard expansion. Other existing structures which obstruct the expansion of the container storage yard is the "Terminal Operation Office Building" and the Pacific Oil Ltd. Tank Farm which will all have to be removed.

Currently all vessel operations are carried out by vessel's cargo gears in the absence of shore cranes at Davao Sasa. For container handling the stevedore operator uses manual spreaders which are available in sufficient quantities. Waterside operations are undertaken by terminal tractor-trailers, reach stackers, empty handlers and forklifts of various sizes. However, there are also many direct deliveries ex-vessel, consisting mainly of empty reefers which are picked up by outside third party trucks. These trucks proceed straight from vessel's berth to customs check and then out of the port to deliver their container to the exporter's premises. At present, the port handles also some break bulk and general cargoes, a lot of which is domestic cargo.

c. Road Access

Sasa Port is located directly next to the Davao Agusan National Highway, which is the main North-South road network in this region and can experience congestion. DPWH has programmed the construction of a second diversion road for 2015.

Figure 14: Proposed Highway Network around Sasa (Source: DPWH)



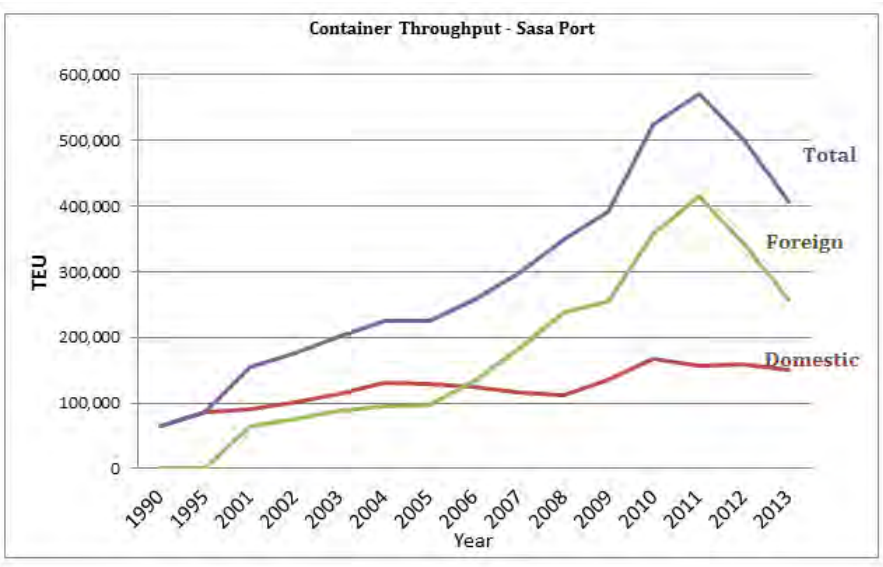
D. Traffic: Historical and Forecast

Today Sasa Port handles mainly containerized cargo, some general and break bulk cargo and a small number of passengers. Sasa Port in 2013 handled about 407,00 TEU of containerized cargo and 0.5 million tons of general and break bulk cargo, equivalent to 72% and 10%, respectively, of the total volume handled in the entire Davao region and 50% of the total containers handled in Mindanao. Total number of containers handled in 2014 declined to 272,494 TEUs[5] due to lost traffic from increasing congestion problems and deterioration of the Port.

Containerized cargo at Davao Sasa Port and the Davao bay in general steadily increased from 2001 to around 2011. For domestic traffic trade containerization is rising, but not as fast.

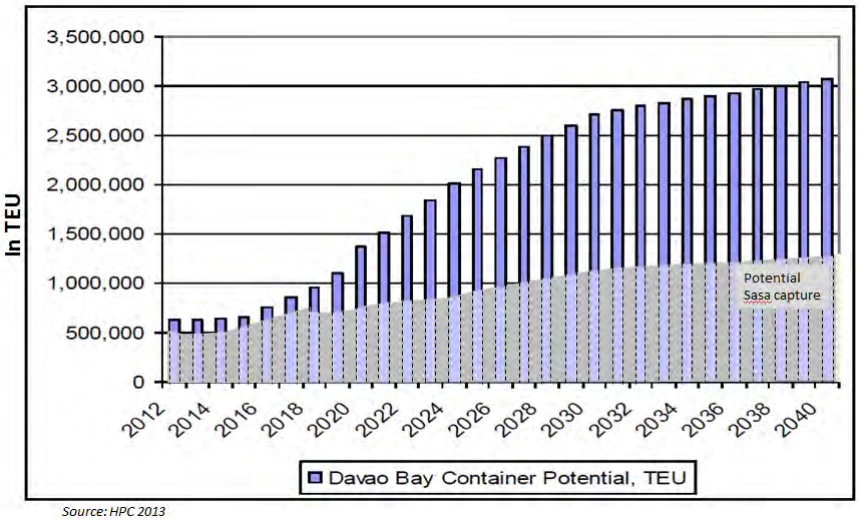
[5] Source: PPA

Figure 15: Handled Container at Davao Sasa Port (TEU) in 2001-12 (Source: HPC 2013)



The container forecast[6] of Davao Bay shows that the container volumes are expected to increase from 633,000 in 2012 to 3,100,000 TEU in 2040, corresponding to an average annual growth rate of 6.1%. The forecast considers the negative effects of the typhoon in December 2012 on the banana production and subsequent impact on export volumes (export is dominated by reefer containers with bananas (33%) from farmers/traders not having dedicated ports), as well as the expected effects of the planned phasing-out over the next five years of the existing traditional reefer vessels.

