



Rolling.



Moving.



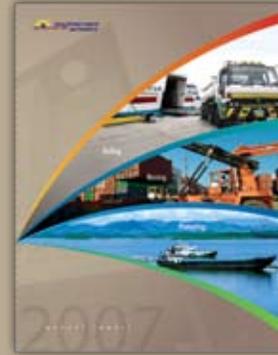
Protecting.

## Our Cover

### Rolling. Moving. Protecting.

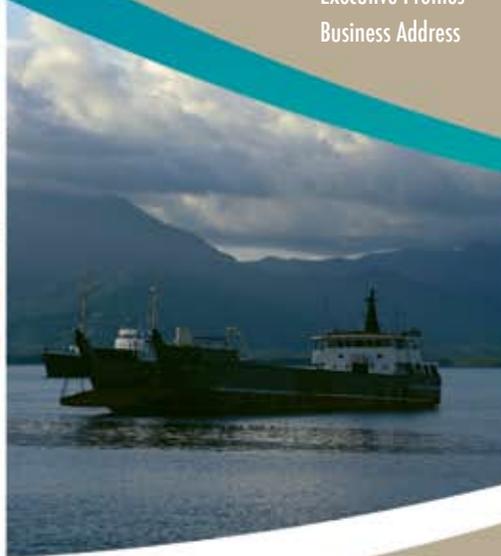
As its mandate, the Philippine Ports Authority (PPA) undertakes the fundamental role of administering an integrated program for the development, financing, operation and maintenance of the country's ports and port districts in support of trade and national development. It takes this role with commitment and focus by delivering responsive and customer-driven frontline port services through the system of ports it manages and operates.

The cover for this year's annual report underscores three of the agency's vital roles"  
**Rolling** - Through the years, the agency continues to strive for excellence by developing safer and efficient port facilities that are at par with acceptable regional and international benchmarks and attuned with clients' expectations and requirements. **Moving** - more than providing services to its clients and the general public, PPA plays a critical role in moving commerce and trade and spurring tourism in support of the country's economic development. **Protecting** - building facilities that takes into consideration the preservation of the port environment and a commitment to operate in a sustainable manner fully integrated with its operational practices.



## Contents

Mission / Vision	1
Message of the General Manager	2
Business Results	5
Shipping and Trade Performance	8
Port Services	10
Physical Infrastructure Development and Maintenance	12
Financial Performance	20
Commitment to Sustainability, Environment and People	22
Port Statistics	28
Financial Statements	32
Board of Directors	44
Executive Officers	46
Department Managers	47
Port District Office / Port Management Office Managers	48
Corporate Structures	49
Executive Profiles	50
Business Address	52



## Mission

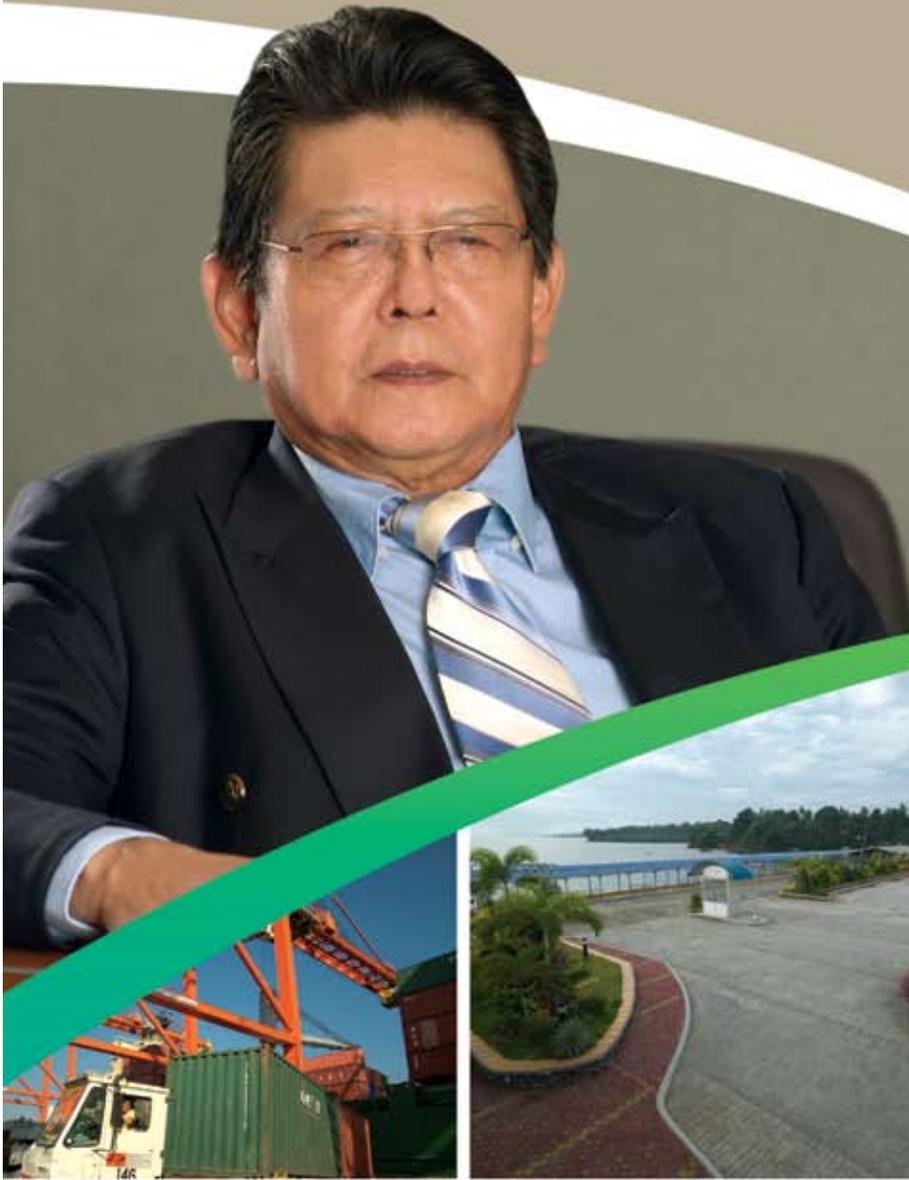
"We commit to provide reliable and responsive services in our ports, sustain development of our port communities and the environment and be a model corporate agency of the government."

## Vision

By 2010, PPA shall have met the international standards in port facilities and services in at least ten (10) ports in support of national development.



## Message of the General Manager



The year 2007 characterized a PPA that remains resilient and responsive as it continued to execute corporate plans with the expectations of meeting the demands of trade and seaborne commerce. Results from port operations saw a moderate but better than expected growth of 3.79% in gross revenues - ending at ₱6.246 billion in 2007. Specifically, revenues from port operations reached ₱6.094 billion or a 5.59% rise from the previous year's port earnings of ₱5.772 billion. Our frontline units, PDO Manila/Northern Luzon, PDO Southern Luzon, PDO Northern Mindanao, PDO Southern Mindanao and PDO Visayas, retained their traditional status as top earners. PDO Northern Mindanao, in particular, contributed to the good news by posting the highest percentage of revenue increase among the five PDOs. Despite forex rate fluctuations, revenues from PPA's authorized terminal operators continue to contribute substantially or more than a third to PPA coffers. Our revenues from wharfage fees accounted for a fifth of the total and the rest came in from other revenue sources which include Arrastre and

Stevedoring, Vessel Charges, Storage Fees, Fund Management Income, Pilotage Fees and Other Income.

While overall our port operations did very well in terms of a better than expected growth in foreign containerized cargo and a rise in export conventional cargo, we continue to contend with difficult and sometimes adverse conditions such as the weakening of the dollar and the decline in the import and export sectors which unfavorably affected PPA's dollar-denominated revenues. Adding pressure is the escalating cost of constructing and maintaining our port facilities resulting in substantial increase in expenses. These have weighed down on our net income and ultimately contributed to its decline in 2007, with PPA posting a Net Income before tax of ₱2.405 billion compared to ₱2.970 billion or a ₱5.66 million (-19.05%) drop from 2006. Still, despite higher costs of operations, our long-standing policy of prudent budget and tighter cost management enabled the PPA to rein its expenses and register a surplus.



Despite a challenging financial environment, PPA embarked on a resource complementation effort and continued its activities full gear towards constructing projects on a major scale in pursuit of its vision and to meet present and future trade and clients' requirements. Resource complementation came in the form of a ₱2.0 billion bond flotation agreement sealed with the Development Bank of the Philippines in the early part of the year. As the first important capital transaction for 2007, the seven-year fixed rate corporate note represented a milestone in funding projects for the development, modernization and expansion of our six priority gateway ports of Cagayan de Oro, Sasa Wharf in Davao, Iloilo Container Port Complex, Ozamiz, Zamboanga and General Santos.

PPA's capital expenditures reached its highest level in 2007 at ₱6.003 billion. We have programmed projects that were either completed in 2007 or are due for completion until 2010. A large chunk of our capital investment program consists of a number of big-ticket projects for the priority gateway ports entailing a total

cost of ₱2.584 billion, financed through the ₱2.0 billion bond float and corporate funds. Of the ₱2.584 billion, ₱677.70 million went to completed projects at various major gateway ports while the amount of ₱1.906 billion was allocated for ongoing expansion projects at the ports of General Santos (82.07% completed), Zamboanga (68.05% completed), ICPC Iloilo (44.25% completed); Sasa, Davao (78.50% completed) and Cagayan de Oro (90.98% complete). These expansion projects represent a strategic move calculated at positioning our priority gateway ports for long-term growth and bringing them at par with international standards.

With our gateway expansion projects on track, we have also implemented in earnest various projects designed to support countryside development and seamlessly integrate the nation through Ro-Ro port links. Encouraged by the increased transactional activities at Calapan, Dapitan, Lipata, Caticlan, Danao, Hilongos, Liloan, Masbate and Roxas, to name a few, we have embarked on the construction of attendant port facilities

in pursuit of the President's centerpiece SRNH (Strong Republic Nautical Highway) program and other key SONA targets. For these, we have invested about ₱1.088 billion of which approximately ₱452 million worth of projects were completed in 2007.

Along with the SONA 2006 commitments, we prioritized likewise the need to pour investments amounting to ₱1.582 billion in potential growth corridors to stimulate or jumpstart the regional economy in line with the Presidential espousal of the Super Regions concept of development. Thus, we have undertaken various projects for among others, the component ports of Dingalan for the North Luzon Agri-Business Quadrangle, and Balbagon, Cagayan de Oro, Davao, Jagna, Pantao, Siquijor and Ubay for Central Philippines Region and Lucena, Cawit and Batangas for Luzon Urban Beltway Region.

While our expectations for 2007 were somewhat tempered by factors beyond our control, we believe that PPA coped well with competition from more aggressive port players in Luzon and Mindanao, rising costs as well as tough conditions in the market and from other fronts.

In considering these constraints as given to any organization, we shall draw inspiration from our core task of developing ports nationwide. On a more serious note, we consider our capital planning and investment program as significant infrastructure agenda designed to meet our vision of having in place major ports meeting international benchmarks and complementing them with Ro-Ro facilities as part of the national thrust of attaining seamless nationwide transport links. In a sense, the PPA is investing for the future to transform the landscape of the maritime sector in ways that will significantly benefit the Filipino people and the nation.

In the pursuit of our core business and mindful of our mission of sustaining the development of our port communities and the environment, we made it a policy that every capital port construction project we undertake complies with the requirement to secure an Environmental Compliance Certificate (ECC) and related government clearances. The ECCs issued give assurance that every port development project that is implemented will not have adverse effects to the port environment and to the socio-economic conditions of the populace surrounding the port communities. As a parallel activity in the protection of the port as well as marine environment, we have established shore reception facilities in 19 locations for proper solid and liquid wastes management and integrated a "Clean and Green Program" into our port master plans to achieve ecological balance. We believe that we have made considerable progress in relation to sustainability issues, but we recognized that more work is required to ensure that our commitment to operating in a sustainable manner is fully integrated with our operational practices.

While anticipating the future, we continue to look out for value-added initiatives in terms of current technology that will improve our operations such as computerizing our core functions, exerting our best efforts to gain ISO certification in one of our most widely employed operational procedures related to vessel entrance and clearance, and adopting regional benchmarks comparable to Hong Kong and Singapore by installing a vessel traffic monitoring system or VTMS in hopefully all our major gateways where these are needed.



Port of Puerto Princesa

By consolidating our gains in these areas, we hope to show a PPA that continuously evolves, reinvents itself and is able to withstand a dynamic environment and changing clientele preferences. We will do this at the same time that we are developing the competencies of our management team and our people by giving them access to relevant training and providing them with tools of current technology within the limits of our resources. We believe this strategy creates value in the form of highly motivated and professionally equipped workforce that can be counted upon to deliver results for the organization.

In all, we ended 2007, relatively unscathed, more resilient and more responsive. Our hopes were renewed and strengthened with the completion of our new corporate headquarters after a long wait of 33 years. A new home symbolizes a new beginning and gives us revitalized vigor to tackle more complex operating environment and bigger responsibilities attendant to ably discharging our mandate for the benefit of our stakeholders and doing our share in national development.

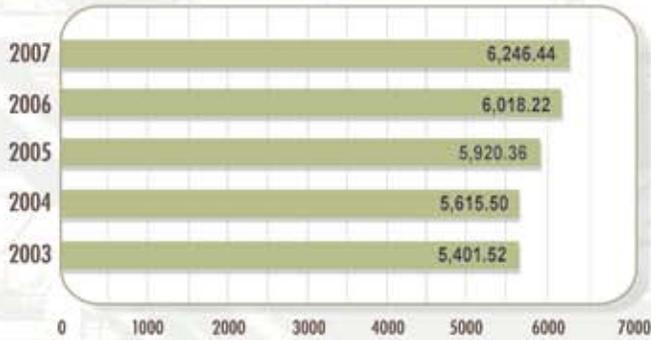
Moving forward, we are confident of the commitment and guidance of our Board of Directors which has continuously steered PPA along a stable course and the focus and resolve of our management team in delivering results as well as the dedication of the entire PPA workforce. For their usual hard work and unqualified support which kept PPA ports running 24/7, we give our profuse thanks for another productive year and many more successful years to come.

