

Panel Discussion on ASEAN Economic Community Mid-term Review (AEC MTR Report)

Transport Facilitation

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Transport facilitation

- *Motivation:* Need for an efficient air and maritime transport system for a more efficient and stronger linkage with regional and global markets.
- ASEAN transport cooperation is a key issue in the preparation for an ASEAN Economic Community in 2015.
- Transport cooperation requires member countries to ratify and sign protocols and agreements that will liberalize the transport sector in ASEAN.

- Need to move quickly on the ratification and implementation of those protocols and agreements in the transport sector
- Expected result: a freer flow of trade in goods and services, and investments in a better integrated ASEAN economic community
- Presently, certain issues or challenges may constrain or delay the desired action.

Implementation status

- Philippines ERIA scorecard for ASEAN framework agreements on transport facilitation: AFAFGIT: 47%; AFAIST: 56%; AFAMT: 75%; MAFLPAS: 100%; MAAS: 66%
- Status of AEC Measures to date:

Measures for implementation: 2008-2009	Status
Protocol 2 (designation of frontier posts) AFAFGIT	<u>Further consultation between AMS is needed in order to finalize Protocol</u>
Protocol 7 (customs transit system) AFAFGIT	Not yet concluded; still under discussion
Protocol 5 (unlimited third and fourth freedom traffic rights between ASEAN capital cities) MAAS	Cannot be ratified due to airport infrastructure deficiency/limitations
Measures for ratification: 2010-2011	Status
ASEAN Framework Agreement on Inter-State Transport (AFAIST)	Concerned government agencies have concurred except for Department of Justice
ASEAN Multilateral Agreement on the Full Liberalization of Passenger Air Services (MAFLPAS)	Ratified on March 28, 2012
Protocol 1 (unlimited third, fourth and fifth freedom traffic rights among designated points in ASEAN) of MAFPLAS	Ratified already including Protocol 2 of MAFPLAS on December 10, 2010
Protocol 6 (unlimited fifth freedom traffic rights between ASEAN capital cities) MAAS	Cannot be ratified due to airport infrastructure deficiency/limitations

- On AFAFIST, concerned government agencies have all given their respective certificates of concurrence except for DOJ.
- The Instrument of Ratification of MAFPLAS was signed on March 28, 2012. Protocols 1 and 2 of MAFPLAS have also been signed. The Philippine score for MAFPLAS is 100%.
- The ratification and implementation of Protocols 5 and 6 of MAAS require that the capital airport's (NAIA) infrastructure facilities and systems have to be significantly improved in order to handle the expected increase in number of flights under this agreement.
- Protocol 2 under AFAFGIT is still under discussion and consultation. There is progress with Protocol 7 (customs transit system) as the Bureau of Customs is waiting for the authority to sign from the Office of the President.

- The ratification of the ASEAN MAFPLAS (with Protocols 1 and 2 has paved the way for greater liberalization and the introduction of greater efficiencies in air transport services.
- However, the other important protocols (Protocols 5 and 6) of MAAS cannot be ratified due to airport infrastructure deficiencies and other limitations.
- “Open skies” in secondary gateways may be hampered by accessibility issues. Need to improve multi-modal transport connectivity, e.g., for Clark and Metro Manila.

Challenges

- Maritime:
 - Liberalization of route entry or exit and deregulation of shipping rates began in the late 1980s; succeeding administrations continued this effort, with the Ramos administration passing the most number of rules in the 1990s that significantly changed the market structure in the industry.
 - Domestic Shipping Development Act of 2004 to encourage competition, free enterprise and market driven rates.
 - However, the concentration of the industry in the hands of a few players with weak incentives to modernize and become competitive has been one of the factors responsible for the failure of the domestic shipping industry to modernize and meet the standards and quality required of 21st century ocean-going vessels.
 - A major issue related to the liberalization of maritime transport services in the Philippines is cabotage.
 - Investments needed to modernize international ports and shipping infrastructure.

Challenges

- Air transport:
 - Liberalized in 1995 under Executive Order 219, which reduced regulations on the entry into and exit from the airline industry as well as on tariffs and fares.
 - New entrants have to contend with the still uneven playing field in Philippine aviation market, which continues to be largely dominated by PAL.
 - Government has to make critical investments in airport infrastructure facilities and air navigation system.
- *Part of the solution may lie in greater political commitment to the AEC requirement of more liberalization and deregulation in the transport sector, which will compel domestic action.*

Recommendations

- The problems of the Philippine transport services sector are in the areas of infrastructure development and regulation.
- There is a need for substantial infrastructure spending.
- PPP appears as a feasible solution through Build-Operate-Transfer (BOT) projects, and similar private sector-led infrastructure arrangements.

Recommendations

- Improve airport and sea port infrastructure and modernize port operation through efficient public- private partnership.
- Remove conflict-of-interest situation of a regulatory agency, which owns certain infrastructure, e.g., ports in the case of PPA, and at the same time regulates port operation.
- Ensure the independence of regulatory agencies to ensure a more competitive market and upholding of consumer welfare.
- Review the cabotage policy in light of the need for more competitive transport and logistics in the country.

- Allow international airlines to land and pick up cargo business from the Diosdado Macapagal International Airport (DMIA) in Clark, Pampanga to give exporters from Subic Bay Freeport Zone and Clark Freeport Zone a less costly option for shipping out their exports, e.g., shorter travel time, more-on-time exports, avoiding the congestion in NAIA and heavy Manila traffic.
- Improve the efficiency of concerned regulatory agencies and government departments involved in trade, e.g., Land Transportation Office, Bureau of Customs, by modernizing and streamlining operations through the use of information and communications technology (ICT).