Figure 16: Forecast Container Volumes at Davao Bay 2013-2040 (Source: HPC 2013)



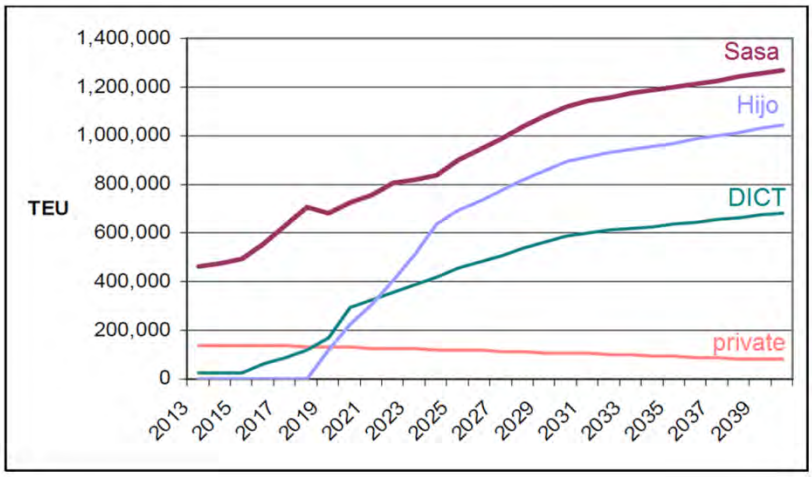
Source: HPC 2013

To meet the need for additional container terminal handling capacity to meet the increasing demands of the growing banana industry it is expected that private commercial ports can complement Davao

[6] Traffic forecasting for Davao Bay and Davao Sasa Port is based on the methodology of time series analysis and elasticity techniques, using the development patterns of different cargo commodities, respectively. Input information was derived from historical GDP growth rates, historical port handling cargo data, information gathered from shipping lines calling Davao Sasa Port and other organizations in Davao, as well as assumptions on the competitive environment.

Sasa Port, such as the planned terminal at Hijo and the DICT container terminal, to capture traffic spillover from Davao Sasa Port.

Figure 17: Forecast Container Volumes at Davao Bay (Source: HPC 2013)



Year	Port Capacity (TEUs)				Projected Demand (TEUs)
	Sasa	Hijo	DICT	Total	
2013	0.55 M	nil	0.25 M	0.75 M	0.63 M
2017	0.72 M	nil	0.25 M	0.97 M	0.80 M
2019	0.72 M/1	0.25 M	0.80 M	1.77 M	1.10 M
2020	1.05 M	0.25 M	0.80 M	2.10 M	1.40 M
2050	1.05 M	2.00 M	0.80 M	3.85 M	3.10 M

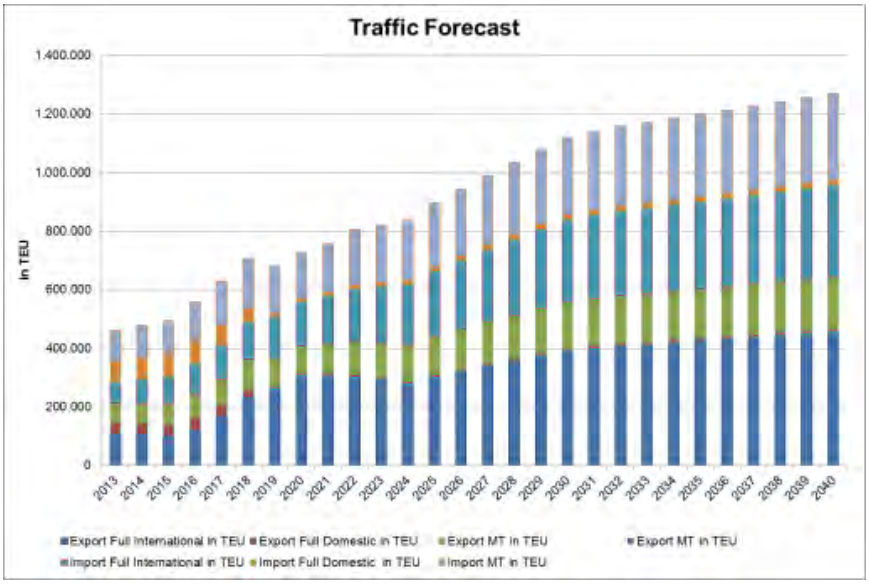
The forecast container volumes for Davao Sasa Port are expected to show a compounded average growth rate of 3.8%. Based on the above assumptions, it is expected that the Davao Sasa Port volumes will decrease from 500,288 in 2012 to 496,000 in 2015, driven by the reduction in banana exports due to the typhoon impact combined with increased exports transferring to the new DITC Container Terminal. The effects of the estimated out-phasing of the traditional reefer vessels lead to an estimated increase of full reefer containers and a corresponding increase in handled volumes. It is estimated that the container volumes will increase to 727,300 TEU in 2020, corresponding to a growth rate in the period 2015 to 2020 of 8.0% p.a. Full containers are estimated to increase by 20% per year during this period, which is an effect of the estimated increased containerization of bananas. This rate of increase includes an additional growth factor in order to cover the transport volume switch from conventional reefer vessels to reefer containers for the banana export, caused by the phasing-out of the old reefer vessels. The conventional reefer vessels costs are expected to progressively be less competitive with refrigerated containers.

The main driver for Davao Sasa Port's increased container demand will be the estimated increased export of bananas in refrigerated containers in combination with the forecast increasing import volumes to the fast developing Davao City with its concentration of population and main industries, which are mainly located in the southern area of Davao. This gives Davao Sasa Port a considerable advantage over the planned and developing private commercial terminals which are all located in the north at far greater distance to the city than Sasa. A good balance of import- and export flow gives

Davao Sasa Port an advantage over other commercial ports that will enable vessels to discharge all full imports closest to the customers' base, as well handle all empties and full exports at the same facility at a single call, which in turn contributes to overall cost efficiency for shipping lines.

The estimated effects of the start of the Hijo ICTSI Container Terminal are visible in the forecast for the year 2019. The yearly handled container volumes at Davao Sasa Port are estimated to reach 897,000 TEU in 2025 and 1.1 million TEU in 2030; for 2040 a total of 1.3 million TEU is forecast.

