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PHILIPPINE  
PORTS  
AUTHORITY



**PPA ADMINISTRATIVE ORDER**  
**NO. 08 - 2020**

**TO :** Port Managers  
Port Users and Others Concerned

**SUBJECT :** Revised Guidelines on the Transfer of the Management and  
Operation of PPA Ports to Local Government Units (LGUs)

**1. LEGAL BASES**

- 1.1 Presidential Decree No. 857, as amended.
- 1.2 OGCC Opinion No. 010, Series of 1996 and Opinion No. 210, Series of 1997.
- 1.3 Board Resolution No. \_\_\_\_\_

**2. POLICY STATEMENT**

The Philippine Ports Authority (PPA) is mandated to manage, operate, develop and maintain ports under its administrative jurisdiction. In certain cases, the management and operation of a PPA port may be transferred temporarily to the LGU where it is located or to GC created by or authorized by said LGU, subject to the provisions herein provided.

**3. SCOPE**

This Order covers ports under the administrative jurisdiction of PPA, which generally cater only to domestic vessels and cargoes and not categorized by PPA as vital or priority ports among the ports programmed for development into international standards.

**4. OBJECTIVES**

This Order is issued for the purpose of attaining the following objectives:

- 4.1 To prescribe revised guidelines in the temporary transfer of the management, operation, development and maintenance of PPA ports to LGU.
- 4.2 To allow LGU participation in providing vital transport network linkages and services without PPA abandoning its statutory responsibility over ports.

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- 4.3 To harmonize LGU empowerment pursuant to Republic Act No. 7160 and PPA's statutory jurisdiction over government ports pursuant to Presidential Decree No. 857, as amended.

## 5. **DEFINITION OF TERMS**

For purposes of this Order, the following terms shall mean or be understood to mean:

- a. **Cargo Handling Charges** - the prescribed rates and charges collectible by the cargo handling operator for services rendered in the port.
- b. **GC** - the government corporation or unit organized/created by the concerned LGU tasked by its charter to implement a program for the economic development of a specific territory and its operation of a port facility is directly or indirectly necessary, incidental or conducive to the attainment of its corporate goals and objectives.
- c. **Government Ports** - the public ports constructed, owned and maintained by the national government and under the administrative jurisdiction of the PPA.
- d. **LGU** - provinces, municipalities and chartered cities as defined in the Local Government Code of the Philippines.
- e. **MOA** - the Memorandum of Agreement entered into by and between PPA and the concerned LGU. A copy of the pro-forma MOA is hereto attached as **Annex "A"**.
- f. **Port Charges** - Dockage (Domestic), Wharfage Dues and Storage Fees assessed against vessels and cargoes engaged in the domestic trade.
- g. **PPA Port System** - ports over which the PPA exercises jurisdiction and authority and accept responsibility for all functional areas of development to include planning and design, financing/loan servicing, rehabilitation/new construction/ repair/ maintenance dredging, port administration/management/ operations, regulation, revenue collection and all other activities relevant thereto: which in accordance with the thrusts and priorities of the government is necessary and vital for spurring regional development, providing critical link for the efficient and cheaper transport of cargoes and passengers between islands and for maintaining gateways to other international ports and markets; and where the PPA may likewise appropriate funds and other resources for the conduct of appropriate studies and development of new ports and the repair maintenance of other existing ports to make these ports effective alternative mode of transport and foster interisland trade and commerce.



- h. **PPA Takeover** - the resumption by PPA of the management, operation, development and maintenance of a port from an LGU for cause in order to protect and promote public interest.
- i. **Supervision Fee** - the amount paid by the LGU to PPA for training, guiding and supervising the LGU in the management and operation of the port.

## 6. **GENERAL GUIDELINES**

- 6.1 As a general rule, only provinces shall be allowed to apply for the management, operation, development and maintenance of a port. In case where PPA receives an application to operate, manage, develop and maintain a port from a municipality or city, such application will only be processed upon the submission of an endorsement from the province where the municipality or city is located.
- 6.2 Ports qualified to be operated and managed by the LGU may be the subject of a MOA between the PPA and the concerned LGU. The contents of the MOA shall be in accordance with this Order.
- 6.3 The authority of the LGU to manage, operate, develop and maintain a government port, including the rendition of cargo handling and port-related services, shall be for a term of three (3) years.
- 6.4 LGU shall be allowed to undertake cargo handling operations, either on their own or through a third-party service provider. Provided that the cargo handling and other related services to be contracted out to third parties by the LGU shall have a term not to exceed the stipulated period of the MOA between PPA and the LGU. Provided further that the third-party service provider contracted out by the LGU is duly accredited by PPA and must have the appropriate Permit-to-Operate (PTO) issued by PPA.