**ATTY. OSCAR M. SEVILLA**  
General Manager

# Business Results

## Financial Performance in Million Pesos

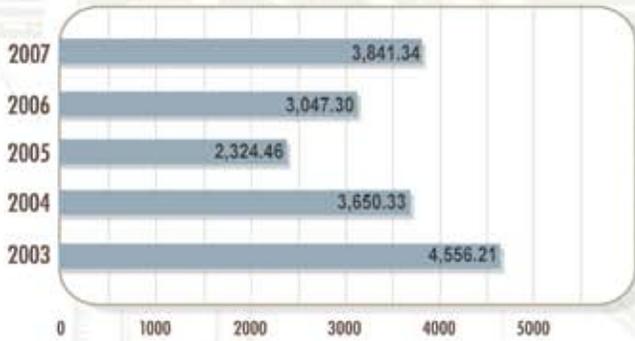
### Gross Revenue



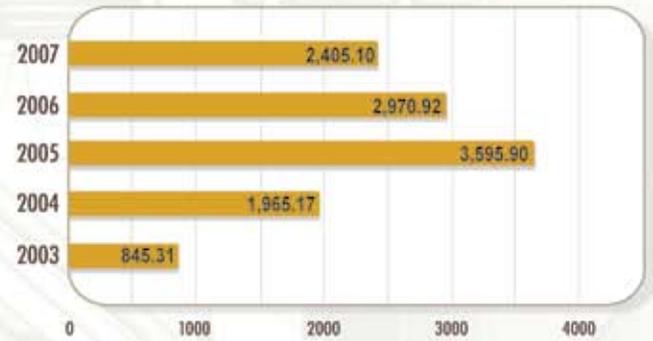
### Gross Operating Income



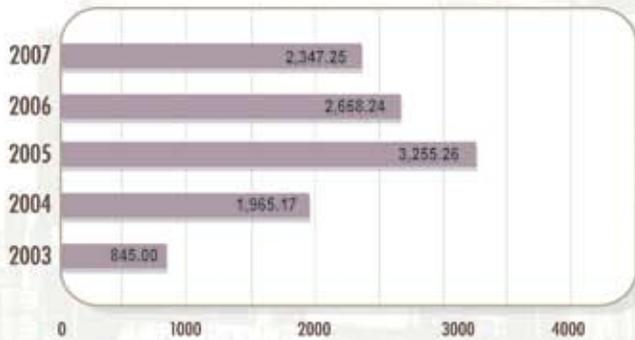
### Net Income Before Tax



### Operating Expenses



### Net Income

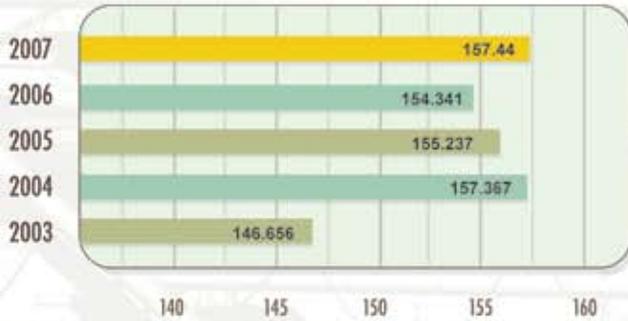


### Dividend Remittances

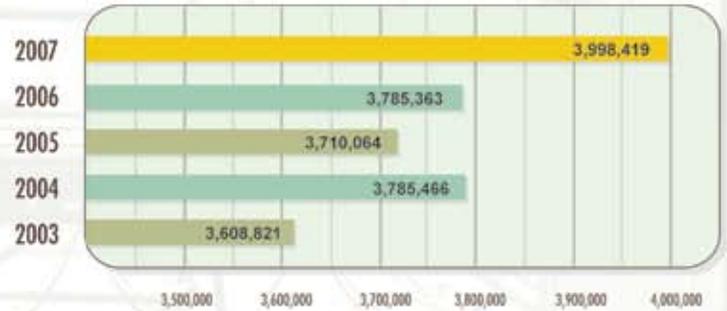


### Trade Activities

Cargo Throughput (in MMT)



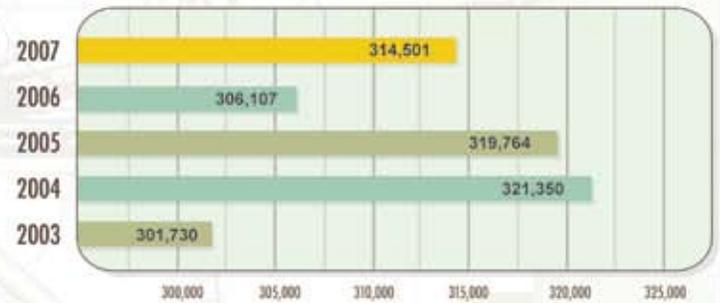
Containerized Cargos (in TEUs)



Passenger Traffic (in million)

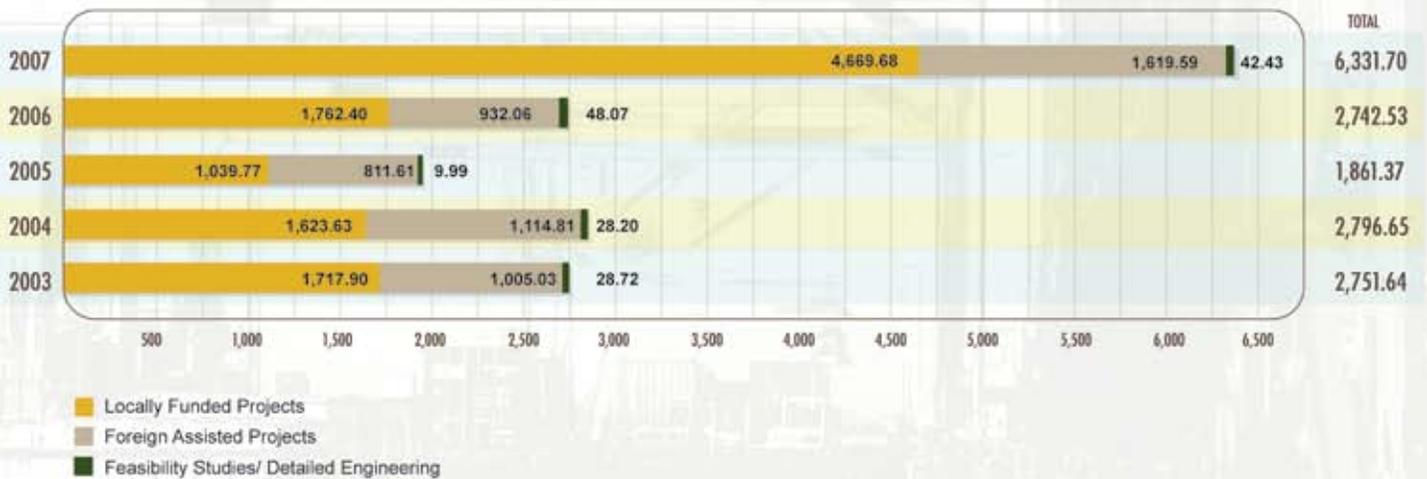


Shipcalls



### Port Development, Expansion & Rehabilitation

Value of Actual Accomplishment  
in Million Pesos





“By consolidating our gains in these areas, we hope to show a PPA that continuously evolves, reinvents itself and is able to withstand a dynamic environment and changing clientele preferences.”

# Shipping and Trade Performance



## Cargo, Passenger and Shipcall Traffic

### Cargo

In 2007, total cargo throughput rose to 157.44 MMT from 154.34 MMT in 2006 or a modest growth of 2.01% corresponding to an increment of 3.10 MMT. Growth in conventional export cargo and foreign containerized cargo boosted overall growth despite modest performance in domestic traffic and a decline in foreign conventional import volume. In particular, foreign export cargo volume surged to 33.38 MMT in 2007 from 28.93 MMT in 2006 or a growth of 15.38%. Total foreign conventional cargo however managed to pull in a growth of only 1.66% compared to total domestic cargo which performed better at 2.40%.

While exports posted positive growth, import cargo suffered a drop of 5.51%. The top five ports in terms of foreign cargo

throughput are MICT (15.60 MMT), PMO Batangas (13.12 MMT), PMO Limay (11.54 MMT), PMO Surigao (8.33 MMT), and South Harbor (6.49 MMT). Other ports with considerable foreign cargo are Cagayan de Oro (5.89 MMT), Davao (5.02 MMT), North Harbor (2.75 MMT), San Fernando (2.55 MMT), Ormoc (2.27 MMT) and Puerto Princesa (2.19 MMT).

### Containers (in TEUs)

Overall, container traffic posted a 5.63% positive growth in 2007 and was mainly propped up by impressive double-digit growth of above 10% of foreign containerized traffic, with export accelerating to 13.08% and import rising to 12.28%. While there was positive growth in foreign containerized cargoes, a negative growth of 3.43% was registered for domestic cargo.

## Passengers

Passenger traffic showed positive growth indicating increased inter-island travel despite rising ship fares. It grew by 4.34 percent or 1.849 million as SRNH component ports maintained an impressive double-digit growth rates, e.g. PMOs Batangas (19.39%) and Calapan (16.31%). PMO Limay, however, suffered a passenger drop of 84.11% due to the stoppage of ferry operations in Bataan ports particularly Orion Port, since November 2006. The small passenger traffic is mainly accounted for by special chartered trips for tourists. The opening of the Subic-Clark Road greatly influenced the traveling preferences of tourists/passengers. Ferry operations however resumed in November 2007 and it remains to be seen if passenger volume will pick up as Orion Port fully asserts its role as a complementary transport link to the emerging economic hub along the Subic-Clark corridor.

## Shipcalls

Overall vessel traffic went up by 2.74 percent in 2007 compared to 2006. Foreign vessel calls grew by 5.35% compared to domestic vessel calls which posted a growth of 2.66%. PMOs Batangas, Legazpi, Dumaguete, Iloilo, Ormoc and Tacloban largely contributed to the 2.66% increase in domestic ship calls. On the other hand, the ports of PMOs Cagayan de Oro, South Harbor and MICT serviced the biggest number of foreign vessels.



## Port Services



### Cargo Handling Operations

The tenure of CH contracts depends on factors such as the type and volume of cargoes, trade classification (e.g. whether domestic or foreign and containerized or non-containerized), extent of investment, manner of handling, size/configuration/development of the port and annual volume of cargoes handled. Contract duration is determined based on annual cargo volume as shown below:

Up to 150,000 tons	-	5 years
150,001 to 300,000 tons	-	8 years
300,001 to 1,000,000 tons	-	10 years
1,000,001 to 2,000,000 tons	-	15 years
Above 2,000,000 tons	-	More than 15 years

As of end 2007, PPA has awarded 24 cargo handling contracts with varying tenures, i.e., 14 for six months, 2 for one year, 4 for five years, 1 for six years, 3 for eight years and 3 for ten years.

CHOs with six-month contracts provide services at the Ports of Brookes Point, Palompon, Tandag, Benoni, Masao, Butuan, Dapa, Aras-asan, San Jose, Dapitan, Lianga, Cantilan, Punta, Tubod and Pagadian.

ATI Batangas, Inc. was issued a one year contract while those awarded with 5-year contracts include Darauanak Port Services Corp. (Pasacao Port), Leyte Integrated Port Services, Inc. (Baybay Port), and Starlite Marine and Industrial Services Corp (Tubigon Port) and Sittie Janezah Arrastre and Services (Cotabato City); 6-year contracts for Leyte Integrated Port Services, Inc. (Catbalogan); 8-year contracts for Sorsogon Terminal & Arrastre Services Corp. (Matnog), New Eagle Arrastre Services (Ormoc) and Masbate Consolidated, Inc. (Masbate) and, 10-year contract for Prudential Customs Brokerage Services, Inc. (Puerto Princesa and Dumaguete), and Tabaco Port Cargo Corp. (Albay).

## Harbor Pilots Appointments

PPA appointed 23 harbor pilots in various pilotage districts nationwide, as follows:

- Chief Pilots for Manila (1), San Fernando (1), Iloilo (1) and Dumaguete (1)
- Regular Pilots for Manila (1), San Fernando (1), Bicol (1), North Panay (2), Tacloban (1), Cagayan de Oro (1), Surigao (1) and Davao (3)
- Probationary pilots for Manila (1), San Fernando (1), Puerto Princesa (2), Tagbilaran (1) and Davao (3)

## Development/Operation of Private Ports

### Certificate of Registration (COR)/Permit to Operate (PTO).

For the year 2007, thirty-five (35) private port operators were issued with CORs/PTOs including Special Permit to Operate at the various port districts nationwide. About half of these private port operators handle bulk solid and liquid cargoes for their exclusive operations. A few are private commercial ports that are allowed to handle third party cargoes aside from their own cargoes.