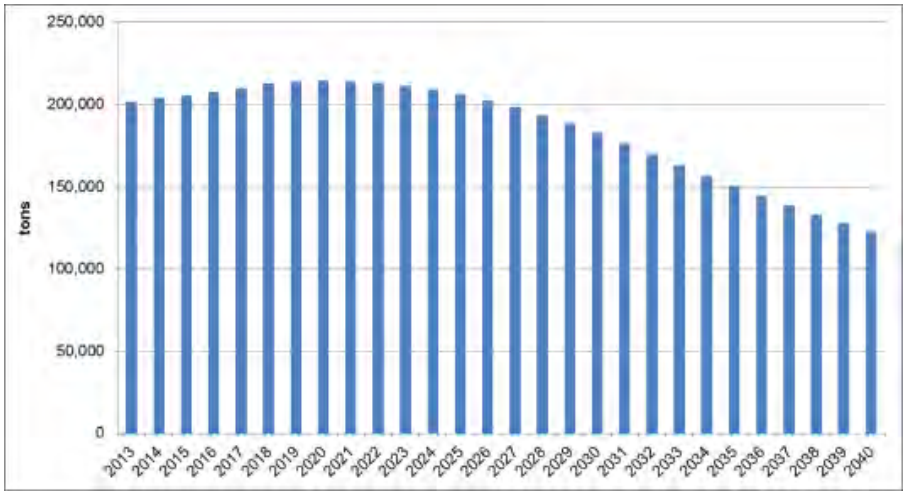
Figure 18: Traffic Forecast Davao Sasa Container Terminal (Source: HPC 2013)



While the majority of cargo handled in Davao Sasa Port is containerized (95% in 2011), some cargoes will continue to be shipped as bulk or break-bulk. Between 2001 and 2012 total domestic bulk and break-bulk handling at Davao decreased from 270,855 tons to 198,711 tons and total foreign handling from 349,845 tons to 166,810 tons. The domestic traffic of bulk and break-bulk consisted mainly of fertilizers, followed by metal ores and products as well as cement and transport equipment. Foreign traffic included the import of grains and fertilizers and the export of metal products. The projection of the future volumes is based on the assumption that during the course of the forecast period the share of containerized cargoes will increase even further so that basically only fertilizers and transport equipment (i.e. rolling stock) in domestic traffic as well as fertilizers, grains and metal products in foreign traffic will be handled as bulk and break-bulk, respectively.

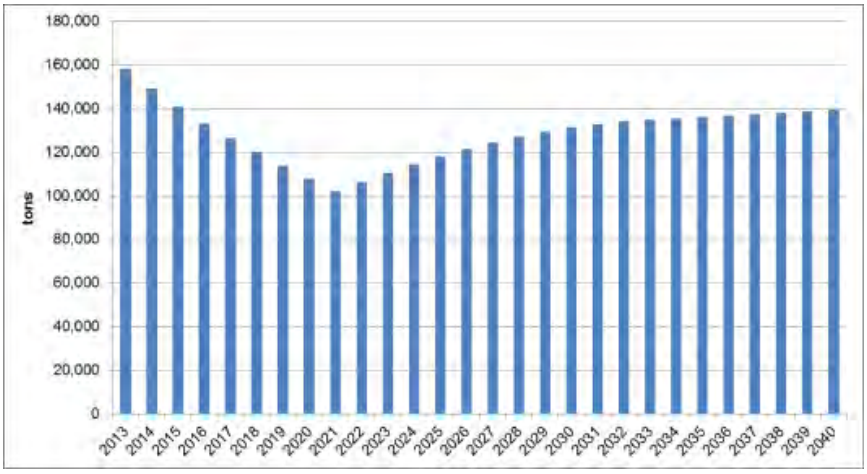
Domestic break bulk traffic is expected to increase to 214,471 tons until 2020 but start decreasing thereafter and reach a volume of 122,915 tons in 2040. This can be attributed to the fact that especially fertilizer handling will increase in the medium term, while the expected containerization effect in domestic trade will only come to full effect in the second half of the forecast period.

Figure 19: Projection of Domestic Bulk/Break-Bulk Traffic at Davao (Source: HPC 2013)



Foreign bulk/break bulk imports are expected to decrease until 2021 because of the increased containerization of foreign traffic which will also affect handling at Davao Sasa, i.e. total foreign traffic is expected to fall from 158,145 tons in 2013 to 102,023 tons in 2021. After that foreign trade with the relevant commodities will experience a certain saturation of containerization and in combination with the expected economic development a slight increase of foreign bulk/break-bulk handling volumes to 139,651 tons by 2040 is forecast.

Figure 20: Projection of Foreign Bulk/Break-Bulk Traffic at Davao (Source: HPC 2013)



VESSEL FORECAST

The major shipping lines carrying containers in the Philippine region are Maersk, MCC, Mariana Express Line, APL, PIL, Tasman Orient Line, Palau Shipping and RCL. Other carriers such as Oceanic Container Lines, Solid Shipping Lines and Philippine Span Asia Carrier operate shuttles between the ports of the Philippines, e.g., Cebu, General Santos, Cagayan de Oro, Iloilo and Zamboanga. Bananas are the main export commodity from Davao. MCC, APL and PIL have a major share of reefer containers with 25% each. The residual share is divided between the other shipping lines.