The choice of an operator at a port which is constructed and maintained out of national fund and LGU fund shall be exercised by PPA in line with the provisions of Section 40 of Presidential Decree No. 857, though the former may recommend the operator to the latter, subject to existing pertinent regulations.

- 6.6 The repair and maintenance of ports managed and operated by LGU pursuant to this Order shall be the sole and primary responsibility of said LGU.
- 6.7 All development plans for the port by the LGU shall have prior approval of PPA and shall conform to the overall master plan for all ports nationwide. The implementation of the development plan committed by the LGU shall be its sole and primary responsibility.



- 6.8 Unless already covered by law or presidential issuances, these ports shall be properly delineated giving the exact location of the port zone through an approved Sangguniang Resolution / Ordinance of the concerned LGU.

**7. PORTS ELIGIBLE FOR TRANSFER TO LGU OR GC**

Only ports meeting the following requirements may be managed, operated, maintained and developed by LGU :

- a. Cater only to domestic vessels;
- b. Annual cargo throughput should not be more than 50,000 metric tons or for ports with purely passenger or RO-RO cargo the annual gross revenue reported should not be more than Php4,780,00.00 over a 3-year period; and
- c. Not part of the integrated port development program as determined by the PPA Board.

**8. OPERATIONAL REQUIREMENTS FOR THE TRANSFER OF PORT TO LGU**

- 8.1 The LGU shall maintain a minimum capitalization of at least Php380,000.00 and a working capital of at least Php75,000.00.
- 8.2 The LGU shall provide all the cargo handling equipment, tools, gears, and personnel necessary in the operation of the port.
- 8.3 The port management and supervisory officers of the LGU should have at least three (3) years relevant technical and management experience in cargo handling business and/or port operations. The LGU should maintain well-trained and skilled workers of every category in port operations.
- 8.4 The organizational structure of the LGU shall have a Port Operation Section to exclusively handle the port operations activities to ensure efficient services in the port.

**9. SUPERVISION FEE**

- 9.1 The Supervision Fee to be remitted by the LGU to PPA shall be equivalent to fifty (50%) percent of the port revenues generated.
- 9.2 The LGU may request to be subjected only to 10% Supervision Fee provided that said request is supported by document/s showing the proposed investment in the port by the LGU. Provided further that the 10% Supervision Fee shall only be applied once the proposed port development has been implemented and completed.
- 9.3 The concerned Port Manager shall issue a Certification that the LGU is qualified for the 10% Supervision Fee based on the documents submitted.



- 9.4 The General Manager, based on the documents submitted and recommendations from the Assistant General Manager for Operations, may approve the grant of 10% Supervision Fee and the same shall be made part of the MOA.
- 9.5 Remittance of Supervision Fee shall be quarterly, on the fifth (5th) day of the first month of the following quarter.
- 9.6 Monthly report of revenues collected shall be submitted by the LGU to the PMO, with copies of the corresponding Official Receipts issued.

#### **10. PORT TARIFF**

- 10.1 The LGU shall only collect PPA-approved and prescribed tariff.
- 10.2 The authority to impose, fix, prescribe, increase or decrease port charges for the use of port facilities and provisions of services rendered in the port transferred to LGU shall continue to remain with PPA.
- 10.3 The LGU or GC shall comply with DILG Memorandum Circular No. 2006-70 dated June 26, 2006, as amended, prohibiting the LGU from imposing fees, charges and taxes on the inter-province transport of goods and passengers.
- 10.4 Where there is no existing PPA restructured cargo handling tariff for the port, PPA shall prescribe said tariff before the transfer to and actual management and operation of the port by the LGU.