**Table 1 - Private Ports Issued with COR/PTO, per Port District Office**

Company/Operator	Location of Port/s
<b>Manila/Northern Luzon ( 8 )</b>	
• Mariveles Grains Corp. (formerly Asian Terminals Inc.)	Mariveles, Bataan
• DMCI Holdings, Inc.	Sta. Cruz, Zambales
• Ilocos Norte Mining Co., Inc.	Gabut Norte, Badoc, Ilocos Norte
• Liberty Flour Mills Inc.	Pasig River, Mandaluyong City
• Oilink International Corp.	Lucanin Pt., Mariveles, Bataan
• PNOC Alternative Fuels Corp.	Batangas Dos, Mariveles, Bataan
• SMC Shipping & Lighterage Corp.	Baseco Compound, Mariveles, Bataan
• Seafront Shipyard & Marine Services. Corp.	Lucanin, Mariveles, Bataan
<b>Southern Luzon ( 9 )</b>	
• Bacnotan Industrial Park Corp.	Calaca, Batangas
• Balayan Distillery	Talisay, Calaca, Batangas
• Gonzalo Puyat & Sons, Inc.	Hondagua, Quezon
• Nation Granary Inc.	Talaan, Sariaya, Quezon
• Petron Corp.	Maunlad, Puerto Princesa
• Pilipinas Shell Petroleum Corp.	Camangue, Pasacao, Camarines Sur
• Pilipinas Shell Petroleum Corp.	Pulang Bato, Kinamaligan, Masbate
• PNOC Exploration Corp.	San Miguel, Bauan, Batangas
• San Miguel Mills Inc. (formerly issued to Pacific Flour Mills Inc.)	Tabangao, Batangas City
<b>Visayas ( 7 )</b>	
• Bacolod Real Estate Dev. Corp.	Ports 1-5 Reclamation Area, Banago, Bacolod City
• JARFEL Corp.	Rizal, Lapuz, La Paz, Iloilo
• Lucky Merchant Shipping Corp.	San Isidro, Northern Samar
• Maayo Shipping Inc.	Tampi, San Jose, Negros Occidental
• Phil. Bulk Corp.	Pulupandan, Negros Occidental
• Pilipinas Shell Petroleum Corp.	Sto. Nino, Bacolod City
• Samar Coco Products Mfg. Corp.	Malajog, Tinambacan Dist. Calbayog City
<b>Northern Mindanao ( 4 )</b>	
• Misamis Oriental Land Dev. Corp.	Jasa-an, Misamis Oriental
• Pacific Nickel Phils. Inc.	Mineral Reservation Area, Surigao Del Norte
• SMC - Beer Division	Luyong, Bonbon, Opol, Misamis Oriental
• SR Metals, Inc.	La Fraternidad, Tubay, Agusan del Norte
<b>Southern Mindanao ( 3 )</b>	
• Concepcion Lobregat Balaguer et. Al	La Vista Del Mar, Upper Clarian, Zamboanga City
• Craft Haven Int'l Services. Inc.	Km 15, Panacan, Davao City
• Tagum Agricultural Dev. Co., Inc.	Panabo, Davao del Norte
<b>Special Permit to Operate (4)</b>	
• Platinum Group Metals Corp.	Dimaluade, Dinapigue, Isabela
• Local Government of Cadiz	Cadiz, Negros Occidental
• Patricia Louise Mining & Development Corp.	San Isidro, Narra, Palawan
• A3 Una Mining Corp.	Bolitoc, Sta. Cruz, Zambales

## Clearance to Develop.

Nine (9) companies were issued Clearance to Develop Private Port, majority of which are within the jurisdiction of PDO Manila Northern Luzon. Six (6) of these private ports are engaged in mining, reflecting the current government thrusts on encouraging minerals exploitation and development, as one of the pillars of economic growth.

**Table 2 - Companies Issued with Clearance to Develop Private Ports**

Company	Location
<b>Manila/Northern Luzon (4)</b>	
• A3 Una Mining Corp.	Brgy Balitoc, Sta. Cruz, Zambales
• DMCI Holdings, Inc./DMCI Mining Corp.	Brgy. Balitoc, Sta. Cruz, Zambales
• OMNICO Natural Resources Inc.	Brgy. Gabut Norte, Badoc, Ilocos Norte
• Platinum Group Metals Corp.	Brgy. Dimaluade, Dinapigue, Isabela
<b>Southern Luzon (2)</b>	
• Patricia Louise Mining & Devt Corp. (PLMDC)	Brgy. San Isidro, Narra, Palawan
• PMR Group Retirement Plan Inc./GN Power Mariveles Coal Plant	
<b>Northern Mindanao (2)</b>	
• Surigao Integrated Resources Corp.	Sitio Inchrome, Cagdianao, Claver, Surigao Del Norte
• UKC Builders, Inc.	Brgy. Tablon, Cagayan De Oro
<b>Southern Mindanao (1)</b>	
• Concepcion Lobregat Balaguer et. Al	La Vista Del Mar, Upper Clarian, Zamboanga City

## Real Estate Management

The PPA continues to seek ways to optimize the use of and maximize the revenues generated from its real estate assets. Most of its marketing policies and strategies are geared towards the promotion of better real estate management and optimisation/rationalization of land use in port areas under its jurisdiction. Sound real estate management strategies have enabled the Authority to generate additional income from land leases and rentals, as well as lease of storage and warehouse spaces, transit sheds, and special take-over units, among others.

In 2007, PPA entered into four (4) major lease contracts, namely, a ten-year term lease for Philippine Veterans Bank, Pacific Oil Products, Inc. and South Cotabato Integrated Port Services, Inc., and a five-year term lease with ATI-Batangas, Inc.

## Port Tariff

### Cost-Based Tariff Analysis and Development Project

In June 2006, PPA signed the contract for the Cost-Based Tariff Analysis and Development Project with Philkoei International Inc. in joint venture with Cesar Virata & Associates. The study's main objective is to formulate an Activity-Based Cost Model (ABCM) for the determination of a rate-setting formula for port tariff and services, including a rate adjustment formula for each specific tariff item that allows adjustment for economic factors affecting them such as currency adjustments and wage increases, among others. The study is expected to propose a parametric formula for rate setting of port and cargo handling charges. The set of recommended formulae shall be subjected to a series of public consultation and hearings with comments therefrom to be incorporated in the Draft Final Report that will be submitted at the end of the contract.

# Physical Infrastructure Development and Maintenance



In 2007, PPA completed sixty (60) locally-funded projects (LFPs) nationwide at a total cost of ₱2.675 billion and has 78 ongoing projects expected to be completed in the next couple of years entailing a total investment of ₱5.795.38 million for the major gateways, Super Region component ports, SRNH and Ro-Ro ports and other port projects.

## Completed Projects

The amount of ₱677.70 million was spent on the following completed gateway projects in Cagayan de Oro, Davao, Iloilo River Wharf, Ozamiz and Zamboanga.

**Table 3 – 2007 Completed Gateway Projects**

Port	Project Description	Project Cost
Cagayan De Oro	Upgrading / rehab. of existing back-up area at Berths 1-5	178.68
Davao	Rehabilitation of 42.35 meter quay	26.53
Davao	Installation of 2 units 500 KVA Generator set and powerhouse Feeder Line and 2 units light tower	19.37
Davao	Installation of canopy and grills and powerhouse extension	1.21
Iloilo River Wharf	Improvement of River Wharf (Phase II)	57.83
Ozamiz	Extension of RC Wharf	74.56
Ozamiz	Installation of 2 units lighted beacon	6.64
Zamboanga	Reclamation; Construction of Steel Sheet Pile Wall; Mooring and Fendering System	310.32
Zamboanga	Construction of CHB fence at Paniran Area	2.57

## Ongoing Projects

Ongoing expansion projects amounting to ₱1.906 billion are in various stages of completion at the major gateways of Cagayan de Oro, Davao, ICPC Iloilo, General Santos and Zamboanga.

**Table 4 - 2007 Ongoing Gateway Projects**

Port	Project Description	Project Cost (Million P )	Status of Completion
Cagayan De Oro	Back Up area for the newly constructed wharf	394.77	90.98%
Davao	Sasa KM No.10 Construction of Transit Shed	74.69	78.50%
Davao	Construction of new wharf and back up area	396.09	75.47%
ICPC Iloilo	Wharf Extension	202.32	44.25%
General Santos	Port Expansion Project	429.69	82.07%
Zamboanga	Port Expansion Project (Phase II)	409.01	68.05%

## Strong Republic Nautical Highway and SONA Port Projects

The development of Super Regions, (SONA) and Ro-Ro ports, consistent with PGMA's SONA commitments, remained the central priority under PPA's capital expenditure program in 2007.

## Completed Super Regions Projects

In 2007, PPA invested ₱831.17 million for completed Super Region component projects at Batangas, Balbagon, Cawit (Boac), South Harbor, Dingalan, Jagna, Legazpi, Lucena, Pantao, Siquijor and Ubay. The completed project at the Port of Dingalan is under the North Luzon Agri-Business Quadrangle while the completed projects at the Ports of Balbagon, Jagna, Pantao, Siquijor and Ubay are under the Central Philippines Region. In particular, the port of Legazpi with its technically restricted operational area has benefited from the completed back up area expansion. Funds spent for these projects are exclusive of the completed expansion of Batangas Port for the Luzon Beltway Region which was financed under the JBIC Loan Package.

## Ongoing Super Regions Projects

Super Regions' projects amounting to ₱750.5 million are in various stages of progress at the ports of Aroroy (Masbate), Balbagon, Claveria, Dingalan, Esperanza, Limasawa, Maripipi, Naval, San Pascual and Sibunag. The construction of Passenger Terminal Buildings (PTBs) is in full swing at Balbagon, Claveria, Dingalan, Esperanza, Limasawa, Naval and San Pascual in view of the noted increase in passenger volumes at these ports. Apart from enhanced Ro-Ro links for faster movement of goods, the Super Regions' component projects seek to boost tourism along the routes covered by these ports.



*Diosdado Macapagal Passenger Terminal  
Orion, Bataan*

Development of Ports for the Super Regions (SONA Ports)



**Legend**

- North Luzon Agri Business Quadrangle
- Luzon Urban Beltway Region
- Central Philippines Region
- Mindanao Region



## Completed SRNH Components/RORO Ports Projects

PPA completed ten (10) projects in 2007 for the SRNH component ports of Balingoan, Caticlan, Dapitan, Hilongos, Danao, Liloan, Masbate, Orion and Roxas amounting to ₱451.85 million. Caticlan, which is home to the world-famous Boracay Island Resort, received added boost from the ₱82.06 million completed RC Pier and Ro-Ro ramp and reclamation projects. Meanwhile, Orion, which is being positioned as an important SRNH link, has a completed tourist-friendly Diosdado Macapagal cruise terminal with an estimated cost of ₱36.86 million. Also, in response to the clamor of tourists and businessmen, PPA completed the concreting of back up area, construction of toilet facilities, covered walk as well as installation of port lighting system at Roxas Port, an important jump off point to Boracay.

## Ongoing SRNH Components/RORO Ports Projects

In addition to the completed SRNH Components/Ro-Ro Ports Projects, PPA has ongoing projects in the amount of ₱636.61 million at the ports of Calapan, Dapitan, Dumaguete, Lipata Orion, Plaridel and San Ricardo. In particular, the port of Dumaguete stands to benefit from the much-awaited completion of a Passenger Terminal Building (PTB), a new Administration Office, back up area expansion and Ro-Ro ramp construction. Aside from the recently completed cruise terminal building, an ongoing parking area and port road improvements, once completed, shall be much welcome development by passengers, tourists and port users at Orion Port.

## Other Port Projects

PPA's contribution to countryside development, particularly in far-flung and remote islands with no means of transportation other than through ports remains a firm and continuing commitment. In 2007, PPA completed various projects at the ports of Basco, Basiao, Biri, Guimbal, Ligaya and Mabila and has

ongoing projects at Agutaya, Almagro, Babak, Balite, Banay-Banay, Bulalacao, El Nido, Tilik, Valanga and Vinisitahan, among others.

## Efficiency in Project Implementation and Utilization of Capex Funds

Despite the complexity and magnitude of both completed and ongoing infrastructure projects, PPA significantly improved its efficiency in project implementation as well as utilization of Capital Expenditures (CAPEX) funds. Fund utilization markedly improved to 95% in 2007 from about 65% in previous years. PPA is likewise on track as far as implementing projects for the major gateway ports as well as other port projects is concerned.

## Repair and Maintenance Program

To keep the ports in optimum operating condition, PPA regularly sets aside a portion of its budget for their routine maintenance and repair. The repairs and maintenance of ports are also subject to a system of prioritization and considers such factors as their age and physical state. In 2007, the amount of ₱492 million was allocated to over a hundred ports nationwide. Sixty-eight (68) repair projects were included in the 2007 R/M Program of which 50 were completed, 10 are still ongoing and 8 are under procurement stage.

Fund utilization against approved annual budget stood at 81.06% with actual releases posted at ₱476.73 million and value of accomplishments at ₱398.82 million.

The biggest share of the approved budget went to PDO Southern Luzon at ₱217.19 million or 44.14%, followed by PDO Manila/Northern Luzon at ₱111.59 million or 22.68% and PDO Visayas at far third with ₱74.56 million or 15.15%.