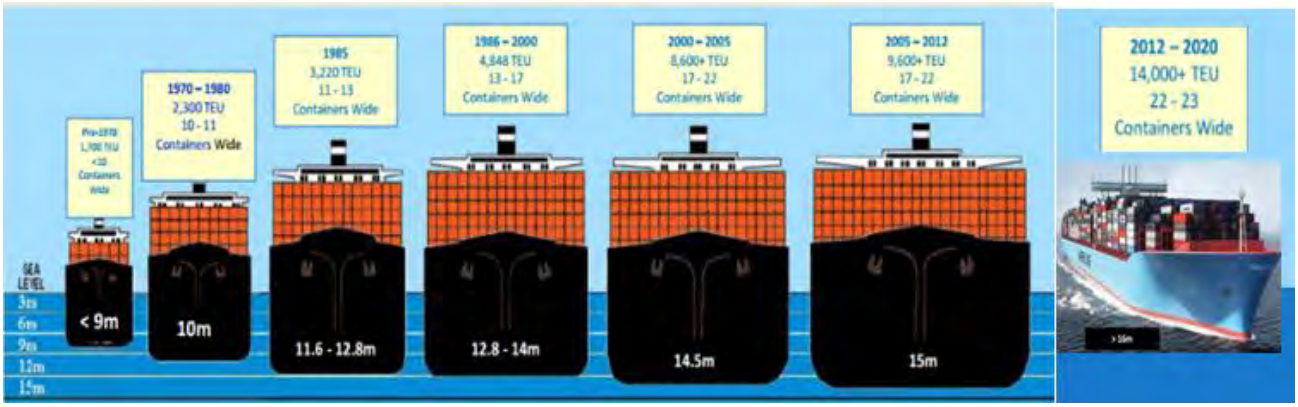
All container vessels calling at Davao Sasa Port are geared container vessels, which can load and discharge container by using their own equipment. As long as no STS gantry cranes or mobile harbor cranes (MHC) have been implemented at the terminal, this type of container vessels is necessary to

call at the terminal. The statistics show that mainly feeder container vessels call Davao Sasa Port with a size of less than 1,800 TEU. Maersk/MCC uses vessels with a size of 1,714 TEU whereas PIL employs vessels up to 1,800 TEU and ACL vessels with a size of 1,338 TEU. Smaller container vessels are used by other shipping lines, too[7]. Occasionally, larger vessels are calling with a size up to 2,500-3,000 TEU. In 2014, a 5,000 TEU vessel already called at DICT.

While geared container vessels exist up to 3,000 TEU for Davao Sasa Port it has been assumed that mainly container vessels up to a size of 1,500-1,800 TEU will call the port during the reconstruction phase up to the year 2019. Thereafter, when the new container terminal is operational it is assumed that larger non-geared vessels will start calling the port, too.

According to studies of Drewy, ISL and Alphaliner the sizes of ordered container vessels are increasing. Recently ordered box capacities are mainly vessels with capacities of more than 8,000 TEU. From 1980 to 2013 the maximum vessel size increased from 3,000 to 18,000 TEU, but also the average vessel size of the container fleet increased from 1,250 TEU in 1990 to 3,200 TEU mid of 2012.[8]

Figure 21: Evolution of Container Ships and future, post-Panamax size [9]



More recently, fifty-seven ships of 10,000 TEUs or more will be delivered in 2014 compared with 36 delivered in 2013. This will mean capacity growth globally will accelerate to 7 percent in 2014 from 6 percent in 2013[10]. The key driver for larger vessels is the economics of scale. Bigger container ships replace smaller ones and save fuel as well as costs per TEU. If the vessels capacities increase, slots-sharing will become more and more important. This enables shipping lines to profit from the economics of scale at low risk. New shipping alliances, like the P3 alliance (Maersk, MSC and CMA CGM), will boost slot sharing. This development is highly relevant also for the Philippines and Mindanao.

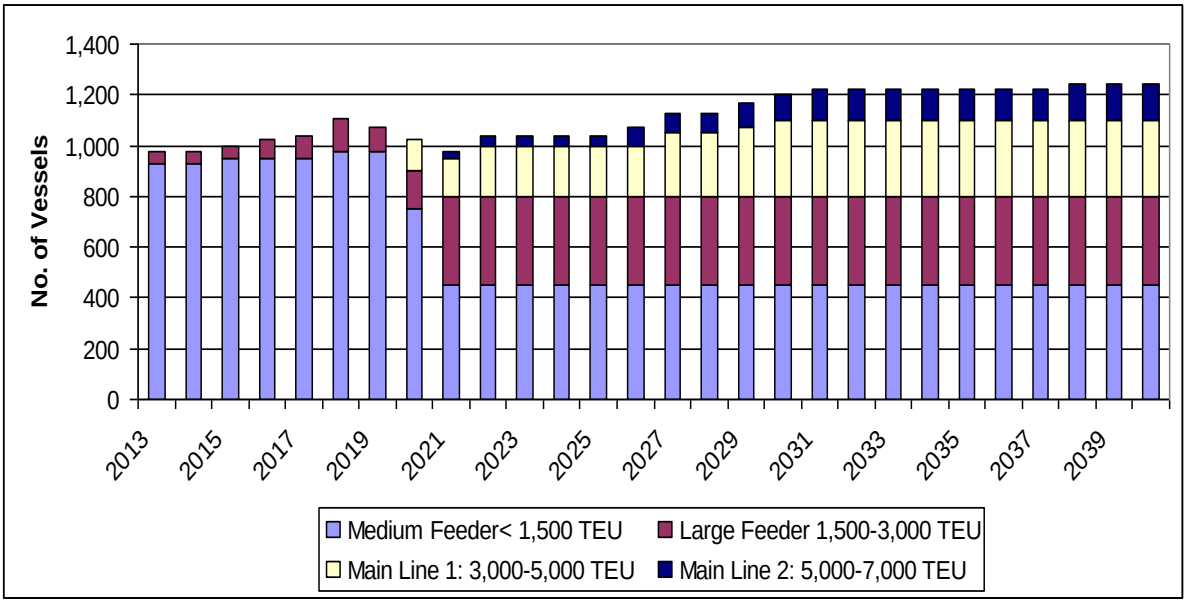
The cascade effect means that larger vessels displace small vessels across all vessel size classes, i.e. also feeder vessels get bigger. This cascade effect does not only apply for the main lines from Europe to Asia, even in intra-Asian trade small vessels are replaced by bigger ones. Today the average vessel size in intra-Asian trade is 3,235 TEU but it can be expected that vessel sizes increase to 4,000 TEU. This tendency towards using larger vessels is expected to influence the calling pattern to Davao Bay as well.