#### **11. PORT DEVELOPMENT BY PPA**

PPA may continue to undertake any required port development, including capital dredging works and major civil works in ports covered by a MOA with LGU, subject to the following conditions:

- a. Availability of PPA funds and resources appropriated for said purpose;
- b. Port development plans submitted by LGU have been favorably recommended by the PMO holding jurisdiction over the port and approved to be integrated into the PPA Plans and Programs;
- c. Port development projects are located within the delineated port zone and are intended for provision of vessel, cargo and passenger related services; and,
- d. The LGU has faithfully complied with all of its responsibilities as stipulated in the MOA, including port upkeep, repair and maintenance.

#### **12. PROCEDURES FOR THE TURNOVER OF PORTS**

- 12.1 The LGU shall submit to the concerned PMO the following documents:

12.1.1 Letter-request for the transfer of the management, operations, development and maintenance of the port within its jurisdiction.

12.1.2 Sanggunian Resolution / Ordinance providing the following:

- i. Approving the application for management, operation, development and maintenance with PPA
- ii. Authorizing the Head of the LGU to enter into a MOA with PPA.
- iii. Describing the exact location of the port zone taking into account the longitude and latitude coverage of the port.

12.1.3 For LGU proposing for 10% Supervision Fee, said LGU shall submit a Feasibility Study to include prospective port development plans, structure and facilities, projected revenue, projected traffic and return on investment.

12.2 The concerned PMO shall evaluate the application of the LGU or GC in accordance with the requirements stipulated in this Order. If the LGU or GC is qualified, the PMO shall submit a report to the General Manager, thru the AGM for Operations, which shall contain the results of the evaluation and recommendation on whether the subject port may be transferred to the LGU or GC, including the appropriate supervision fee to be remitted by the LGU or GC. If not qualified, the PMO shall inform the concerned LGU / GC of the reason for disqualification, copy furnished the General Manager.

12.3 The General Manager, through the AGM for Operations, shall review the recommendation of the PMO on the application of the LGU / GC to manage, operate, develop and maintain the subject port pursuant to this Order.

12.4 The General Manager, shall recommend to the PPA Board of Directors for approval the application filed by the LGU or GC for the management, operation, development and maintenance of port.

12.5 Upon approval by the Board, the General Manager shall convene a Transition Committee (TC) thru a Special Order composed of the following:

Chairperson: Port Manager of concerned PMO

Vice-Chairperson: Head of the LGU or his/her Authorized Representative

Members: Manager, Port Services Division  
Manager, Engineering Services Division  
Manager, Resource and Management  
Division or Finance  
Division



12.6 A Technical Working Group (TWG) shall be formed by the concerned Port Manager to assist the TC. The TC shall have the following functions:

- (1) Ensure compilation of data on the port.
- (2) Assist the LGU in the organization and training of the staff to be involved in the operation of the port.
- (3) Conduct assessment as to the readiness of the LGU to operate and administer the port within 3 months after the creation of the TC.
- (4) Submit evaluation report to the General Manager thru the AGM for Operations together with the following:
  - (a) TC certification that trainings were conducted for the LGU staff to be deployed in the port and the LGUs readiness to operate and manage the port;
  - (b) Organizational set-up, operational systems and procedures of the LGU;
  - (c) TC endorsement to the General Manager for the turnover of the port to the LGU; and
  - (d) Draft MOA between the PPA and the LGU in accordance with the MOA format attached to this Order as **Annex "A"**.

12.7 The Office of the AGM for Operations, upon final review of requirements, may recommend approval of the MOA by the General Manager.

12.8 An appropriate ceremony for the turn-over may be scheduled by the General Manager for this purpose after the approval of the MOA.

### **13. POWERS, FUNCTIONS AND OBLIGATION OF LGU OR GC**

The LGU or GC shall create a separate unit or department which will manage, operate, develop and maintain the day-to-day affairs of the port subject of a MOA between PPA and LGU or GC. Said unit or department shall have its own organizational set-up and separate book of accounts from LGU or GC.

The following are the powers, duties, functions, obligations and responsibilities of LGU so authorized to manage, operate, develop and maintain a PPA port:

13.1 Hold PPA free from any and all liens and/or encumbrances arising from loans and other agreements entered into by the LGU, which shall be held solely responsible whether or not the proceeds thereof were used for port development and similar investments.