**COMPLETED LOCALLY FUNDED PROJECTS**  
**By Port Category, In Million Pesos**

Project Location	Project Description	Project Cost
<b>MAJOR GATEWAYS</b>		
Cagayan De Oro	Upgrading / rehab. of existing back -up area at Berths 1-5	178.68
Davao	Rehabilitation of 42.35 meter quay	26.53
Davao	Installation of 2 units 500 KVA Generator set and powerhouse Feeder Line and 2 units light tower	19.37
Davao	Installation of canopy and grills and powerhouse extension	1.21
Iloilo River Wharf	Improvement of River Wharf (Phase II)	57.83
Ozamiz	Extension of RC Wharf	74.56
Ozamiz	Installation of 2 units lighted beacon	6.64
Zamboanga	Reclamation; Construction of Steel Sheet Pile Wall; Mooring and Fendering System	310.32
Zamboanga	Const. of CHB Fence at Paniran Area	2.57
<b>SUPER REGION COMPONENTS PORTS (SONA Ports)</b>		
Batangas	Rehab/ realignment of water supply line for fire/ship hydrant at foreign and General Cargo Area	3.74
Balabagon	Reclamation of Back up Area	31.73
Cawit (Boac)	Demolition/Disposal ; Improvement of RC Pier ; RC Wharf and RORO Ramp Mooring Fendering System	35.81
South Harbor	Repair, Rehab. & Fabrication of Pontoons at Malacanang Linear Park along the Pasig River	18.96
Dingalan	Rock Causeway; Construction of RORO Ramp; RC Pier & Platform ; Mooring and Fendering System	49.74
Jagna	Demolition and Disposal of Existing RC Wharf; RC Wharf Extension ; Construction of RC Breasting Dolphin	59.95
Legaspi	Expansion of Back Up Area	107.38
Lucena	Port Improvement of Back Up Area	47.75
Lucena	Extension of Breakwater	268.95
Pantao	Port Development (Phase II)-Reclamation; Port Lighting System	105.74
Siquijor	Reclamation and RORO ramp	53.38
Ubay	Reclamation and widening of causeway	48.04
<b>SRNH COMPONENTS &amp; OTHER RORO PORTS</b>		
Balingoan	Installation of buoy and navigational Aid Light	12.67
Catician	Construction of RC Pier; RORO Ramp; Reclamation; Breasting Dolphin	82.06
Dapitan	Construction of RORO ramp and 2 units breasting dolphin	8.71
Hilongos Port	Reclamation; RORO Ramp ; Mooring and Fendering System	91.51
Danao Port	Extension of Wharf & Construction of RO-RO Ramp	66.65
Liloan	Reclamation; RORO Ramp ; Mooring and Fendering System	67.24
Masbate	Closing of breathers 1, 2 & 3 and behind the RC Wharf	60.79
Masbate	Construction of CHB cyclone wire fence and covered walkway	11.96
Orion	Diosdado Macapagal Cruise (DMC) Terminal	36.86
Roxas	Concreting of back up; construction of toilet covered walk and port lighting system	13.41
<b>OTHER PORT PROJECTS</b>		
Basco	Construction of RORO ramp and RC platform	30.60
Basiao	Port Development / Improvement	15.50
Bauan	Construction of Marginal Wharf	21.39
Biri	Port Improvement	3.49
Bislig	Reclamation; RORO Ramp; Causeway RC Pier ; Port Lighting System	78.11
Calatagan	Construction of PTB & perimeter fence & concrete paving	21.05
Caramcam/Mangangoy	Proposed improvement / rehabilitation of port including dredging	38.98
Cotabato	Construction of powerhouse and provision of 80 KVA power genset	2.61
Currimao	Construction of PTB	22.21
Guimbal	Port Development / Improvement	18.42
Kalamansig	Construction of powerhouse and provision of 50 KVA power genset	1.93
Ligaya	Completion of Ligaya Port	12.41
Mabila	Construction of Rock Causeway , RC Pier and Reclamation	47.08
Mati	RC Wharf Extension , RC Platform & RORO Ramp	57.72
Nasipit	Construction/ Installation of Amenities at the PTB	9.04
North Harbor	Development of former ICX Railroad	25.17
North Harbor	Development of open storage area at Pier 2 Extension	37.70
North Harbor	Procurement and Installation of one (1) unit hybrid bouy at NH Entrance Channel	5.42
North Harbor	Pavement Improvement at Marine Slipway (Phase 2)	15.03
Nasugbu	Rehabilitation / improvement of facilities	34.23
San Andres	Rehabilitation of RC Pier and RORO Ramp	20.00
San Carlos	Overlaying existing RORO ramp at Berth 3 and conversion of berth 1 to RORO Berth	4.30
San Carlos	Construction of PTB	10.17
San Fernando	Improvement of Guesthouse and training facilities	12.85
San Isidro	Improvement of San Isidro Municipal Port	9.90
Sindangan	Reclamation of back up area and const. of RORO ramp	82.95
Sta Cruz Marinduque	Concreting of back up area, RC stairlanding and perimeter fence	4.76
Talibon	Reclamation and RORO Ramp ; Extension of RC Pier; Mooring & Fendering System; Rehabilitation of existing Rock Causeway	78.10
Gumaca (Villa Bota)	Widening and Extension of Rock Causeway	7.60
Liloan	Provision of Physical Facilities and equipment of port security	6.93

## ONGOING LOCALLY FUNDED PROJECTS

### By Port Category, In Million Pesos

Project Location	Project Description	Project Cost	Status of Completion
<b>MAJOR GATEWAYS</b>			
Cagayan De Oro	Back Up area for the newly constructed wharf	394.77	90.98%
Davao	Sasa KM No.10 Const of Transit Shed	74.69	78.50%
Davao	Construction of new wharf and back up area	396.09	75.47%
ICPC Iloilo	Wharf Extension	202.32	44.25%
General Santos	Port Expansion Project	429.69	82.07%
Zamboanga	Port Expansion Project (Phase II)	409.01	68.05%
<b>SUPER REGION COMPONENTS PORTS (SONA Ports)</b>			
Aroroy Masbate	RORO Ramp, Back Up Area; Drainage System	96.47	61.11%
Balbagon	PTB Construction	17.68	13.44%
Balbagon	Extension of existing RORO Ramp	25.41	58.93%
Cawayan	Rock Causeway and Back Up Area; R.C. Platform; RORO Ramp and Breasting Dolphin	48.98	85.08%
Claveria	Construction of RORO Ramp and Widening of Rock Causeway ; Back Up Area & PTB	125.15	30.00%
Dingalan	Site development and construction of PTB	47.035	92.08%
Esperanza	R.C. Platform, RORO ramp, Breasting Dolphin; Back Up Area Rock Causeway; Port Ligthing System; Passenger Terminal Building	133.69	24.85%
Limasawa	PTB Construction	4.66	95.00%
Limasawa	Reclamation of Back Up Area	13.37	95.00%
Maripipi	Rehabilitation/ widening of Existing R.C. Pier, RORO Ramp and Breasting Dolphin; Back up Area and Rock Causeway	49.05	72.00%
Naval	Construction of RC Pier Const of RORO Ramp and PTB	54.19	62.86%
San Pascual	Construction of RORO Ramp Back Up Area and PTB	42.84	13.56%
Sibunag	RC Platform, RORO Ramp, Breasting Dolphin; Rock Causeway ; Port Lighting system	92.20	83.49%
<b>SRNH COMPONENTS &amp; OTHER RORO PORTS</b>			
Calapan	Construction of PTB	44.35	67.60%
Dapitan	Port Expansion Project RC Wharf Extension and Reclamation	222.92	99.87%
Dumaguete	Construction of two storey PTB and baseport terminal office	48.46	2.13%
Dumaguete	Back up Area and RORO Ramp	92.65	85.25%
Lipata	Rehabilitation of exisiting pier	41.05	62.08%
Orion	Parking Area and port road improvement	21.66	98.00%
Plaridel	Rehabilitation of RC Pier and RORO Ramp	66.43	70.33%
San Ricardo	Port Development	66.28	25.25%
South Harbor*	Renovation/Improvement of PPATC Building	32.80	55.98%
<b>OTHER PORT PROJECTS</b>			
Agutaya	Extension / Improvement of Existing Rock Causeway	14.14	85.74%
Almagro	Port Development	7.40	95.00%
Babak	Reclamation and reconstruction of RORO Ramp	46.64	66.94%
Balite	Extension of RC Pier and Construction of RORO ramp	13.94	79.62%
Banay Banay	Construction of RORO Ramp	14.82	55.69%
Bulalacao	Construction of RORO Ramp and back up area (Phase 1)	30.99	40.16%
Calbayog	Extension of RC Pier	40.65	41.64%
Cantilan	Construction of Port Facilities	35.33	48.17%
Caramcam	Construction of PTB and other facilities	7.18	53.95%
Carigara	Rehabilitation of Carigara Port	4.94	96.82%
Concepcion	Rehabilitation of causeway	17.60	74.91%
Cullion	Construction of RORO ramp with RC platform	19.25	75.00%
Currimao	Construction of RC Pier for Cruise Ship Berth	96.15	37.89%
El Nido	Construction of Back Up Area and RORO Ramp	53.37	84.30%
Fort of San Pedro	Wharf Rehabilitation	181.49	50.88%
Glan	Reconstruction of exisiting damaged RC wharf	19.93	46.02%
Guimbal	Additional Port Development	17.51	64.44%
Himamaylan	Construction of Port	57.07	98.74%
Ipil	Extension of RC Pier	21.97	30.36%
Lamao	Port Expansion Project	98.21	92.40%
Liangga	Construction of Port	46.32	42.10%
Maco	Port Development (Phase II)	27.41	97.45%
Margosatubig	Rehabilitation, extension and widening of RC pier and improvement of entrance gate, fence and guardhouse	27.12	73.66%
Margosatubig	Construction of PTB and TMO Bldg	18.90	56.06%
Masao	Wharf Extension and RORO Berth	129.98	99.00%
Masao	Port Expansion	84.49	49.12%
Mati	Rehabilitation of existing pier	41.73	50.48%
Mulanay	Rock Causeway , RC Pier and RORO Ramp	37.46	70.83%
Nasipit	Port Expansion	198.55	60.44%
Padre Burgos	Port Improvement	11.88	95.23%
Pagadian	RC Wharf extension and Reclamation	83.23	75.31%
Pagsanghan	Port Improvement	5.32	95.00%
Poctoy	Const. of Additional back-up area	76.95	26.57%
Polilio	Additional port development	19.40	77.00%
San Andres	Port Development	91.39	26.57%
San Isidro	Port Improvement	29.44	96.39%
San Isidro	Construction of rock causeway and RC Pier	18.21	99.05%
San Vicente	Construction of RORO Facilities	58.82	7.69%
Sto Nino	Port Development	8.75	95.00%
Surigao Port	Port Expansion Project	414.05	79.95%
Tapal	Concreting of Ubay - Tapal port road	10.95	94.27%
Tacloban	Construction of port operations bldg	79.64	23.25%
Taytay	Port Development	79.96	77.00%
Tiilik	Construction of RC Wharf , back up area and perimeter fence	48.5	89.00%
Valanga	Construction of Valanga Port	7.87	45.00%
Vinisitahan	Port Development	25.49	70.35%

## Maintenance of Harbors and Fairways

Keeping the waterways and port channels safe and navigable through regular maintenance dredging is a year-round function. In 2007, a total of 1.54 million cubic meters of silts was removed from sixteen (16) port areas/channels.

The dredging contractor under the privatized set-up, F.F. Cruz & Co., Inc., removed a total of 1.43 million cubic meters of silts from: Pasig River Mouth/Entrance Channel; South Harbor Pier 9 & 13; South Harbor Anchorage Area 1, 2, 5 & 6; North Harbor Piers 14 & 16 and Slip 11; North Harbor Basin Fronting Piers 2-16; North Harbor Pier 8; North Harbor Inner Basin (from front of P-16 up to the end of new Entrance Channel); Legazpi Port; Clarin Port; Naval Port; Ormoc Port; Liloan Port; Iloilo River Wharf (Fairway and Berths 1, 3 & 5); Surigao Port and Nasipit Port.

Another dredging operator under contract with PDO Manila completed the 0.105 million cubic meter dredging requirement of Engineering Island in Tondo.

## Hydrographic and Topographic Survey

As a support engineering function, PPA regularly undertakes hydrographic and topographic surveys to generate background information on a particular port site for purposes of site development and to assist in the planning, design, positioning, construction, operation, and maintenance of various types of planned or previously constructed port projects.

A total of 81 hydro-topo surveys were undertaken in 2007, thirty-two (32) of which are attendant activities to the dredging maintenance program and the rest were aimed at generating information for port development initiatives and identification of port zone delineations.

## Consultancy Services for Engineering Studies

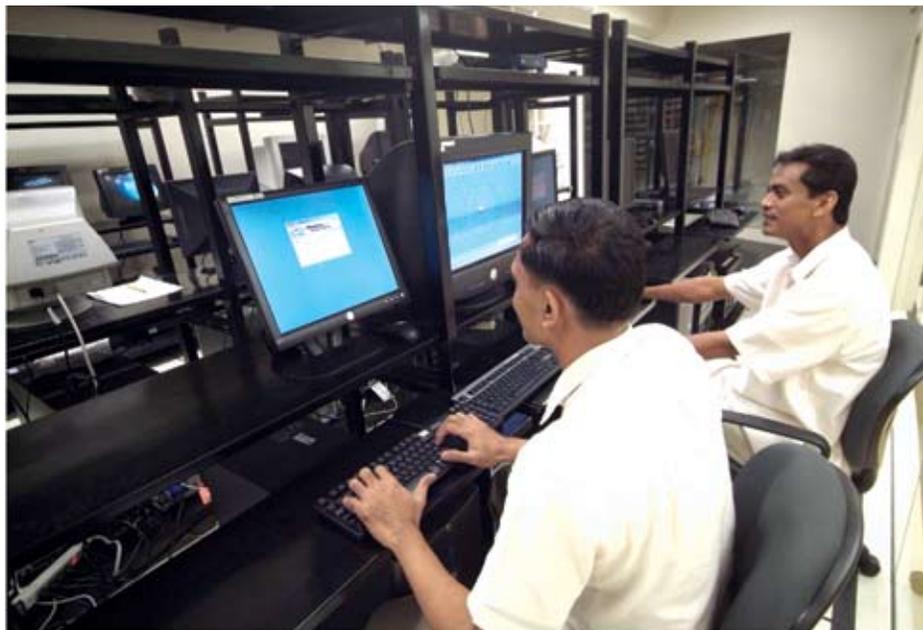
To complement its in-house project study function, PPA regularly outsources and procures services related to feasibility studies and master planning as well as architectural and detailed engineering design for its various port infrastructure projects. The objective is to ensure project soundness and viability before implementing infrastructure projects, particularly for those that are externally funded or in instances where several projects compete for priority funding.

During the year, consultancy services were procured/rendered for 10 engineering related studies, which were in various stages as of yearend. Three have not actually started as these are still under procurement stage e.g. Formulation of Master Plan and Conduct of FS for Visayas Ports, Formulation of Master Plan and Conduct of FS for Southern Luzon Ports, and Architectural and Detailed Engineering Design for Passenger Terminal and Gate Complex of Port of General Santos.