[7] Davao Sasa Port and Alphaliner 2013
[8] ISL Shipping Statistics Yearbook 2012
[9] Captain J. William Cofer presentation to Virginia Port Authority on 27 November 2012
http://www.virginiaplaces.org/transportation/shiptransport.html
[10] http://www.joc.com/maritime-news/container-lines/year-sea-monsters_20140103.html

The cascade effect means that there will be a shift in shipping patterns globally as larger ships are introduced in fleets. In 2012 main-line trade was serviced by >8,000-TEU ships and there was a rapid growth of ship size to >12,000-TEU. Non-mainline trade (i.e. emerging markets, inter-Asia, and inter-China) was serviced largely by 1,000 to 3,000 TEU vessels. By 2020 it is likely that mainline trade will be serviced by >14,000 TEU ships and that there will be rapid growth of ship size to >18,000 TEU, and that non-mainline trade (i.e. emerging markets, inter-Asia, inter-China) will be serviced largely by 4,000 to 8,000 TEU vessels with <1,000 TEU vessels representing a smaller share of market .

An analysis of current mainline services on the Asia-Australasia indicates that larger vessels can be expected in Davao in the future, taking into account the fact that the existing services in the region deploy increasing vessel sizes, which is further supported by MSC even putting two 9,100 TEU ships in service in the region. Due to the planned expansion, the changed terminal operations system and the introduction of STS gantry cranes, a change in the structure of vessels calling the port is expected. It is important to note that the number of vessel calls will only show a limited increase, but the size of the calling vessels is estimated to change dramatically. Container vessels with a size up to 5,000-7,000 TEU are expected to start calling the terminal from 2020 onwards with the possibility of up to a 9,000 TEU vessel calling the Port.

Figure 22: Vessel Forecast (Source: HPC 2013)



F. CURRENT TARIFF STRUCTURE

In the Philippines, the majority of ports, including Davao Sasa Port, are under the administration of PPA. For organizational purposes, the administration is geographically divided into five Port District Offices (PDO), which are split into 24 smaller Port Management Offices (PMO). The PMO organize the separate Terminal Management Offices (TMO) that are responsible for the ports' operations. Based on this structure, PPA publishes government approved port charges which include port dues, dockage (berth dues), wharfage, and storage. These apply in general to all ports, both government and private. In the Philippines, tug services and pilotages are supplied by private companies and, consequently, not specified in the port tariff but charged separately.

Figure 23: Port Charges at Philippine Ports (Source: Philippine Port Authority, Tariffs, http://www.ppa.com.ph)

Item	Basis	Fee (in USD)
Port dues (foreign trade only, per call)	Per grt	0.081
Dockage at berth (foreign trade, per call) Government ports Private ports	Per grt per day	 0.039 0.020
Wharfage (container, foreign trade) Import Export	 20' 40' 20' 40'	 11.97 16.35 5.99 9.02
Wharfage (container, domestic trade)	20' 40'	2.91 4.36
Storage (container, after free period; per day, full and empty) Import (5 days free) Export (4 days free) Foreign Transhipment (15 days free) Domestic (2 days free)	 20' 40' 20' 40' 20' 40' 20' 40'	 5.55 11.10 1.39 2.77 5.47 10.94 4.16 8.32

Original figures for port dues and dockage for foreign trade as well as for storage of foreign transhipment containers were given in USD, all other information in PhP; for reasons of international comparison the PhP rates were calculated in USD, exchange rate: 1 PhP = 0.0231 USD (date: 17/07/2013); all tariffs excl. VAT

The tariffs for cargo handling can vary between government and private ports and are published separately. The Philippine tariffs for cargo handling differentiate between stevedoring, which includes the work involving the vessel, i.e., loading/unloading, lashing/unlashing, lifting, closing of hatch covers, and arrastre, which includes the shore based cargo handling, e.g., for transferring the cargo from quay to storage and vice-versa.

In the port district of Southern Mindanao a new cargo handling tariff applies which includes a 10% increase of rates as of 24 June 2013 on. This tariff is applicable for the ports of Davao, General Santos, Zamboanga, Cotabato, and Dapitan. In addition, the same tariff is applicable at the port of Cagayan de Oro in the port district of Northern Mindanao, which refers to the city port as well as the Mindanao Container Terminal (MICTSI) at Tagoloan. The rates for cargo handling services include standard labor complement as well as staff breaks and overtime, and handling equipment and gear. However, for domestic cargo the stevedoring rate on containerized cargo for non-self-sustaining vessels is exclusive of equipment hire if quay cranes or other lifting equipment are supplied and used by the operator.

