

## *PH gov't unveils PPP projects*

*The Aquino government has launched its Public-Private Partnership (PPP) program by unveiling 10 projects for roll-out in 2011. Ninety more infrastructure projects (include power projects) are scheduled for construction in 2013-2016. But only a handful of the PPP projects are “shovel-ready”, many still need additional studies to take-off.*

In a 2-day Infrastructure Conference held last November 17 to 19, the Philippine government unveiled the details of its Public-Private Partnership (PPP) program. Ten infrastructure projects – 4 railways, 2 expressways and 4 airports – worth an estimated \$3.1 billion to be rolled-out in 2011 highlighted the event (*see table*). Ten more projects are set for launching in 2012 and another 10 projects in 2013. There are a total of 100 PPP projects, including private-sector initiated power projects, included in the PPP list of the government.

Apart from baring plans for the infrastructure projects to be undertaken under the PPP scheme, the economic team of the Aquino administration also announced several measures put in place in support of the PPP program. These are easier access to bank loans, speedier project processing, and assistance in feasibility studies and right-of-way (ROW) acquisitions. Plus, a guarantee against regulatory risk.

According to Budget Secretary Florencio Abad, the government has allocated P12.5 billion in its budget for the feasibility studies and ROW acquisition of the 10 PPP projects scheduled to start in 2011. This is on top of the P300 million programmed for the Project Development and Monitoring Facility that is under the National Economic and Development Authority (NEDA). NEDA is charged with assisting other government agencies in the packaging of projects set for auction under the PPP scheme. The NEDA also committed to releasing the revised guidelines on joint-venture (JV) partnerships to increase transparency, and reduce the leeway for unsolicited proposals, which the government will discourage.



Most notably, President Aquino promised to compensate contractors should legal challenges prevent them from collecting agreed rates. This regulatory risk guarantee shield private investors from court decisions and temporary restraining orders (TROs) that often plague infrastructure projects in the country. Budget Secretary Abad, however admitted, that the funds to support such a guarantee have not been allocated. “We still have to figure it out,” Secretary Abad said. The World Bank, though is prepared to underwrite such guarantee which should alleviate the funding problem.

Secretary Abad also admitted that except for the NAIA Expressway Phase II project, the listed PPP projects for roll-out in 2011, and many of the other PPP projects set for launching in the succeeding years are not “shovel-ready” or for immediate construction, with many still needing additional feasibility studies to take off. It should also be noted that the MRT-3 privatization scheduled for next year is still in serious doubt, given the