- 13.2 Take responsibility for the upkeep, repair and maintenance of the port, including maintenance dredging works.
- 13.3 Operate cargo handling and other related services within the port or undertake any port-related economic activity therein.
- 13.4 Collect domestic port charges, cargo-handling fees and other dues prescribed by PPA for the use of the port and for services rendered thereat. All revenues of the port shall accrue to the LGU and shall issue the corresponding receipt for their collection.
- 13.5 Pay PPA a quarterly Supervision Fee.

The Supervision Fee shall be delivered to PPA on or before the 5<sup>th</sup> day after the end of every quarter to the supervising concerned PMO or thru its authorized depository bank.

- 13.6 Take responsibility for the organization of its manpower requirement.

As a precondition to the actual takeover of a port by the LGU, all concerned personnel tasked to manage and operate the port shall undertake appropriate training with PPA. The cost of such training shall be borne by the LGU.

The organization for the port shall include those positions indicated in **Annex "B"** hereof to ensure that the basic functions of port operations, port engineering and maintenance and billing and collections of port charges are carried out efficiently. All port workers hired by the LGU shall not be considered employees of PPA.

- 13.7 Post the required Performance Security secured from the Government Service Insurance System (GSIS) or any reputable surety or insurance company in the amount of ONE HUNDRED THOUSAND (Php100,000.00) PESOS in favor of PPA to guarantee payment of PPA quarterly Supervision Fee.

#### **14. CANCELLATION OR TERMINATION OF MOA**

PPA may, without prejudice to other remedies against the LGU or GC, extrajudicially suspend, cancel or terminate the MOA on any of the following grounds:

- 14.1 Failure of the LGU to account and/or remit to PPA the Supervision Fee due in accordance with Sec. 9 (c) hereof.
- 14.2 Failure of the LGU to undertake the development, repairs and/or maintenance of the ports, structures and facilities covered by the MOA.



- 14.3 Change of control arising from the sale, assignment, transfer or other disposition of the interests of the LGU in the MOA, without prior approval from PPA.
- 14.4 If the LGU through any of its officials or employees, by taking advantage of their free access to the port premises and vessels calling at the port, engage in or knowingly fails to take action to prevent the commission of smuggling and other illegal activities.
- 14.5 Refusal of the LGU to make available to PPA or the Commission on Audit (COA) or other government agencies exercising visitorial powers, its books of accounts and records pertaining to the management, operations, development and maintenance of the subject port.
- 14.6 Refusal of the LGU to allow PPA from inspecting facilities, structures and equipment of the port, or any portion thereof.
- 14.7 Imposition and/or collection of fees, dues or charges other than those allowed or authorized by PPA in the subject port.
- 14.8 Violation of DILG Memorandum Circular No. 2006-70 dated 26 June 2006, re-issued/updated under DILG MC No. 2011-151 dated 12 October 2011, requiring that the LGUs shall refrain from enforcing any existing or future ordinance authorizing the levy of fees and taxes on inter-province transport of goods, regulatory fees from passengers in local ports, and other additional taxes, fees or charges in any form upon transporting goods and passengers.
- 14.9 Violation or non-performance of other terms and conditions of the MOA and this Order.
- 14.10 Any violation that may be directly or indirectly imputable to or committed by third parties to whom the LGU or government corporation may have contracted out the MOA.

**15. TAKEOVER OF MANAGEMENT AND OPERATIONS OF PORTS FROM LGU OR GC**

PPA may takeover the management and operation of the port from the LGU C under any the following grounds:

- 15.1 In case of violation of any of the terms and conditions of the MOA or PPA rules and regulations.
- 15.2 In case of emergency such as strike, lockout, stoppage of work and other causes of similar nature, which will continue without let-up for over a period of one (1) week and the LGU or GC showing no capability to resolve it.
- 15.3 In case of cancellation, suspension or termination of the MOA.



15.4 When so directed by a court of law.

15.5 In other cases, or violations where PPA deems that the takeover is warranted in order to protect and/or promote public interest.