Figure 24: Container Handling Tariff at the Ports of Davao, General Santos, Zamboanga, Cotabato, Dapitan, and Cagayan de Oro (Source: see below)

Item	Basis	Stevedore (in USD)	Arrastre (in USD)	Total (in USD)
Import/Export Cargo	Full 20'	15.33	24.76	40.09
	Full 40'	30.66	45.66	76.32
	Empty 20'	15.33	15.88	31.21
	Empty 40'	30.66	26.44	57.10
Domestic Cargo	Full 20'.	6.95	22.96	29.91
	Full 40'	6.95	45.89	52.84
	Empty 20'	6.95	9.18	16.13
	Empty 40'	6.95	18.38	25.33
Crane Fee (use of quay crane)	Domestic per box per lift			10.40
	Foreign per box per lift			12.01

Original rates were given in PhP; for reasons of international comparison the PhP rates were calculated in USD, exchange rate: 1 PhP = 0.0231 USD (date: 17/07/2013); all tariffs excl. VAT

Source: Schedule of Restructured Cargo Handling (CH) Tariff & Other Related Charges for Domestic and Import/Export Cargo, South Cotabato Integrated Port Services Inc. (SCIPSI), Port of General Santos, PPA-MC 04-2013; Port of Cagayan de Oro City; Oroport Cargo handling Services Inc. as of June 24, 2013

The table below illustrates the differences between foreign and domestic cargo tariffs (USD)

Figure 25: Mindanao Cargo Tariffs Foreign/Domestic USD (Source: PPA)

Cargo Tariffs (USD)	Basis	Foreign	Local
Mindanao Ports	Full 20'	15.33	6.95
	Full 40'	30.66	6.95
	Empty 20'	15.33	6.95
	Empty 40'	30.66	6.95

The table below compares the arrastre and stevedoring tariffs for Mindanao public ports, including Davao Sasa Port, with other Philippines ports. The composition of container handling tariffs varies between government and private ports.

Figure 26: Philippine Ports Cargo Tariffs USD (Source: PPA)

Cargo Tariffs (USD)	Basis	Mindanao public ports (incl. Sasa) tariffs	TEFASCO (DICT)*		Manila North Harbor		Cebu		MICT and South Harbor (excl. equipment)	
			tariffs	difference	tariffs	difference	tariffs	difference	tariffs	difference
Import Cargo	Full 20'	40.09	55.17	*38%*	No foreign traffic		72.55	*81%*	177.2	*342%*
	Full 40'	76.32	87.82	*15%*			121.23	*59%*	324.81	*326%*
Export Cargo	Full 20'	40.09	55.17	*38%*			72.55	*81%*	161.42	*303%*
	Full 40'	76.32	87.82	*15%*			121.23	*59%*	288.8	*278%*
Import/ Export	Empty 20'	31.21	47.13	*51%*			15.71	*-50%*	76.71	*146%*
	Empty 40'	57.1	70.57	*24%*			21.16	*-63%*	98.83	*73%*
Domestic Cargo	Full 20'.	29.91	No domestic traffic		27.89	*-7%*	No domestic traffic		No domestic traffic	
	Full 40'	52.84			48.91	*-7%*				
	Empty 20'	16.13			15.26	*-5%*				
	Empty 40'	25.33			23.69	*-6%*				

The following table compares tariffs for Philippine public ports, including Davao Sasa Port, with comparable Asia ports.

Figure 27: Asian Ports Cargo Tariffs USD (Source: PPA)

Item (all charges in USD)	Basis	Philippine Ports		Port Klang, Malaysia			Laem Chabang, Thailand				Gateway Terminals (APM), India			
		days free	(in USD)	days free	(in USD/day up to 21st day)	(in USD/week up to 21st day)	days free	(in USD up to 7th day)	(in USD up to 15th day)	(in USD starting 15th day)	days free	(in USD up to 15th day)	(in USD starting 16th to 30th day)	(in USD starting 31st day)
Import (5 days free)	20'	5	5.55	3	4.70	84.75	3	4.03	8.05	12.88	3	3.46	6.90	13.81
	40'	5	11.10	3	7.22	127.13	3	8.05	16.10	25.76	3	6.91	13.81	27.61
Export (4 days free)	20'	4	1.39	3	4.70	84.75	3	4.03	8.05	12.88	3	3.46	6.90	13.81
	40'	4	2.77	3	7.22	127.13	3	8.05	16.10	25.76	3	6.91	13.81	27.61
Empty	20'	(same as full container charges above)		3	4.70	84.75	3	0.81	1.61	3.22	3	3.03	6.07	12.14
	40'			3	7.22	127.13	3	1.61	3.22	6.44	3	6.07	12.13	24.26
	20'	15	5.47	14	4.70	84.75	(no data available)				3	3.46	6.90	13.81

Foreign Transhipment										
(15 days free)	40'	15	10.94	14	7.22	127.13		3	6.91	13.81	27.61
Domestic (2 days free)	20'	2	4.16	(no data available)			(no data available)	(no data available)			
	40'	2	8.32							

II. PROJECT DESCRIPTION

The objectives of the proposed Davao Sasa Port Modernization Project are to:

- Improve trade access to Mindanao and the Philippines;
- Support the growing agro-industrial sector;
- Assist in creating an enabling environment and model for private sector participation in port infrastructure through the development of a financially sound PPP scheme; and
- Spur economic activity through linkages arising from the Project.

The recommended transaction structure consists of a 30-year concession for the development of a dedicated containerized terminal within the existing Sasa Port zone:

- The Private Concessionaire will finance, construct, equip, and maintain upgraded port infrastructure (including a new apron, construction of a linear quay, rationalization of the terminal storage area, extension of the gate complex, and new terminal buildings) as well as introduce new equipment (including ship-to-shore cranes);
- The Private Concessionaire will operate and manage the entire port facility;
- The Private Concessionaire shall be allowed to directly collect agreed fees/charges for cargo-handling and other ancillary services provided at the port over the duration of the concession period for the recovery of his investments including a reasonable rate of return, taking full market risk (no cargo volume guarantee shall be provided);
- The Private Concessionaire will be required to construct or install all necessary infrastructure, facilities and equipment to meet prescribed minimum performance standards and specifications, and operate and maintain Davao Sasa Port against agreed key performance indicators for efficiency, productivity, safety, environmental and security standards;
- The Private Concessionaire will be required to shoulder real property tax payments on the port and all infrastructure, facilities and equipment to be constructed/installed.
- The Port is not obligated to handle passenger traffic but may still in the short-term be expected to handle some limited volumes of break bulk and general cargo;
- The development of the Port is expected to be completed in phases so as to maintain ongoing operations and further ensure commercial viability of the Project;
- PPA will retain permanent ownership of the port and regulate the concession provisions (including monitoring the adherence to Minimum Performance Specifications and Standards and reviewing and approving requests for tariff adjustments, in accordance to an adjustment formula and procedure to be contractually defined);
- PPA shall retain all port dues levied on vessels, which dues shall be set at levels that would not render the Davao Sasa port uncompetitive with nearby ports;
- ROP will continue to provide customs, immigrations, and quarantine services at the Port;
- Infrastructure facilities constructed shall transfer ownership from the Private Concessionaire to PPA upon satisfactory commissioning of said facilities. On the other hand, title to equipment procured and installed by the Concessionaire may, to facilitate efficient financing, be allowed under the Concession Agreement to be transferred at a later date or at the end of the concession period; and
- The bid parameter is the highest concession fee to be paid to government. A schedule for the payment of concession fees shall be provided in the draft concession agreement.