***TROs often plague infra projects in the Philippines.***

## INFRA PROJECTS FOR 2011 ROLL-OUT

PROJECT TITLE	PROJECT COST	DESCRIPTION	IMPLEMENTING AGENCY	SCHEDULE	STATUS
CALA Expressway	\$262 Mn	27.5km at-grade expressway that extends the ongoing Manila-Cavite Expressway	DPWH	May 2012 - Dec 2015	Detailed feasibility to be completed in 2011. Bidding for contractor Dec. 2011.
NAIA Expressway (Phase II)	\$235 Mn	A 4-lane, 4.9km expressway that will link Skyway and Manila-Cavite Coastal Expressway	DPWH	Nov. 2011 - Sept 2015	Bidding schedule on May 2011.
LRT Line 2 East Extension	\$251 Mn	4km. expansion of the existing LRT Line 2 from Santolan in Pasig to Masinag in Antipolo. With 2 additional passenger terminal	DOTC/LRTA	2011-2014	Feasibility study to commence Jan 2011. Tender Schedule 4Q2011.
Privatization of LRT-1 O&M	\$171 Mn	O&M period of 3-4 years for LRT-1, after which contractor of LRT-1 South Extension to take over operations of integrated LRT-1 and MRT-3	DOTC/LRTA	2011-2014	Presently under the diligence review. Bidding for O&M set by 2Q2011. Awarding of contract by 4Q2011.
Privatization of MRT-3 O&M	\$140 Mn	O&M period of 3-4 years for MRT-3, after which contractor of LRT-1 South Extension to take over operations of integrated LRT-1 and MRT-3	DOTC/LRTA	2011-2014	Presently under due diligence review. Bidding for O&M set by 2Q2011. Contract award by 4Q2011.
LRT-1 South Extension Project	\$1.6 Bn	11.7km. extension of the existing LRT-1 with provision for 2 additional stations, satellite depot for light maintenance at the end of the proposed line, intermodal facilities in high demand stations, provision of additional rolling stocks after LRT-1 and MRT-3 integration	DOTC/LRTA	2011-2015	Contract packaging and preparation of bid documents on-going. Procurement process to start in 2011.
New Bohol Airport Development	\$169 Mn	A construction of a new airport to replace the existing Tagbilaran Airport	DOTC/MIAA/CAAP	2012-2014	Updating of feasibility study. Bid by 2Q2011, contract awarded by 4Q2011.
Puerto Princesa Airport	\$169 Mn	Rehabilitation and improvement of existing Puerto Princesa Airport to meet ICAO standards	DOTC/MIAA/CAAP	2012-2014	Updating of the feasibility study. Bid by 2011, contract awarded by 4Q2011.
New Legaspi (Daraga) Airport	\$71 Mn	Construction of a new airport in Daraga, Albay that will replace the existing Legaspi Airport	DOTC/CAAP	2012-2014	Updating of the feasibility study. Tendering scheduled in 2011.
Privatization of Laguindingan Airport O&M	\$33 Mn	Privatization of the operations and maintenance of the Laguindingan Airport in Misamis Oriental	DOTC/MIAA/CAAP	2011-2014	Preparation of feasibility study. Bid schedule for 2Q2011, with contract awarded by 4Q2012.

unresolved ownership issue of the railway. The Land Bank of the Philippines and the Development Bank of the Philippines have asked for an extension of the deadline that mandates them to divest shares in MRT-3. The government however remains upbeat that their targets will be met (*see related story*).

Although there are still several areas of concern that have to be threshed out, the business community has expressed its optimism and support for the Aquino administration's PPP program. The Philippine government is now setting its sights on road shows abroad (e.g. Japan, China, Middle East and possibly Europe) to further boost investor interest on the line-up of PPP projects.

### ***MRT-3 ownership still up in the air***

***Majority ownership in the Philippines' busiest railway will remain with the Land Bank and Development Bank of the Philippines for another year. That is, if the Bangko Sentral ng Pilipinas (BSP) approves. Meanwhile, Metro Pacific has sent feelers that it wants more than the 29% share in MRT-3 that it is set to acquire from Fil-Estate Corp.***

The transfer of ownership of the Metro Rail Transit Line 3 (MRT-3) has not gone according to plan. When the Arroyo government took over operations and management of the Metro Rail Transit Corp. (MRTC) in 2008 using money from its 2 financial institutions (GFIs) – the Land Bank of the Philippines (Land Bank) and the Development Bank of the Philippines (DBP) – they had intended to unburden the 2 GFIs quickly of the risk by transferring ownership to more appropriate agencies such as the National Development Corp. (NDC) before auctioning it off to the private sector. Unfortunately, the NDC did not have the money

to buy the estimated \$800-million MRTC shares from the 2 banks.

The 2 GFIs hold a combined 75% controlling stake in MRT-3, equally divided between the Land Bank and the DBP. As it stands, the 2 GFIs have exceeded the limit on exposure in a single corporation imposed by the *Bangko Sentral ng Pilipinas* (BSP). The BSP ownership limit was put in place to ensure the security of depositors' money and prevents banks from engaging in too risky investments. The BSP had allowed Land Bank and DBP to exceed this ownership limit on the condition that both will unload its equity share in MRT-3 by June 2010. Also, the restricted timeline was imposed because the acquisition of MRT-3 shares was not within the mandate of the 2 GFIs, which under law should invest in renewable energy, agriculture-related and small and medium enterprises.

According to a Department of Transportation and Communication (DOTC) official, the idea of NDC buying the Land Bank and DBP share has now been officially scrapped. The Aquino administration has opted to have the DOTC take over the shares held by Land Bank and DBP. However, it is unclear how exactly the transfer of shares will take place as there are several legal ramifications to consider.