Completed Studies are (a) Conduct of Soil Investigation at Selected Ports in Luzon, (b) Formulation of Master Plan and Feasibility Studies for Selected Ports in PDO Southern Luzon, and (c) Architectural and Detailed Engineering Design for Passenger Terminals at Manila North Harbor, and Architectural and Detailed Engineering Design for Passenger Terminal at Cagayan de Oro Port.

The Conduct of Soil Investigation at Selected Ports in Visayas and Mindanao, and the Formulation of Master Plan and Conduct of Feasibility Studies for Selected Ports in Northern Mindanao are 98.07% and 97.99% complete, respectively.





### MIS Computerization Project

The Authority puts premium on integrating current technologies into its day-to-day and long-term operations to achieve greater operational efficiency and economy. With this agenda high on its list, the MIS Computerization Project was launched in 2002. The MIS Computerization Project seeks to establish a digital infrastructure system to complement PPA's various physical infrastructures. When fully implemented, the project is widely expected to automate key aspects of business processes across all major functions, facilitate information and database exchange and centralize database collection in all Port Districts and Responsibility Centers (RCs) of the PPA. Now on its final roll-out and implementation phase of Port Operations and Management Systems (POMS), Legal Services Systems (LSS) and Real Estate Management System (REMS), the MIS Computerization Project, as it nears its completion, is anticipated to bring countless benefits to the PPA and the general public it seeks to serve.

Activities during the year included the component and attendant works of the Computerization Project such as (a) System Requirements Specifications (SRS) of the Application Systems,

(b) User Acceptance Testing (UAT), (c) Users Training, (d) Data Conversion, (e) Port Site Development/Rehabilitation, and, (f) provision of IT Equipment and Communications infrastructures.

To address some technical problems in the previously adopted solution, the Project Team has considered the use of ORACLE in the software development of AFMS, PEMS and the e-Procurement Systems. As a matter of policy, PPA Management will continue to exert its best efforts to address technical problems encountered by the frontline offices. The shift to ORACLE system is a significant step in this direction.

## Financial Performance



Despite external challenges in 2007, PPA once more proved its resilience. Continuing fiscal prudence has shielded the PPA from the adverse effects of slowing regional and global economies. PPA's port development program remained on high gear as it successfully put on the pipeline projects consistent with its Vision and Mission and the presidential SONA commitments as well as projects jointly coordinated with the LGUs. PPA has likewise successfully complemented its internal resource generation with domestic financing chiefly in the form of bond flotation to fund its operation and implement programmed and committed projects.

While PPA posted a gross income 3.79% higher than the previous year, it recorded a moderate net income for the year, albeit, lower than the previous year. And while overall PPA cargo volume benefited from a sustained rise in both conventional and containerized cargo, the weakening of the dollar manifested its unfavorable effects on the dollar-denominated portion of total port revenues

Notwithstanding the factors in the economic environment beyond its control, PPA ports were in high gear during the year, facilitating cargo shipments and passenger traffic 24/7. In particular, notable revenue growth coming from ports in Northern Mindanao has somehow neutralized the effects of slow or even sluggish growth in some ports nationwide.

### Revenue

PPA's gross revenue in 2007 grew by a moderate 3.79% and is higher than the year's projected revenue by 3.26%. In absolute terms, the gross revenue for 2007 reached ₱6.246 billion from last year's ₱6.018 billion or an increment of ₱228.22 million. Specifically, revenue from port operations reached ₱6.094 billion or a 5.59% rise from the previous year port earnings of ₱5.772 billion.

Looking at revenue by source, ICTSI Fees remained the biggest contributor to PPA's port revenue in 2007 despite the negative impact of lower forex rate. ICTSI fees contributed ₱2.164 billion to PPA coffers or about 35%. Despite being highly susceptible to forex rate fluctuations, the second largest revenue source for the year came from wharfage fees at ₱1.314 billion (21%), followed by arrastre and stevedoring at ₱1.106 billion (17%). Other revenue sources came from vessel charges at ₱881 million (14%), Other Income at ₱427 million (7%), Storage Fees at ₱196 million (3%), Fund Management Income at ₱151 million (2%) and Pilotage Fees at ₱3 million (0.01%).

Top contributors for the past years are ports (government and private) under the PDO Manila/Northern Luzon with about ₱2.036 billion revenue, (excluding revenue from ICTSI), and PDO Southern Luzon (₱622.01 million). PDO Northern Mindanao (₱489.46 million), PDO Southern Mindanao (₱450.82 million) and PDO Visayas (₱354.07 million). While ranking third in terms of amount of revenue contribution, PDO Northern Mindanao, however, recorded the highest percentage of revenue increase among the five PDOs. The sustained port revenue through the years is the result of concerted effort and teamwork between PPA Management and frontline units.

### Fund Management Income (FMI)

Fund Management Income or FMI dropped by ₱94.44 million, almost half (49.16%) from last year's investment profits of ₱264.01 million, to only ₱151.52 million this year due mainly to the decline in interest income yield and lower investible fund as utilization of CAPEX funds had been very efficient, even exceeding target.



### Expenditures

Expenses for the year were inevitably substantial due to numerous major developmental and repair and maintenance projects in various ports nationwide. Actual spending for 2007 reached ₱3.844 billion (include Personal Services and Maintenance and Other Operating Expenses), about ₱612 million (19%) higher from last year's ₱3.232 billion. Also, non-operating expense soared to ₱278 million which is 171% higher compared to the previous year of ₱102.64 million. Operating expenses of ₱3.566 billion this year, however, grew by only 14% from 2006. On the whole, prudent budget management enabled the Authority to rein its expenses and record a surplus.

### Net Income

The weakening of the dollar and the decline in the import and export sectors which unfavorably affected PPA's dollar-denominated revenues, lower FMI and increased spending, all contributed to the decline in the Net Income of the Authority for 2007. The Authority posted a Net Income before tax of ₱2.405 billion in 2007 compared to ₱2.970 billion or a ₱565 million (-19.05%) drop from 2006.

### Collection Efficiency

Efficiency in the Collection of Prior Years' (PY) Account Receivables on trade significantly improved this year, with trade receivables down to only ₱214.67 million by yearend, representing at least 65% collected from the outstanding ₱619 million at the beginning of 2007. Collection efficiency ratio (CER) of 65.37 percent exceeded the 60% CER target for PY account. Likewise, Current Year's (CY) Account target by yearend of 2007 was ₱5.681 billion, of which ₱5.588 million was actually collected equivalent to 98.35% collection efficiency ratio.





## Safety, Security and Environmental Programs

### International Ship and Port Facility Security Code (ISPS)

PPA has a specific mandate under its charter (PD 857) to ensure the smooth, safe and secure flow of water borne commerce passing through the country's ports. PPA as a co-signatory to the International Ship and Port facility Security Code (ISPS), together with the other members of the International Maritime Organization (IMO), affirms its commitment to keep our country's gateways safe and supports the rest of the world in battling terrorism, human trafficking and other similar illegal activities at the ports. The ISPS Code has since become PPA's defining guidelines, parameters and protocol on port security and safety.

### Statement of Compliance of Port Facility.

During the year, a total of thirty-eight (38) new Statement of Compliance of Port Facility was issued by the Office of Transportation Security – DOTC to ports under PPA jurisdiction.

**Table 5 - Ports issued with Statement of Compliance of Port Facility**

Luzon Ports		Visayas Ports		Mindanao Ports	
1. Balanacan	9. Culasi	21. Ormoc, Hilongos, Palompon, Maasin, Baybay*	30. Benoni		
2. Bauan	10. Danao	22. San Carlos	31. Cagayan de Oro		
3. Calapan	11. Dumaguete	23. San Jose de Buenavista	32. Jolo		
4. Lucena	12. Dumaguait	24. San Pedro	33. Lamitan		
5. Orion	13. Dumangas	25. Sibulan	34. Mati		
6. Poctoy	14. Estancia	26. Tacloban	35. Nasipit		
7. Romblon	15. Guihulngan	27. Tagbilaran	36. Siasi		
8. Sta. Cruz	16. Iloilo (River Wharf)	28. Tandayag	37. Tubod		
	17. Jordan	29. Tubigon, Jagna, Ubay & Talibon*	38. Zamboanga		
	18. Larena				
	19. Lipata				
	20. Ormoc				

\*Only 1 Statement of Compliance is issued for clustered ports

## Vessel Traffic Management System

For quite sometime, the PPA has put forward its vision of establishing a technologically-advanced 24/7 vessel monitoring system that would allow for a more efficient and safer navigation of ships entering and leaving Philippine waters. Now, barely 3 years after its inception, the PPA has started to reap the benefits of the Vessel Traffic Management System. The VTMS installed in Manila (North Harbor), Bataan (Corregidor Island) and Batangas are now in full swing, under the supervision and operation of the Vessel Traffic Services Division (VTSD) of PDO Manila/Northern Luzon and the Port Services Division (PSD) of PMO Batangas. With the VTMS in place, vessels in voyage are regularly tracked and distressed vessels are given back-up support in times of emergency, piracy, and during typhoons and other form of calamities.

Despite occasional technical and operational setbacks and bad weather encountered during Typhoon Milenyo, VTMS operations were generally adequate and up to par in 2007. Total vessels monitored by VTMS during the year reached 10,965, of which 6,787 were domestic and 3,908 were foreign ships. Timely response of other government agencies on incidents involving marine vessels was facilitated with the information generated through the VTMS. PPA coordinated with PCG Action Center and other concerned agencies for the prompt assistance and response to the following emergency incidents that occurred during the year:

- Fire breakout on board vessel Catalyn D
- Medical assistance for injured crew of MV Lian Hua Hai
- Piracy incident involving MV Bay Bridge
- Piracy incident involving TB Salvage Challenger and Barge Tenyu
- Piracy incident involving MV Mercury Cloud
- Navigational advisory provided to MV Velasquez calling the Port of Manila due to lack of Manila Nautical Chart

## Security Survey / Inspection

In 2007, security survey/inspections were conducted in the six (6) PMOs of Tacloban, Ormoc, Tagbilaran and Dumaguete, Pulupandan and Iloilo, the ports of Lawigan and Caramcam in PMO Surigao and the TMOs of Sindangan and Liloj in PMO Ozamiz during the year.

Also, as a continuing measure of ensuring efficiency by complementing organic port personnel with contracted security force, performance evaluation and inspection of contracted security agencies were conducted in seventeen (17) baseports including the major gateways such as South Harbor, North Harbor, Cagayan de Oro, General Santos and Iloilo. Relative to these undertaking, the review of the proposed guidelines on the supervision of private security agencies operating within areas under PPA jurisdiction has been started.

## Security Training.

To strengthen capability in security and anti-terrorism, port police officials and personnel attended and participated in various local and international meetings, conferences and training/workshops namely:

- Maritime Counter Terrorism
- Seminar on Industrial Export Control: Weapon of Mass Destruction
- National Sea and Water Transport Maritime Infrastructure Security Committee
- Inter-agency Border Patrol Strengthening Project
- Malampaya Safety and Security Workshop
- Maritime Transport Security Officers Course
- Inter-agency Consultation for Transportation Security Regulations Rules
- Proliferation Awareness Training Workshop
- ASEAN-Japan Joint Maritime Security Exercise
- Maritime Transportation Security Officers Course
- Security Risk Assessment Course





### Shore Reception Facility

As part of its continuing efforts to make the ports safer, cleaner and environment-friendly, PPA forged a partnership with the Golden Dragon International Terminals, Inc. (GDITI) in 2003 for the establishment and operation of shore reception facilities in major ports nationwide. In March 2007, the authorized contractor commenced its operation in PMO Ozamiz, bringing the total number of established SRFs to 19 branches nationwide.

In 2007, the SRFs served a total of 56,863 vessels. Of these, about 89% or 50,845 vessels are domestic and the remaining eleven percent or 6,018 are foreign vessels.

The 19 SRFs nationwide collected a total volume of 23,641.78 cu.m. of solid waste and 5,624.794 cu.m. of liquid waste, the bulk of which was from domestic vessels.

Through Administrative Order No. 02-2003, PPA may penalize or sanction shipping lines which fail to comply with the provision for waste management regulation in the form of refusal of berth allocation to non-complying vessels.

### Program on Most Environment Friendly Port

During its 33rd Anniversary celebration in July 2007, the PPA through its Engineering Office initiated the campaign and promotion of Environment Friendly Ports, a cleanliness, orderliness and beautification campaign geared towards the protection of the environment and the wise use and conservation of the country's resources to ensure better quality of life for the ports' employees, clients and the community. The Miss Earth Foundation fully supports this endeavor pioneered by PPA. It has given its commitment to assist PPA in its mission of sustaining the development of the port environment to achieve its ultimate goal of integrating environmental protection in its journey towards national development and attaining global standards.

The search for the most environment friendly port is based on the following criteria: compliance with wastes management regulations; environmental clean and green programs undertaken; port environment situation; environmental achievement and awards; institutionalization of environmental programs; and, commitment of the PMO on energy and wastes water efficiency.

### People Development Program

#### Training and Scholarship

PPA acknowledges the value of sending its personnel to various training programs to equip them with the needed skills to handle the requirements of their jobs and keep them abreast with current technology. Some 151 PPA personnel from Managers to rank and file benefited from 55 local courses in 2007. Local training conducted during the year under PPA's Manpower Development Program focused on such fields of specialization as Management, Law, Finance and Office Administration, Port Safety/Health/Environment, Information Technology and Engineering. Also included under local training is the conferment of Career Executives CESO ranks to 19 PPA senior managers composed mostly of port district managers and port managers.

A special off-campus Masteral Degree program (Masters in Government Management-Executive Special Program) is expected to graduate 16 participants in 2009. Training conducted in-house by the PPA Training Center produced 1,359 total graduates from 49 courses i.e. 20 for 578 organic personnel and, 29 for 781 non-organic personnel. The PPA GAD Focal Point and PPAEDCO also remain active sponsors of some 12 organic courses mostly related to livelihood and entrepreneurial training.