**16. USE OF LETTER STATIONERY AND STANDARD SIGN BOARD**

Corollary with the authority to operate and manage the port covered by a corresponding MOA, the LGU shall use standard letter stationery as prescribed in **Annex "C"** for all transactions relating to the management, operations, maintenance and development of the transferred port by the LGU or. Similarly, the LGU shall prepare and post a sign board at the gate of the port/terminal office of the transferred port, following the standard design, size of the sign board, size of letterings, and use of the LGU or GC seal, as prescribed in **Annex "D"** hereof. The foregoing requirement shall be immediately complied with upon the turnover.

**17. COMPLIANCE WITH REGULATIONS**

The LGU or GC shall strictly comply with all applicable laws, policies, guidelines and regulations, which are now or may hereafter be promulgated by the government and PPA.

**18. REPORTORIAL REQUIREMENTS**

The LGU or GC shall submit to PPA, through the concerned PMO, the following reports as part of the monitoring function of PPA:

- a. Monthly Gross Income Report – to be submitted not later than the 5<sup>th</sup> day of the following month;
- b. Quarterly Cargo Handling Compliance Report – to be submitted not later than the end of the month following the quarter; and
- c. Annual Report – to be submitted not later than May 31 of the following year.

The form of the aforementioned report shall be those prescribed by PPA.

**19. AUDIT OF PORTS TRANSFERRED TO LGU**

19.1 PPA shall exercise its visitorial powers over the LGU or GC and conduct periodic performance audit on the administration and operations of port transferred to it.

19.2 The prescribed Performance Evaluation Review For Renewal of MOA (PERFORM), herewith attached as **Annex "E"**, and its subsequent amendments shall be adopted in the conduct of periodic performance audit on the administration and operations of port transferred to LGU or GC.



19.3 The LGU or GC shall make available at all times during office hours, for inspection, examination and audit by PPA or COA all books of accounts and records pertaining to the management, operation, maintenance and development of the port. The authority to inspect, examine and audit shall be exercised by the concerned officials pursuant to and within the limits of the duties and functions vested upon their respective offices by express provision of law.

## **20. OWNERSHIP**

The premises and structures existing at the port which is the subject of a MOA between PPA and LGU or GC shall remain to be under the ownership of PPA. Likewise, improvements introduced by the LGU or GC shall belong to PPA without obligation on the part of the latter to reimburse the former for the cost thereof.

## **21. RENEWAL OF AGREEMENT**

The LGU may signify its intention for the renewal of MOA not later than sixty (60) days before the expiration of the MOA. The General Manager may recommend to PPA Board of Directors the renewal of the MOA entered into between PPA and the LGU or GC upon determination that the LGU or GC has complied with the terms and conditions of said MOA and other pertinent PPA rules and regulations.

## **22. SETTLEMENT OF DISPUTES**

All disputes and disagreements resulting from the implementation or interpretation of any provisions of the MOA shall be submitted to an arbitration as provided under Republic Act No. 9285 otherwise known as the "Alternative Dispute Resolution Act of 2004", before the Department of Justice.

## **23. APPLICABILITY CLAUSE**

Any of the rules and regulations issued or promulgated by PPA not covered by this Order but are deemed necessary by PPA to be pertinent in ensuring effective development, management and operations of ports transferred to LGUs or GCs, including proper collection or supervision fee, shall be applied and implemented accordingly.

## **24. RESERVATION CLAUSE**

PPA reserves the right to cancel any existing MOA and require the immediate return of the port transferred to the LGU, when thrusts, programs and priorities of the national government necessitates the return of such port or the existence of any grounds mentioned in Section 14 of this Order.



**25. SEPARABILITY CLAUSE**

If any provision of this Order or the application of such provision to any person or circumstances is declared invalid, the other provisions hereof or the application of such provisions shall not be affected by such declaration.

**26. REPEALING CLAUSE**

PPA Administrative Order Nos. 05-2007, 06-2013 and 08-2014 are hereby revoked and substituted by this Order. Likewise, all other PPA policies, rules and regulations or parts thereof inconsistent herewith, are deemed repealed or modified accordingly.

**27. EFFECTIVITY**

This Order shall take effect fifteen (15) days after its publication in a newspaper of general circulation and a copy filed with the University of the Philippines Law Center.



**JAY DANIEL R. SANTIAGO**  
General Manager