

# Call on the National Government to Improve Transport Efficiency and Reduce Logistics Cost

April 25, 2020



In these trying times, when the government is implementing a socio-economic amelioration program to provide subsidies and assistance to the people, increasing transport logistics efficiency and reducing cost can also help the business sector and consumers at large.

Pursuant to the Inter-Agency Task Force (IATF) Resolution No. 24 dated 15 April 2020 approving the recommendation of the National Economic and Development Authority (NEDA) to pursue Supply Chain Regulatory Impact Assessments and to develop the Supply Chain Analysis (SCAN) Dashboard, allow us to put forward some doable recommendations to help address global and supply chain challenges and sustain business operations amid the disruptions of brought about by the Enhanced Community Quarantine (ECQ).

1. Implement a moratorium on demurrage/detention fees, port congestion surcharges, and other penalties imposed on cargoes/shipments stuck at the port due to slow DO issuances/bank processing /customs clearance and apply this retroactively to all shipments affected. At the Forum last Wednesday, it was mentioned that international shipping lines are imposing port congestion surcharges of US\$ 1,400 per reefer container. On top of this, demurrage charges (Php 1,400-2,800 per 40' dry container; Php 2,800-3,200/day for reefers), and other penalties are likewise imposed. As early as 03 April 2020, the Export Development Council (EDC) already wrote a letter to the

Philippine Ports Authority (PPA), Department of Finance (DOF), and Department of Transportation (DOTr) requesting for a waiver on demurrage fees. Only DOTr responded by suggesting that the request be elevated to the Inter-Agency Task Force (IATF).

There is a 2019 Joint Administrative Order (JAO) establishing guidelines in the application of local charges imposed by international shipping lines, freight forwarders or logistics companies, customs brokers, cargo truck operators, terminal operators and container yard operators to comply with existing laws and instructing the Bureau of Customs (BOC) and Philippine Ports Authority (PPA) to improve productivity in the handling of cargoes. The Department of Trade and Industry (DTI) and Transportation (DOTr) already signed the JAO.

We appeal to the Department of Finance (DOF) to sign so that it can already be implemented especially at this time.

2. Extend free storage period from 5 days to 10 days. Currently, shippers pay storage fees to port terminal operators (after the 5-day free storage period) of Php 962-1,443/day for 40' dry containers and Php and Php 192.50 per hour for reefers. We appeal that the free storage period be extended to 10 days.
3. Adopt a 'super green lane' (SGL) process for PEZA, CDC, SBMA shipments/ transshipments.
4. Lift the truck ban/number-coding. Because of the lockdown, there are few trucks operating today to transport. This is exacerbated further by the truck ban and number-coding schemes. The issue today is not 'traffic', rather the delivery of cargoes – food and essential products, raw materials, export-import cargoes. We appeal for the immediate lifting of the truck ban and number-coding scheme.
5. Improve the automation of the Bureau of Customs (BOC). At this time when social distancing and less/no face-to-face dealings have become the 'norm', automation and the role of ICT have all the more become critical. While other countries (like us) are battling COVID-19, their port operations have remained efficient (unlike us) due to their fully-automated systems and processes. We do not know when the lockdown will be lifted. Therefore, there is an urgent need to improve the automation process at the BOC. For a start, something drastic must be done to address the downtime arising from inefficient servers of the BOC. Delay or failure to process documents online is a critical factor behind port congestion.

6. Use Subic and Batangas as 'extension' ports as specified in Executive Order (EO 172 s. 2014) in cases of port congestion and emergency situations. We appeal for Transport Secretary Tugade to implement EO 172.
7. Ensure that all shipping lines have sufficient container yard (CY) space for empty containers/ Expedite the accreditation and activation of Inland Container Depots (ICDs) as needed.
8. Rescind Letter of Instruction (LOI) 1005-A s. 1980
  - IMMEDIATE IMPACT: It will reduce transport logistics cost by removing the share of the Philippine Ports Authority (PPA) from cargo handling revenues. WINNERS: Consumers, manufacturers, farmers/fisherfolks, exporter and importers. In short, the economy.
  - NEUTRAL: Cargo handlers/ port workers. They will not be affected by the policy because it is the government's share that will be given up. While this recommendation admittedly will cause a reduction in PPA's revenue, we have to put a stop to this policy of sharing from cargo handling revenues (10-20%) which unnecessarily increases logistics cost. The negative impact [damage] such a policy brings to the economy is definitely greater than whatever the government does with the revenue it generates.
  - STRATEGIC IMPACT: It corrects the conflict of interest where the regulator can increase rates not based on merit or financial justification but based on the benefit that accrues to it. This will have a long lasting, positive impact, beyond the COVID-19 crisis. Rescinding LOI 1005-A can be done with the issuance of an Executive Order by the President. The Supreme Court ruled in *PASEI vs. Joblink International, Inc.*, G.R. 98472 dated August 19, 1993, that an Executive Order has the power to repeal a Letter of Instruction issued during the Marcos Administration. We appeal to President Duterte to issue and EO rescinding LOI 1005-A.
9. Conduct regulatory impact assessment (RIA) on COVID 19-related issuances. A number of policy and regulatory issuances both at the national and local levels has caused confusion/unnecessary delays and hampered the transport of goods. We recommend that the TWG, with ARTA taking the lead, conduct regulatory impact assessments on COVID 19related issuances to ensure that the rules are consistent, contributes to efficiency, and lower cost.