For foreign training, there were 13 scholarship courses granted to 16 PPA scholars, 14 of whom have completed their respective course while the training of 2 is still ongoing. The broad range of external training programs covers such areas of specialization as water science and coastal/hydraulic engineering, economics, port planning/development/management/operations, port facility security, and port environmental protection technology. The 16 beneficiaries of foreign scholarship courses pursued their training in the following countries: Netherlands, Japan, Singapore, Korea, Belgium, Thailand and China. Foreign training included two recipients undergoing Masteral Degree Programs.

Finally, having identified the list of qualified middle managers for its management succession program, PPA embarked during the year on completing the arrangement for the necessary development interventions to enhance their leadership development and competencies.

## Health and Wellness

The physical well-being of its employees is a primary concern of PPA. To promote physical fitness and healthy lifestyle necessary for efficient work performance, PPA has endeavored to provide the necessary facilities such as those for tennis, basketball, volleyball and general physical work-out. Employees have also been given access to such physical fitness activities in the form of aerobics and ballroom dancing thrice a week after office hours to meet their fitness requirements.

Through the PPA GAD Focal Point, multi-purpose gyms have been constructed and/or provided at the Head Office and at the Port Districts fitted with the basic exercise and fitness machines and gadgets for the benefit of employees.

Apart from these extra-curricular fitness activities, the PPA through its officially accredited employees union Pambansang Tinig at Lakas sa Pantalan (PANTALAN), has continuously pursued the policy of providing comprehensive annual health care and maintenance services to its officials and employees. A qualified health service provider is selected yearly pursuant to the triennial Collective Negotiation Agreement (CNA) forged with Management. The contract with MEDSERV in 2007 covers all illnesses, diseases and condition of the plan holder-employees, subject to certain exclusions and limitations. The comprehensive health care benefits are also extended to dependents of enrolled PPA personnel. PPA likewise goes a step further in allowing employees who sustained even non-work related injuries to return to work in an atmosphere that considers their impaired physical condition.

### Collective Negotiation Agreement (CNA)

As a caring organization receptive to the plight and welfare of its employees, PPA has endeavored to guarantee the rights of all its employees to self-organization, collective bargaining and negotiations and other peaceful concerted activities. The PPA through its officially accredited employees union, PANTALAN, has also provided an environment that promotes participation in policy and decision-making processes affecting the rights and

benefits of its employees such as in personnel selection and promotion, scholarship, grievance machinery, public bidding and provision of health care services, among others. Specifically, the PPA in accordance with the provisions of the law on Public Sector Labor Management Council (PSLMC) Resolution No. 02 series of 2003, forged the second Collective Negotiation Agreement (CNA) with PANTALAN for 2005-2008 in May 2005 for the granting of incentives sourced from the savings of the Authority as additional benefits to its employees who may or may not be members of PANTALAN.

### Community Support Program

Mindful of its corporate social responsibility, the PPA through its GAD (Gender and Development) Focal Point serving as its main avenue for community support programs, has undertaken and implemented various programs and projects which aimed to integrate GAD national policies and priorities into its operation. These programs and projects focused not only on the development of PPA employees, but more importantly on its clients and the community where it operates.

In 2007, the PPA GAD Focal Point intensified its promotion and information drive by tapping the print and the broadcast media. GAD Comics and newsletters (GAD Digest/GAD Tidings) were published to promote GAD awareness among its employees, the port community and the public in general. These were further supplemented by print ads, posters, film showing, photo exhibits and other Gender-related materials showcased in its growing Library and GAD Corners in various PDOs nationwide.

Putting gender sensitivity advocacy into concrete action, PPA adopted the policy of including female guards in the security services contracts it awards.

PPA also extended its full support to GAD related activities by actively participating in the Women's Month Celebration, Family Day Activity, Region I Advocates for Gender Equality (RAGE) activities and the 7th Women's Congress and Alay-Lakad. It also sponsored socially-directed projects such as blood letting, environmental, safety/health activities, and livelihood training



programs for PPA employees. Livelihood training courses offered were ice cream making, bread making, Chinese dimsum making, soap making, jewelry making, scented candle making, scrapbook making, bag making, computer and cell phone repair and desktop publishing, automotive lessons, furniture restoration, and events coordination.

Another milestone was achieved in 2007 when PPA established the Solo Parent Group for the benefit of its single parent employees, in accordance with RA 8972. The Solo Parents Act provides among others, a comprehensive package of benefits and privileges to solo parents such as parental leaves, flexible work schedule, and DSWD-supported packages of social development and welfare services, and educational/housing benefits and medical assistance.

The gender sensitivity training of the PPA GAD Focal Point was brought to a higher level through actual visits to institutions to observe GAD related practices, tracing of human trafficking routes and best practices in ecological/environmental protection. Among the sites visited include the DSWD, Rurungan sa Tubud Foundation, Aloha House, Gawad Kalinga Project site, Sagada, Puerto Princesa, Palawan and Pandanon Island, Bohol.

### Client-Focused Programs.

In July 2007, the PPA spearheaded the groundbreaking for the construction of another halfway house in North Harbor, and was attended by US State representative in support of the program to combat human trafficking. Kiddie corners and child-care stations and prayer rooms were also constructed in selected PTB facilities for the convenience of passengers.

### Pro-poor Projects.

GAD has always provided an avenue for PPA to reach out to the marginalized members of the society by undertaking pro-poor projects. For 2007, PMO North Harbor led a medical mission and nutrient-feeding drive. The “Tsinelas kay Bulilit” and “Aklat Alay sa Mag-aaral” programs were launched which benefited the informal settlers in Baseco, Isla Puting Bato, Happy Land and Muelle del Rio. PPA and its employees likewise took part in the charity drive to provide economic assistance to families affected by typhoon Reming.

## Maintaining Corporate Stature

### Support to the National Government (Dividend Remittance)

PPA's remains committed to shoring up the coffers of the National Government through dividend remittances. Despite contraction in its Net Income, PPA managed to remit dividends to the National Treasury in the amount of P1.365 billion, or 16.66% less than the dividend payments in 2006

### Strengthening Global Ties

The PPA participated in about 20 international conferences, meetings, and/or site inspection/visit conducted under the auspices of the ASEAN Ports Association, ASEAN Maritime Transport Working Group, ASEAN-Korea Trade Negotiating Committee, ASEAN-China Transport Cooperation, ASEAN Senior Transport Officials Group, Facilities Protection, Inc., Goodyear Steel Pipe Corporation, and Japan Radio Company.





During the year, the PPA also hosted the biennial Philippine Ports & Shipping Conference at the Manila Peninsula Hotel with about 300 foreign participants from around the globe.

Over the years, PPA's participation in various local and international conferences has enabled it to strengthen its ties with partners and foreign counterparts and keep abreast with current developments and trends in ports and shipping. PPA's membership to the International Maritime Organization (IMO) and the ASEAN Ports Association (APA) to name a few, has provided top to middle port management officers the much-needed exposure to global trends in port management and administration. It has also enabled the Authority to participate actively through information sharing in the areas of port facility standards and benchmarking, anti-terrorism, anti-human trafficking, environmental protection, and port security and safety among others.

### Internal Audit

Internal Audit focuses on improving corporate undertakings and providing reasonable assurance that programs, projects and activities are carried out effectively and efficiently in accordance with sound business practices, legislative and regulatory requirements.

PPA's commitment to service excellence has paved the way for establishing strong institutional policies for performance standards, audit and evaluation systems. The internal audit system of the Authority continues to evolve to provide an effective

and timely audit mechanism that allows PPA Management to determine the effectiveness of existing policies, organizational processes and practices.

During the year, PPA's Head Office and Port District Offices Internal Audit Staff undertook reviews intended at providing assurance to management as to the control processes in place, as well as suggestions for continued improvement. Actual performance of each responsible unit or contractor is gauged against established standards to determine any gaps for immediate correction and resolution.

For the year in review, the Authority audited thirteen (13) TMOs, and five (5) PMOs, twenty-three (23) cargo handling operators and one (1) Special Take-over Unit (STU). In addition, the PDO Visayas conducted a series of internal performance audits of PMOs/TMOs under its jurisdiction while a cash audit was undertaken in five (5) offices under PDO Southern Mindanao.

As a parallel activity to further assess the effectiveness and transparency of the Authority's procurement procedures, systems audit was conducted in the following selected RCs: (1) procurement of goods and services for HO, particularly at ASD (Property Management Division) and MISD (Information Technology Division); (2) procurement of infrastructure and consultancy for Head Office (PDD); (3) procurement of infrastructure and consultancy for PDOs Manila/Northern Luzon and PDO Southern Mindanao; and (4) PMOs Calapan, Dumaguete, Legazpi and Surigao.

## Port Statistics

### CARGO THROUGHPUT By Port District/Port Management Office At Berth and Anchorage, In Metric Ton

PDO/PMO	2007			2006		
	Total	Domestic	Foreign	Total	Domestic	Foreign
<b>PDO Manila / Northern Luzon</b>	<b>66,914,078</b>	<b>27,975,751</b>	<b>38,938,327</b>	<b>65,261,422</b>	<b>26,975,428</b>	<b>38,285,994</b>
North Harbor	18,291,789	15,543,188	2,748,601	16,723,148	13,766,511	2,956,637
South Harbor	12,094,491	5,603,583	6,490,908	12,940,052	6,885,423	6,054,629
MICT	15,761,302	155,498	15,605,804	14,489,198	924	14,488,274
Limay	17,946,823	6,400,834	11,545,989	18,726,745	6,156,379	12,570,366
San Fernando	2,819,673	272,648	2,547,025	2,382,279	166,191	2,216,088
<b>PDO Southern Luzon</b>	<b>29,034,925</b>	<b>13,377,802</b>	<b>15,657,123</b>	<b>26,603,815</b>	<b>12,129,807</b>	<b>14,474,008</b>
Batangas	19,702,991	6,582,746	13,120,245	19,226,745	6,342,272	12,884,473
Calapan	1,832,601	1,832,601	0	1,560,919	1,560,919	0
Legazpi	4,139,043	3,795,396	343,647	3,551,339	3,264,179	287,160
Puerto Princesa	3,360,290	1,167,059	2,193,231	2,264,812	962,437	1,302,375
<b>PDO Visayas</b>	<b>19,634,465</b>	<b>14,735,691</b>	<b>4,898,774</b>	<b>18,443,181</b>	<b>14,078,628</b>	<b>4,364,553</b>
Dumaguete	1,823,910	1,388,164	435,746	1,661,814	1,258,950	402,864
Iloilo	5,058,172	3,523,717	1,534,455	3,793,932	3,522,616	271,316
Ormoc	4,598,079	2,322,463	2,275,616	5,000,892	2,500,597	2,500,295
Pulupandan	4,986,249	4,602,843	383,406	4,674,411	4,242,072	432,339
Tacloban	1,344,134	1,205,503	138,631	1,194,470	1,044,828	149,642
Tagbilaran	1,823,921	1,693,001	130,920	2,117,662	1,509,565	608,097
<b>PDO Northern Mindanao</b>	<b>27,467,996</b>	<b>10,222,340</b>	<b>17,245,656</b>	<b>30,186,739</b>	<b>11,259,485</b>	<b>18,927,254</b>
Cagayan de Oro	11,090,134	5,198,837	5,891,297	19,136,459	6,368,602	12,767,857
Iligan	2,965,457	1,750,740	1,214,717	3,103,007	1,620,008	1,482,999
Nasipit	3,012,523	1,364,037	1,648,486	1,702,884	1,462,074	240,810
Ozamiz	1,454,187	1,297,328	156,859	1,317,783	1,167,407	150,376
Surigao	8,945,695	611,398	8,334,297	4,926,606	641,394	4,285,212
<b>PDO Southern Mindanao</b>	<b>14,386,256</b>	<b>8,279,694</b>	<b>6,106,562</b>	<b>13,845,621</b>	<b>8,397,127</b>	<b>5,448,494</b>
Cotabato	92,723	92,723	0	101,661	101,661	0
Davao	8,951,568	3,925,229	5,026,339	8,475,482	3,959,496	4,515,986
General Santos	2,700,416	1,778,755	921,661	2,956,603	2,173,528	783,075
Zamboanga	2,641,549	2,482,987	158,562	2,311,875	2,162,442	149,433
<b>GRAND TOTAL</b>	<b>157,437,720</b>	<b>74,591,278</b>	<b>82,846,442</b>	<b>154,340,778</b>	<b>72,840,475</b>	<b>81,500,303</b>