To further improve Project viability and sustain port operations during the concession, ROP is also considering the following:

- Allowing an increase in opening tariffs up to comparable levels with regional ports;
- Providing a parametric formula for tariff adjustments over the concession period; and
- Acquiring additional rights-of-way for the Project for further capacity expansion.

The following table shows the indicative design parameters for the Port:

Item	Specifications
Linear Quay length	Minimum of 500m. To be extended by a minimum of 250m once certain triggers -- to be identified after pre-qualification stage ("PQ") -- occur.
Minimum ground slots	1,900. To be increased to at least 2,700 ground slots once certain triggers (to be identified after PQ) occur.
Minimum initial depth at quay wall[11]	–14 meters
Minimum equipment required initially	4 STS cranes, 8 RTGs, other equipment.[12] Additional equipment to be provided by the Concessionaire to ensure that performance standards (to be identified after PQ) are met.

In addition, it will also be required that the design and phasing of implementation will allow the port to continue operations during construction. Key Performance Indicators ("KPIs") for operations will be prescribed in the concession agreement.

[11] Depth at quay wall may be increased to accommodate berthing vessels with a max draft of –15m. Design must consider dredging alternatives with least cost and minimal environmental impact.

[12] Other equipment includes: tractors, empty container handlers, reach stackers, spare spreaders (Quay Crane "QC" and rubber tyred gantry cranes "RTG"), terminal operating system, small forklifts, and workshop tools

III. PROJECT IMPLEMENTING AGENCY/IES

The Project is being implemented jointly by the Department of Transportation and Communications, and its attached agency, the Philippine Ports Authority.

A. DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS

The DOTC is the primary planning, implementing and administrative entity of the ROP's executive branch for transportation and communications systems and services. Its specific legal mandate in relation to sea ports is set out in its charter[13], as follows:

a. Promote the development of dependable and coordinated networks of transportation and communication systems;

b. Guide government and private investment in the development of the country's inter-modal transportation and communication systems in a most practical, expeditious, and orderly fashion for maximum safety, service, and cost effectiveness; and

c. Impose appropriate measure so that conditions for the continuing economic viability of the transportation and communication entities are not jeopardized and do not encourage inefficiency and distortion of traffic patronage.

To accomplish its mandate related to ports, the DOTC is given the following powers and functions:

a. Formulate and recommend national policies and guidelines for the preparation and implementation of integrated and comprehensive transportation and communications systems at the national, regional and local levels;

b. Establish and administer comprehensive and integrated programs for transportation and communications, and for this purpose, may call on any agency, corporation, or organization, whether public or private, whose development programs include transportation and communications as an integral part thereof, to participate and assist in the preparation and implementation of such program;

c. Assess, review and provide direction to transportation and communication research and development programs of the government in coordination with other institutions;

d. Administer and enforce all laws, rules and regulations on transportation and communications;

e. Coordinate with the Department of Public Works and Highways in the design, location, development, rehabilitation, improvement, construction, maintenance and repair of all infrastructure projects and facilities of the Department. However, government corporate entities attached to the Department shall be authorized to undertake specialized telecommunications, ports, airports and railways projects and facilities as directed by the President of the Philippines or as provided by law; and

f. Perform such other powers and functions as may be prescribed by law, or as may be necessary, incidental, or proper to its mandate or as may be assigned from time to time by the President of the Republic of the Philippines."

[13] Executive Order (EO) No. 125 as amended by EO No. 125a, effective 13 April 1987

B. PHILIPPINE PORTS AUTHORITY

As an attached agency under the DOTC, the PPA is primarily responsible for establishing, developing, regulating, managing and operating a rationalized national port system in support of trade and national development of the Philippines. Among the powers of the PPA under its charter[14], these include:

a. To formulate in coordination with the National Economic and Development Authority a comprehensive and practicable Port Development for the State and to program its implementation, renew and update the same annually in coordination with other national agencies;

b. To supervise, control, regulate, construct, maintain, operate, and provide such facilities or services as are necessary in the ports vested in, or belonging to PPA;

c. To prescribe rules and regulation, procedures, and guidelines governing the establishment, construction, maintenance, and operations of all other ports, including private ports in the country;

d. To license, control, regulate, supervise any construction or structure within any Port District;

e. To provides services (whether on its own, by contract, or otherwise) within the Port District and the approaches thereof, including but not limited to berthing, towing, mooring, moving, slipping, or docking any vessel; loading or discharging any vessel; and, sorting, weighing, measuring, warehousing, or otherwise, handling goods.

f. To exercise control of or administer any foreshore rights or leases which may be vested in PPA from time to time;

g. To coordinate with the Bureau of Lands or any other government agency or corporation, in the development of any foreshore area;

h. To control, regulate and supervise pilotage and the conduct of pilots in any Port District;

i. To provide or assist in the provision of training programs and training facilities for its staff of port operators and users for the efficient discharge of its functions, duties, and responsibilities; and

j. To perform such acts or provide such services as may be deemed proper or necessary to carry out and implement the provisions of the PD, including the adoption of necessary measures to remedy congestion in any government port, and in coordination with the Bureau of Customs in the case of ports of entry (as amplified by Exec. Order No. 513).