Once the ownership of MRT-3 is resolved, the government will immediately commence the bidding for the operations and management (O&M) of the railway line. Under the Public-Private Partnership (PPP) program of the Aquino administration, the MRT-3 O&M will be turned over to a private investor for a period of 3 to 4 years. After which, the contractor of the proposed LRT Line 1 South Extension Project will take over the O&M of both the MRT-3 and the LRT-1.

Meanwhile, Metro Pacific Investments Corp. (MPIC) has expressed its interest to acquire a bigger share in MRT-3. The company had earlier entered into an agreement to acquire Fil-Estate's stake in Metro Rail Transit Holdings, Inc. and Metro Rail Transit II Inc., 2 holding companies that have a combined 29% interest in MRT-3. MPIC Chairman Manuel Pangilinan explained that "apart from the buy-out of the 29% stake held by Fil-Estate, MPIC is looking at acquiring an additional stake, just how big a stake will depend on our shareholders." MPIC is prepared to pour in \$300 million to \$700 million for the expansion and improvement of the MRT-3 system.

STATUS OF BIG TICKET INFRASTRUCTURE PROJECTS  
AS OF NOVEMBER 2010

PROJECT TITLE	IMPLEMENTING AGENCY	FUNDING SOURCE	CIVIL WORKS TIMEFRAME	PROJECT COST	STATUS/ISSUES
LRT-MRT Link Project	DOTC/LRTA	PS-BOT	2009-2011	P9.6 Bil	Pushed back schedule of completion to Dec. 2011, due to delays in construction. Project cost has ballooned to P9.6 Bil from P6.3 Bil due to delays.
Metro Rail Transit (MRT)Line 7	DOTC	PS-BOT	2011 (Ground-breaking)	\$1.3 Bil	San Miguel (SMC) to buy-out SM Group and Minority Groups in the consortium. Presently, SMC has 51% stake. Ground-breaking rescheduled for 4Q2011.
North Luzon Expressway (NLEX)- Harbor Link Project (Segments 9 & 10)	DPWH/PNR	PS-BOT	4Q2011 (start)	Segment 9: P1.7 Bil; Segment 10: P6.3 Bil.	Feasibility recently completed. ROW by government on-going. Construction to start 4Q2011.
NLEX-South Luzon Expressway (SLEX) Link Project (Segment 11)	DPWH	PS-BOT	2012 (start)	P17 Bil.	ROW on-going. Construction to start after completion of Segments 9 & 10.
Calamba-Laguna Expressway (CALA Expressway)	DPWH	PPP	-	P10.5 Bil.	Included in the PPP priority list of the Aquino administration. Feasibility to start Nov2010, tendering of bids by 3Q2011. Metro Pacific reportedly interested.
NAIA Expressway Phase 2 (Skyway-NAIA-Coastal Road)	DPWH	PPP	-	-	Proposed road project. Among 1st priority project of DPWH, and up for review with NEDA for inclusion in PPP priority list. Metro Pacific reportedly interested.
SLEX Toll Road 4 (Santo Tomas, Batangas to Lucena City, Quezon Province)	DPWH	PS-BOT	2012 (start)	P10 Bil.	Construction on hold until toll rate hike in rehabilitated SLEX portion resolved and implemented.
Panglao Airport Project	DOTC	PPP/NG	-	P7.5 Bil.	Included in the Aquino administration PPP priority list. Site selection study by 4Q2011. DOTC allocates in 2011 budget for cost of runway, navigational facilities, lighting, Panglao Airport.
Metro Rail Transit (MRT)/ Light Rail Transit Expansion Project	DOTC	ODA-NG-PS	-	P70 Bil	Among DOTC listed priority projects. For approval in Congress budget appropriations committee for inclusion in DOTC 2011 budget.
MRT 8	DOTC	NG-PS	-	P51.45 Bil.	Proposed railway project included in DOTC's list of priority projects under Aquino.
LRT 1 South Extension	DOTC/LRTA	PS-BOT	-	P70 Bil.	Tendering scheduled in 2Q2011. For feasibility study. A top priority infra project under the Aquino administration. Govn't recently junks proposal of Romero group for JV-type plan
LRT 2 East Extension to Masinag	DOTC/LRTA	PS-BOT	-	P11 Bil.	Among the top priority infra project included in PPP list of Aquino administration. Feasibility done. For tendering in 4Q2011.
Northrail Project	DOTC	ODA-NG	-	\$600 Mil.	Project 20% completed when suspended due to controversy. Aquino administration to renegotiated the price of the rail project with China. DOTC reviewing the project's financing and technical specifications.
Eastern Samar Road Project	DPWH	ODA-NG	-	\$250 Mil.	Received grant from US government through the Millennium Challenge Corporation (MCC). Up to 223km of roads up for rehabilitation. Proposed project of RDC 8 since 2008.
Puetro Princesa Airport	DOTC	PPP	-	P4.36 Bil.	Feasibility study to be conducted.
Daraga International Airport	DOTC	PPP	-	P3 Bil.	ROW to be completed by end-2010. Bidding by 4Q2011.
Laguna Lake Dredging Project	DENR	PPP	-	P18.7 Bil.	DoF asked DENR to convert the project into PPP undertaking. A public bidding to be set.
Cebu Bus Rapid Transport System	DOTC	ODA-NG	2013 (completion)	\$350 Mil.	Talks on-going with the World Bank and other funding agencies for financing. Under review for possible inclusion in the list of priority projects of Aquino administration.
NAIA3-LRT Link Project	DOTC/LRTA	ODA/PPP	-	-	Conceptual design or pre-feasibility study currently underway. To be implemented via ODA or PPP.
Mactan Cebu International Airport	DOTC	PPP	-	-	Proposed new passenger terminal for Cebu was included in Aquino's PPP list. A priority infra project of the province of Cebu.
Laiban Dam	MWSS	PPP	-	P65 Bil.	MWSS has received renewed interest from Abacus Holdings and Sinohydro Corp; and San Miguel for the dam projects. Both proposals under review.
Clark Airport Development Project	DOTC	PPP	-	P8 Bil.	Project cost escalation seen as Metro Pacific wants inclusion of a high-speed railway and creation of a more comprehensive development plan for Clark Airport. Government conducting more studies. Start of construction not likely to happen during Aquino's term.
San Juan River Basin Sewerage System	DPWH	NG	-	P14 Bil.	Proposed project still under study and being considered as part of the PPP list of Aquino administration.