**NUMBER OF SHIPCALLS**  
By Port District/Port Management Office  
At Berth and Anchorage

PDO/PMO	2007			2006		
	Total	Domestic	Foreign	Total	Domestic	Foreign
<b>PDO Manila / Northern Luzon</b>	<b>24,210</b>	<b>18,918</b>	<b>5,292</b>	<b>24,406</b>	<b>19,326</b>	<b>5,080</b>
North Harbor	5,368	4,899	469	5,559	5,054	505
South Harbor	8,177	6,272	1,905	8,006	6,252	1,754
MICT	2,168	27	2,141	2,031	1	2,030
Limay	7,686	7,233	453	8,100	7,665	435
San Fernando	811	487	324	710	354	356
<b>PDO Southern Luzon</b>	<b>83,699</b>	<b>82,293</b>	<b>1,406</b>	<b>78,778</b>	<b>77,692</b>	<b>1,086</b>
Batangas	38,867	37,704	1,163	36,670	35,788	882
Calapan	18,754	18,754	0	18,234	18,234	0
Legazpi	20,373	20,299	74	18,157	18,081	76
Puerto Princesa	5,705	5,536	169	5,717	5,589	128
<b>PDO Visayas</b>	<b>114,895</b>	<b>114,386</b>	<b>509</b>	<b>109,483</b>	<b>108,941</b>	<b>542</b>
Dumaguete	34,639	34,590	49	35,957	35,908	49
Iloilo	20,119	20,003	116	18,493	18,395	98
Ormoc	12,513	12,300	213	11,051	10,829	222
Pulupandan	22,945	22,878	67	21,036	20,962	74
Tacloban	8,950	8,894	56	7,426	7,352	74
Tagbilaran	15,729	15,721	8	15,520	15,495	25
<b>PDO Northern Mindanao</b>	<b>53,444</b>	<b>52,546</b>	<b>898</b>	<b>53,295</b>	<b>52,401</b>	<b>894</b>
Cagayan de Oro	15,607	15,127	480	15,151	14,594	557
Iligan	13,932	13,780	152	13,863	13,672	191
Nasipit	1,019	983	36	1,196	1,186	10
Ozamiz	15,361	15,330	31	14,923	14,896	27
Surigao	7,525	7,326	199	8,162	8,053	109
<b>PDO Southern Mindanao</b>	<b>38,253</b>	<b>36,076</b>	<b>2,177</b>	<b>40,145</b>	<b>37,987</b>	<b>2,158</b>
Cotabato	587	587	0	853	853	0
Davao	21,589	19,829	1,760	21,933	20,180	1,753
General Santos	1,421	1,117	304	1,431	1,126	305
Zamboanga	14,656	14,543	113	15,928	15,828	100
<b>GRAND TOTAL</b>	<b>314,501</b>	<b>304,219</b>	<b>10,282</b>	<b>306,107</b>	<b>296,347</b>	<b>9,760</b>

**NO. OF CONTAINERS HANDLED (in T.E.U.)**  
By Port District/Port Management Office

PDO/PMO	2007			2006		
	Total	Domestic	Foreign	Total	Domestic	Foreign
<b>PDO Manila / Northern Luzon</b>	<b>2,945,828</b>	<b>819,097</b>	<b>2,126,731</b>	<b>2,722,168</b>	<b>810,324</b>	<b>1,911,844</b>
North Harbor	690,531	690,531	0	608,017	608,017	0
South Harbor	880,789	112,157	768,632	916,277	199,970	716,307
MICT	1,371,731	14,291	1,357,440	1,195,023	42	1,194,981
Limay	2,777	2,118	659	2,851	2,295	556
San Fernando	0	0	0	0	0	0
<b>PDO Southern Luzon</b>	<b>18,836</b>	<b>18,176</b>	<b>660</b>	<b>19,390</b>	<b>19,385</b>	<b>5</b>
Batangas	1,308	648	660	392	387	5
Calapan	442	442	0	1,030	1,030	0
Legazpi	2,762	2,762	0	1,671	1,671	0
Puerto Princesa	14,324	14,324	0	16,297	16,297	0
<b>PDO Visayas</b>	<b>211,064</b>	<b>210,924</b>	<b>140</b>	<b>233,401</b>	<b>233,401</b>	<b>0</b>
Dumaguete	21,100	21,100	0	24,427	24,427	0
Iloilo	85,661	85,661	0	96,096	96,096	0
Ormoc	6,246	6,246	0	9,017	9,017	0
Pulupandan	79,122	78,982	140	83,441	83,441	0
Tacloban	9,955	9,955	0	5,804	5,804	0
Tagbilaran	8,980	8,980	0	14,616	14,616	0
<b>PDO Northern Mindanao</b>	<b>282,200</b>	<b>246,833</b>	<b>35,367</b>	<b>331,425</b>	<b>294,540</b>	<b>36,885</b>
Cagayan de Oro	194,634	159,267	35,367	231,700	194,815	36,885
Iligan	18,737	18,737	0	24,499	24,499	0
Nasipit	27,830	27,830	0	34,000	34,000	0
Ozamiz	36,867	36,867	0	36,918	36,918	0
Surigao	4,132	4,132	0	4,308	4,308	0
<b>PDO Southern Mindanao</b>	<b>540,491</b>	<b>318,401</b>	<b>222,090</b>	<b>478,979</b>	<b>313,154</b>	<b>165,825</b>
Cotabato	0	0	0	0	0	0
Davao	360,763	167,952	192,811	309,594	167,509	142,085
General Santos	116,028	86,749	29,279	109,160	85,420	23,740
Zamboanga	63,700	63,700	0	60,225	60,225	0
<b>GRAND TOTAL</b>	<b>3,998,419</b>	<b>1,613,431</b>	<b>2,384,988</b>	<b>3,785,363</b>	<b>1,670,804</b>	<b>2,114,559</b>

**PASSENGER TRAFFIC**  
By Port District/Port Management Office  
At Berth and Anchorage

PDO/PMO	2007			2006		
	Total	Disembarking	Embarking	Total	Disembarking	Embarking
<b>PDO Manila / Northern Luzon</b>	<b>2,793,341</b>	<b>1,460,576</b>	<b>1,332,765</b>	<b>3,197,927</b>	<b>1,653,460</b>	<b>1,543,467</b>
North Harbor	1,381,584	734,225	647,359	1,357,882	701,174	656,708
South Harbor	1,401,648	721,435	680,213	1,776,429	919,868	856,561
MICT	0	0	0	0	0	0
Limay	10,109	4,916	5,193	63,616	32,918	30,698
San Fernando	0	0	0	0	0	0
<b>PDO Southern Luzon</b>	<b>12,268,088</b>	<b>5,602,409</b>	<b>6,665,679</b>	<b>10,969,029</b>	<b>5,198,109</b>	<b>5,770,920</b>
Batangas	5,495,016	2,285,124	3,209,892	4,602,680	2,079,256	2,523,424
Calapan	3,583,829	1,745,564	1,838,265	3,081,410	1,482,188	1,599,222
Legazpi	2,844,237	1,398,398	1,445,839	2,916,975	1,449,862	1,467,113
Puerto Princesa	345,006	173,323	171,683	367,964	186,803	181,161
<b>PDO Visayas</b>	<b>15,700,163</b>	<b>7,956,587</b>	<b>7,743,576</b>	<b>14,982,135</b>	<b>7,604,548</b>	<b>7,377,587</b>
Dumaguete	2,734,142	1,400,681	1,333,461	2,771,706	1,401,595	1,370,111
Iloilo	2,461,502	1,245,356	1,216,146	2,480,910	1,280,558	1,200,352
Ormoc	2,018,612	1,020,689	997,923	1,915,717	959,592	956,125
Pulupandan	3,095,563	1,556,530	1,539,033	2,845,245	1,452,255	1,392,990
Tacloban	2,001,732	1,020,905	980,827	1,914,979	979,969	935,010
Tagbilaran	3,388,612	1,712,426	1,676,186	3,053,578	1,530,579	1,522,999
<b>PDO Northern Mindanao</b>	<b>8,786,852</b>	<b>4,454,055</b>	<b>4,332,797</b>	<b>8,466,671</b>	<b>4,298,477</b>	<b>4,168,194</b>
Cagayan de Oro	1,752,534	882,210	870,324	1,807,267	898,191	909,076
Iligan	2,126,269	1,038,483	1,087,786	2,063,576	1,035,293	1,028,283
Nasipit	413,549	206,775	206,774	474,394	260,388	214,006
Ozamiz	3,115,525	1,601,991	1,513,534	2,862,394	1,447,680	1,414,714
Surigao	1,378,975	724,596	654,379	1,259,040	656,925	602,115
<b>PDO Southern Mindanao</b>	<b>4,920,483</b>	<b>2,470,303</b>	<b>2,450,180</b>	<b>4,940,243</b>	<b>2,497,243</b>	<b>2,443,000</b>
Cotabato	313	95	218	76,202	36414	39788
Davao	1,537,248	785,631	751,617	1,476,978	767,632	709,346
General Santos	161,596	80,594	81,002	178,532	88,924	89,608
Zamboanga	3,221,326	1,603,983	1,617,343	3,208,531	1,604,273	1,604,258
<b>GRAND TOTAL</b>	<b>44,468,927</b>	<b>21,943,930</b>	<b>22,524,997</b>	<b>42,556,005</b>	<b>21,252,337</b>	<b>21,303,668</b>

## State Auditor's Report



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City, Philippines

### **THE BOARD OF DIRECTORS** **Philippine Ports Authority** **Port Area, Manila**

We have audited the accompanying balance sheet of the Philippine Ports Authority as of December 31, 2007, and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted state auditing standards in the Philippines. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

For CY 2007, the outstanding balances of the Authority's foreign loans as well as its US dollar-denominated savings deposits were not translated at the closing rate at balance sheet date as required by Philippines Accounting Standards (PAS) No. 21 on The Effects of Changes in Foreign Exchange Rates. Using the Bangko Sentral ng Pilipinas closing rate at December 31, 2007 of P41.4010 to US\$1, the recorded net income is understated by P282.40 million.

The property and equipment recorded at appraised values totaling P97.70 billion as of December 31, 2007 is misstated due to various deficiencies noted which include among others; the non-recording of the reclaimed land in Calapan, Oriental Mindoro with an area of 7,192 square meters, delineated port zones in Culion and El Nido, Palawan with total areas of 487,615.29 square meters and major improvements and construction cost of a guard and power house totaling to more than P140.92 million for CY 2007 charged to Repairs and Maintenance; errors in computation of depreciation of some properties such as wharves and piers and wharf widening/ Roll On Roll Off (RORO) facilities and completed projects amounting to P487 million and P106 million, respectively.

In our opinion, except for the effects on the financial statements of not translating the Authority's US dollar-denominated savings deposits at the closing rates, and of the misstatement of the property and equipment account due to various deficiencies noted, as discussed in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of Philippine Ports Authority as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted state accounting principles in the Philippines.

**COMMISSION ON AUDIT**

BY:

A handwritten signature in black ink, appearing to read "Ma. Cristina Dizon-Dimagiba".

**MA. CRISTINA DIZON-DIMAGIBA**  
Director IV

April 4, 2008

## Balance Sheet

December 31, 2007

(With Comparative Figures as of December 31, 2006)

	2007	2006
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash on Hand and in Banks (Note 5)	P 1,268,665,828	P 883,575,716
Accounts Receivable - Net (Note 6)	591,389,786	482,201,770
Notes Receivable (Note 7)	1,267,923	1,830,386
Other Receivables (Note 8)	301,685,438	430,055,152
Inventories (Note 9)	120,167,504	121,767,331
Prepayments (Note 10)	838,714,629	905,739,086
Other Current Assets (Note 11)	569,869,140	289,442,175
<b>Total Current Assets</b>	<b>3,691,760,248</b>	<b>3,114,611,616</b>
<b>Non-Current Assets</b>		
Property and Equipment - Net (Note 12 & 21)	85,328,755,044	74,047,556,370
Other Non-Current Assets (Note 13)	2,258,569,087	3,959,422,726
<b>Total Non-Current Assets</b>	<b>87,587,324,131</b>	<b>78,006,979,096</b>
	<b>P 91,279,084,379</b>	<b>P 81,121,590,712</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts Payable (Note 14)	P 1,742,103,212	P 1,086,927,235
Other Current Liabilities (Note 15)	917,361,177	1,050,379,842
Current Portion of Long-Term Debt (Note 16)	394,275,844	432,125,801
Current Portion of Other Long-Term Liabilities (Note 17)	261,012,708	-
Accrued Interest Payable	29,255,598	4,900,303
<b>Total Current Liabilities</b>	<b>3,344,008,539</b>	<b>2,574,333,181</b>
<b>Non-Current Liabilities</b>		
Long-Term Debt-net of Current Portion (Note 16)	8,316,518,230	6,657,380,561
Other Long-Term Liabilities (Note 17)	738,987,292	-
Pension and Retirement Payable (18)	336,153,137	334,340,144
<b>Total Non-Current Liabilities</b>	<b>9,391,658,659</b>	<b>6,991,720,705</b>
<b>Equity</b>	<b>78,543,417,181</b>	<b>71,555,536,826</b>
	<b>P 91,279,084,379</b>	<b>P 81,121,590,712</b>

See accompanying Notes to Financial Statements.

## Statement of Income

For the Year Ended December 31, 2007

(With Comparative Figures for the Year Ended December 31, 2006)

	2007	2006
<b>REVENUE</b>		
Fixed Fee - ICTSI (Note 23)	P 2,164,984,125	P 2,107,207,685
Wharfage Dues	1,314,896,698	1,205,868,313
Share in Arrastre/Stevedoring Income	1,106,622,892	1,043,409,215
Port Dues/Harbor Fees	306,797,597	300,421,488
Dockage - Berthing	266,733,331	280,905,183
Storage Charges	196,023,512	151,883,324
Port Usage Fees	183,463,225	159,548,566
Dockage-Anchorage	123,673,997	69,938,632
Pilotage	3,354,479	26,983,739
Lay up Fee	685,815	798,550
Other Income (Note 24)	579,204,550	671,250,813
	<b>6,246,440,221</b>	<b>6,018,215,508</b>
<b>OPERATING EXPENSES (Schedule)</b>		
Personal Services	1,006,612,200	955,286,393
Maintenance and Other Operating Expenses	2,838,221,566	2,277,180,919
	<b>3,844,833,766</b>	<b>3,232,467,312</b>
<b>INCOME FROM OPERATIONS</b>	<b>2,401,606,455</b>	<b>2,785,748,196</b>
<b>OTHER INCOME (LOSSES)</b>		
Gain (Loss) on Revaluation (Note 25)	-	193,757,488
Gain (Loss) on Foreign Exchange (Note 26)	3,670,279	(3,905,128)
Loss on Disposal of Assets	(174,516)	(4,684,251)
	<b>3,495,763</b>	<b>185,168,109</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>2,405,102,218</b>	<b>2,970,916,305</b>
PROVISION FOR INCOME TAX	57,851,909	302,676,472
<b>NET INCOME</b>	<b>P 2,347,250,309</b>	<b>P 2,668,239,833</b>

See accompanying Notes to Financial Statements.