[14] PD No. 857 as amended (November 16, 1978); Executive Order No. 513

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 implementation 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. As envisioned in the Philippine Development Plan ("PDP"), policy, planning and regulatory functions shall be delineated from the delivery of services which is recommended to be devolved to private concessionaires to promote accountability and provide incentives to drive more efficient service performance.

The BOT Law provides the DOTC and the PPA with a valid and tested legal framework to undertake the transaction. The law authorizes infrastructure agencies such as the DOTC and the PPA to enter into PPP contracts with qualified private sector proponents for the prosecution of public infrastructure or development projects. To be eligible as an implementing agency under the BOT Law, the government entity must be first authorized by law or its charter to undertake infrastructure or development projects. The project concerned must also be eligible for PPP implementation under the BOT Law. The DOTC, the PPA and the Project satisfy these legal requirements. The project has been approved by the NEDA Board, which is chaired by the President.

V. PROCUREMENT PROCESS

A. LEGAL BASIS OF PROCUREMENT

The international competitive bidding for the Project will be conducted in accordance with the procurement rules and procedures for public bidding set out in Republic Act No. 6957, as amended by Republic Act No. 7718, otherwise known as the "BOT Law," and its Revised Implementing Rules and Regulations (2012) (Revised IRR).

B. NATURE OF THE PROCUREMENT PROCESS

The Bidding for the Project will follow the two stage process of procurement pursued through the solicited mode under the Revised IRR. Under the two-stage process, Bidders are required to submit on the Qualification Document Submission Date their Qualification Documents, and submit on the Bid Submission Date their Technical Proposal and Financial Proposal.

The general procedure for the Bidding will be as follows:

a. The Prospective Bidders are given sufficient time to prepare their Qualification Documents as provided in the Bid Documents.
b. The PBAC shall conduct a Pre-Qualification Conference with Prospective Bidders in accordance with the Instructions to Prospective Bidders.
c. On the Qualification Document Submission Date, the Prospective Bidders shall submit to the PBAC their Qualification Documents.
d. On the Qualification Submission Date, the PBAC shall open the Qualification Documents received and ascertain whether they are complete. The PBAC shall then evaluate the Qualification Documents of each Prospective Bidder in accordance with the Qualification Requirements set out

in the Instructions to Prospective Bidders. The PBAC shall determine the Pre-Qualified Bidders and the disqualified Prospective Bidders and notify them of the results.

e. The Pre-Qualified Bidders will be provided the Bid Documents and given access to the Project data room. The PBAC shall conduct a Pre-Bid Conference and one or more rounds of one on one meetings with Pre-Qualified Bidders in accordance with the Instructions to Bidders.

f. The Pre-Qualified Bidders will be given sufficient time to prepare their Bids.

g. On the Bid Submission Date, the Bidders shall submit to the PBAC their Bid Proposals in two separate sealed envelopes. The First Envelope shall contain the Technical Proposal, and the Second Envelope shall contain the Financial Proposal.

h. After submission of Bid Proposals, the PBAC will first review the Pre-Qualified Bidders' technical proposals and evaluate them on a "pass"/ "fail" basis. Pre-Qualified Bidders will be informed as to whether their technical proposals were rated "pass". The PBAC will return the unopened financial proposals and Bid Securities of Pre-Qualified Bidders whose technical proposals were rated "fail".

i. Financial proposals of Pre-Qualified Bidders whose technical proposals were rated "pass" will be opened and evaluated at a later date, which evaluation will be based on the financial bid parameter and criteria to be specified by the PBAC in the Instructions to Bidders. The Pre-Qualified Bidder whose technical proposal is rated "pass" and who submits the best financial proposal will be considered the best complying bid. Within three (3) days from the completion of the evaluation of its financial proposal, the PBAC will recommend to the DOTC Secretary and to the Board of Directors of the PPA the issuance of a Notice of Award to the Winning Bidder. Within three (3) days from the PBAC recommendation, the DOTC Secretary and the Board of Directors of the PPA shall approve the award and within five (5) days from approval issue the Notice of Award to the Winning Bidder. This Notice of Award shall indicate the requirements that the Winning Bidder have to comply with before the signing of the Concession Agreement.

VI. INDICATIVE TIMETABLE

Item	Expected Completion
Publication of Invitation to Pre-Qualify and release of Pre-Qualification documents	April 2015
Pre-Qualification Conference	May 2015
Pre-Qualification Submission and Evaluation	June 2015
Release of Invitation to Bid and Draft Concession Agreement	July 2015
Bid Conference	August 2015
Bid Submission & Award	December 2015

VII. TRANSACTION TEAM AND CONTACT

Transaction Team

- Lead Transaction Advisers: DBP and IFC
- IFC Technical Consultant: Hamburg Port Consultants, Germany
- IFC International Legal Consultants: Pinsent Masons Singapore
- IFC Local Legal Consultants: Gatmaytan Yap Patacsil Gutierrez & Protacio Law

Contact Details

DOTC: Department of Transport and Communications
Mr. Miguel Enrico C. Paala III
Office of the Undersecretary for Planning and Project Development
Telephone: +(632) 725 0013 Email: miguelpaala.dotc@gmail.com

DBP: Development Bank of the Philippines
VP Francis Nicolas M. Chua
Head, Investment Banking
Telephone: +(632) 812 5069 Email: fnmchua@dbp.ph

IFC: International Finance Corporation
Mrs. Lulu Baclagon
Senior Investment Officer
PPP Advisory, East Asia and Pacific
Telephone: +(632) 465 2700 Email: mbaclagon@ifc.org

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