Davao Light Rail Project	DOTC	NG/PPP	-	P240 Bil.	Proposed rail project being endorsed by the RDC to NEDA review.
Mindanao Railway System, Segment 1 Phase, 1	DOTC/PNR	ODA-NG	2011 (start)	P66.5 Bil.	Received ODA funding for project but on hold after NG failed to release counterpart funding in 2010 budget.
Tarlac-Pangasinan-La Union Expressway (TPLEX)	DWPH	PS-BOT	-	P16 Bil.	Project cost escalation due to delays in construction. NEDA board approved revised plans in Feb 2010. No new updates since then.
Jaluar River Development Project	NIA/DPWH	NG	-	P 16 Bil.	A proposed project endorsed by the provincial government for RDC-NEDA approval.
Panay Railway Project	DOTC	ODA/PPP	-	P24 Bil.	DOTC passed back completed feasibility study to RDC for their endorsement and revision towards PPP undertaking. DOTC to push for inclusion of project in PPP list, previously with ODA-funding.
Samal Bridge in Davao	DPWH	NG	-	P7 Bil.	Proposed project of DPWH. Difficulty in attaining funding sources. Still at planning stage.
Cebu-Bohol Bridge	DPWH	ODA/PPP	-	P20 Bil.	Endorsed by Provincial Government for inclusion in PPP list. Pres. Aquino expressed reservation for "ambitious" project. With initial funding from KOICA. Feasibility on-going.
Iloilo Port Rehabilitation Project	PPA	ODA-NG	2010-2013	P1 Bil.	JICA granted P1 Bil in financing. Project will take 3 years to complete.
Bicol International Airport	DOTC/CAAP	NG	2010-2012	P3.4 Bil.	Govn't released P740 Mil. To fast-track on-going works. Widening of access road 90% complete. ROW on-going.