## Statement of Changes in Equity

For the Year Ended December 31, 2007

(With Comparative Figures for the Year Ended December 31, 2006)

	2007	2006
<b>CAPITAL CONTRIBUTION</b> (Note 19)		
Balance at beginning of the year	P 4,308,508,640	P 4,327,107,179
Cost of transferred projects to ARMM & CPA	-	(18,598,539)
Cost of transferred assets at PMO Pulupandan & Calapan	3,998,456	-
Balance at end of the year	4,312,507,096	4,308,508,640
<b>DONATED SURPLUS</b> (Note 20)		
Balance at beginning of the Year	586,640,504	586,667,624
Donation received from LGU & Other Entities	-	(27,120)
Cost of transferred assets with expired lease	258,437,167	-
Balance at end of the year	845,077,671	586,640,504
<b>APPRAISAL SURPLUS</b> (Note 21)		
Balance at beginning of the year	51,769,813,260	51,775,601,014
Adjustments in assets appraised values	5,824,084,118	(5,787,754)
Balance at end of the year	57,593,897,378	51,769,813,260
<b>RETAINED EARNINGS</b> (Note 22)		
Balance at beginning of the year	14,890,574,422	13,489,326,473
Correction of prior years' errors	(80,384,625)	371,409,282
Net income	2,347,250,309	2,668,239,833
Dividends declared	(1,365,505,070)	(1,638,401,166)
Balance at end of the year	15,791,935,036	14,890,574,422
	<b>P 78,543,417,181</b>	<b>P 71,555,536,826</b>

See accompanying Notes to Financial Statements.

**Statement of Cash Flows**  
**For the Year Ended December 31, 2007**  
*(With Comparative Figures for the Year Ended December 31, 2006)*

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Collection of Port Revenues	P 5,544,714,663	P 5,301,565,711
Receipt of Other Income	450,219,322	425,245,949
Receipt of Fund Management Income	128,794,100	246,014,864
Receipt of Trust Liabilities	93,061,048	48,908,924
Receipt of Depository Liabilities	7,486,847	15,055,842
Receipt of Miscellaneous Liabilities	7,453,598	2,628,900
Payment of Operating Expenses	(3,432,154,880)	(2,868,041,205)
Payment of Accrued Interest	(7,053,087)	(9,553,572)
Payment of Guaranty Deposits	(804,672)	(611,553)
Net cash from operating activities	2,791,716,939	3,161,213,860
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Proceeds from Investments	1,718,578,188	397,767,696
Net Payments for Construction in Progress	(4,115,914,799)	(2,060,848,152)
Net Payments for Acquisition of Fixed Assets	(1,345,232,691)	(434,191,791)
Net cash used in investing activities	(3,742,569,302)	(2,097,272,247)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan Availments	2,053,413,514	912,896,100
Corporate Notes	1,000,000,000	-
Calamity Loan Collected (Granted)	80,159,834	(25,136,661)
Loan Repayments	(432,125,802)	(493,635,745)
Dividend Payments	(1,365,505,070)	(1,638,401,000)
Net cash from (used in) financing activities	1,335,942,476	(1,244,277,306)
<b>EFFECT OF EXCHANGE RATE ON CASH</b>	-	(87,283,880)
<b>NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS</b>	385,090,113	(267,619,573)
<b>CASH ON HAND AND IN BANKS AT BEGINNING OF THE YEAR</b>	883,575,716	1,151,195,289
<b>CASH ON HAND AND IN BANKS AT END OF THE YEAR</b>	P 1,268,665,829	P 883,575,716

See accompanying Notes to Financial Statements

## Schedule of Operating Expenses

For the Year Ended December 31, 2007

(With Comparative Figures for the Year Ended December 31, 2006)

	2007	2006
<b>Personal Services</b>		
Salaries and Wages	P 444,687,569	P 433,780,009
Other Staff Benefits (Note 27 )	491,900,092	453,795,195
Social Security Premiums	65,992,695	63,447,551
Manpower Development	3,154,051	3,399,464
Professional Fees	877,793	864,174
	<b>1,006,612,200</b>	<b>955,286,393</b>
<b>Maintenance and Other Operating Expenses</b>		
Depreciation Charges	1,124,756,387	810,299,918
Repairs and Maintenance (Note 29)	476,538,675	366,183,931
Interests and Bank Charges	278,470,357	102,634,603
Dredging ( Note 28)	177,369,790	260,172,397
Security Services	173,167,940	149,663,959
Light, Power and Water	151,890,038	138,943,279
Supplies and Materials	45,105,459	20,880,651
Auditing Services	37,721,641	44,141,995
Taxes, Licenses and Fees	24,427,892	18,927,880
Travelling Expenses	23,166,007	19,832,539
Insurance	22,583,196	9,234,886
Representation and Transportation	18,708,698	18,915,557
Bad Debts	17,912,830	73,943,731
Rent	13,821,016	12,857,051
Communication Expenses	13,730,304	19,046,490
Meeting and Conferences	9,941,768	7,209,304
Discretionary Expenses/Intelligence Fund	8,000,000	8,010,237
Athletics and Cultural Expenses	3,781,192	889,673
Registration and Insurance of Motor Vehicles	3,175,707	2,897,848
Discretionary/Board Expenses	2,693,414	3,686,346
Medical Expenses	1,952,755	4,907,902
Grants, Subsidies, Contribution and etc.	1,624,754	3,238,084
Advertising and Promotions	601,570	638,294
Representation Expenses	245,629	257,621
Amortization Charges	-	208,346
Miscellaneous Expenses (Note 30)	206,834,547	179,558,397
	<b>2,838,221,566</b>	<b>2,277,180,919</b>
	<b>P 3,844,833,766</b>	<b>P 3,232,467,312</b>

See accompanying Notes to Financial Statements

## Notes to Financial Statements

### 1. AGENCY BACKGROUND

The Philippine Ports Authority (PPA) was created by virtue of Presidential Decree (PD) No. 505 dated 11 July 1974, revised by substitution on 23 December 1975 by PD 857. Its functions are to coordinate, streamline, improve and optimize the planning, development, financing, construction, maintenance and operations of ports or port system for the entire country. Subsequent amendments under Executive Order (EO) Nos. 523 & 546, issued on 16 November 1978 and 23 July 1979, respectively, as well as Letter of Instruction (LOI) dated 11 April 1981 further enhanced PPA's corporate powers to be more responsive to the requirements of optimum port utilization, development and operation. In Executive Order No. 159 dated 13 April 1987, corporate autonomy was reverted to the PPA to insure the rapid development of port or the port system directly under it and authority was granted to execute port projects under its port program. The PPA is not exempted from payment of all taxes, duties, fees, imports and other charges imposed directly or indirectly by the Republic of the Philippines and its instrumentalities.

The PPA is a government-owned corporation attached to the Department of Transportation and Communications for policy and program coordination. The corporate powers of the Authority are vested to its Board of Directors composed of eleven (11) members. Its top management is headed by a General Manager and three (3) Assistant Managers, one each for Engineering Services, for Operations and for Finance and Administrative Services. Delivering the front line services are five (5) Port District Offices (PDOs) and twenty-three (23) Port Management Offices (PMOs) and about ninety-four (94) Terminals or Satellite ports. A Port District Manager heads each Port District Office, exercising supervision over Port Management Offices that are headed by PMO Managers.

The following are some of the major accomplishments for CY 2007:

- In line with the PPA's vision of developing at least 10 ports that would meet international standards, over a billion worth of projects were pursued for the Ports of Davao and Cagayan de Oro, among the major gateways of international trade in Mindanao. The development of Ports of Super Regions or SONA Ports, and Roll-ON Roll-OFF (RO-RO) ports were PPA's priority on capital expenditures for the year. Implemented were 134 locally funded projects, 60 of which were completed. On the other hand, 8 SONA ports worth P504 million were fully accomplished out of the 24 considered priority ports.
- Maintenance and repair of 50 port facilities was completed out of the 67 ports programmed during the year. Repair of the other 9 are still on-going while 8 are on procurement stage.
- The dredging of 16 port areas/channels under the 2007 Harbor Maintenance Program were undertaken including the Engineering Island Basin in Tondo, Manila.
- Port traffic in 2007 surpassed that of the previous year. Increase in foreign cargo resulted in growth on cargo throughput by 6.4% or equivalent to 9.851 million metric tons. Container traffic posted positive growth of 6.65% while passenger traffic increased by 4.54% or 1.933 million. Overall vessel traffic went up by 2.43% compared to last year's shipcalls.
- Use of the Vessel Traffic Management System (VTMS) for navigational services was implemented. The objective of the VTMS is to provide 24/7 information for timely response of concerned government agencies on incidents involving marine vessels such as piracy, fire breakout, and facilitate rescue on urgently needed medical assistance.
- Received from the Office of the Transportation Security - Department of Transportation and Communication (DOTC) 38 Statements of Compliance of Port Facilities.
- Awarding of 24 cargo handling contracts and appointment of 23 harbor pilots nationwide.
- Revenue generated during the year of P6.246 billion exceeded target of P6.049 billion and that of the previous year's earning of P6.018 billion.
- Implementation of the following special projects were pursued:
  - o MIS Computerization Project
  - o Manila North Harbor Modernization Project (MNHMP)
  - o Batangas Port Development Project Phase II

### 3. PPA COMPUTERIZATION PROJECT

In CY 2002, the Corporation embarked into its Philippine Ports Authority Management Information System Computerization Project, otherwise known as the PROMPT (Providing Reliable Operations and Management of Ports Thru Technology). It covers the automation of all aspects of the business processes of the Corporation across functions, from the PMOs, PDOs and Head Office operations. One of its components is the Accounting and Financial Management System (AFMS) that deals with the accounting and financial management processes which to date is undergoing major enhancements and changes to meet the requirements of end-users and the NGAS. During the year, the other components

of the project consisting of the Port Operations Management System (POMS), Real Estate Management System (REMS), and Legal Support System (LSS) were rolled out for use at the different PMOs and PDOs nationwide.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of the Financial Statements*

The Philippine Ports Authority adopted the following Philippine Government Accounting Standards (PGAS) promulgated and issued by the Commission on Audit per Resolution No. 2006-06 dated January 31, 2006 in the preparation of the CY2007 Financial Statements. The adoption did not result in significant changes as the PGAS are in conformity with the Philippine Financial Reporting Standards (PFRS) adopted in the previous year by the Authority in the preparation of its financial statements.

- PGAS 1 *Financial Statements* (FS) of a government agency shall consist of the Balance Sheet, Statement of Changes in Equity, Statement of Income and Expenses, and the Statement of Cash Flows. Notes to FS are required to provide information on the basis of their preparation and the significant accounting policies adopted by the agency including information required by PGAS not presented therein or necessary for fair presentation thereof.
- PGAS 2 on *Concepts and Characteristics*, which provides the accounting principles, concepts and qualitative characteristics of financial reporting, observed as guides in the recording of transactions and preparation of the FS.
- PGAS 3 on *Cash*, which provides for money and other negotiable instruments as money items, their valuation and classification as at reporting date.
- PGAS 4 on *Receivables*, which provides for the recognition of collectibles from customers and other debtors, their classification including the provision for allowance on estimated uncollectibles, and write-off of accounts subject to legal and regulatory requirements.
- PGAS 5 on *Inventories*, which defines assets considered as inventories, their measurement, costing and accounting thereof using the perpetual inventory system.
- PGAS 6 on *Investments*, which provides for the basis of recognition, classification and valuation of assets not directly identified with the operating activities of a government agency.
- PGAS 7 on *Property, Plant and Equipment*, which provides for the manner of its recognition in the books, presentation in the financial statements and the use of the straight line method of depreciation taking into consideration a ten percent residual value.
- PGAS 8 on *Public Infrastructures*, which provides for the recognition of infrastructures for use of a government agency or for commercial and/or income generating purposes as part of the Construction in Progress account during construction and part of the assets of the agency after completion.
- PGAS 9 on *Other Assets*, which provides for the recognition of arts, exhibits, restricted cash and other serviceable assets not used in operations including intangible assets that are subject to amortization using the straight line method less ten percent residual value.
- PGAS 10 on *Liabilities*, which provides for the recognition of obligations arising from past transactions or events.
- PGAS 11 on *Equity*, which provides for the definition and composition of government equity.
- PGAS 12 on *Income*, which provides for the recognition when earned or collected of the economic benefits including donations received during the accounting period that result in increases in equity, other than the contributions from equity participants.
- PGAS 13 on *Expenses*, which provides for the recognition when incurred of the decreases in economic benefits during the accounting period that result in decreases in equity. Bank Charges, commitment fees interest expenses and other financial charges shall be classified separately.

#### *Consolidation Principle*

The Authority follows the commercial system of accounting for financial transactions. Branch accounting is maintained for its PDOs/PMOs. Financial statements are prepared periodically by the PDOs/PMOs and submitted to the Head Office for consolidation. At the PDOs/PMOs, the Head Office Clearing Account takes the place of the customary capital accounts. This is credited for cash, goods or services received from the Head Office and for profits resulting from PDOs/PMOs operations. The account is charged for remittances made by the PDOs/PMOs to the Head Office and for losses from operations. The Head Office, in turn keeps a reciprocal account called PDO/PMO Clearing Account.

This account is charged for cash, goods or services transferred to the PDOs/PMOs and for profits; it is credited for remittances from the PDOs/PMOs and for losses. The PDO/PMO Clearing Account indicates the amount invested in the PDOs/PMOs.

#### Recognition of Income and Expense

The Authority recognizes income and expense using the accrual method of accounting wherein these are accounted as they are earned or incurred.

#### Income Tax

For income tax purposes, net income less tax credit on its investment on fixed assets is declared. The tax credit is allowed under Section 25 of PD 857 dated 28 December 1975.

#### Foreign Exchange Transactions

Transactions in foreign currencies are recorded using the exchange rate in effect at the date of the transaction. PPA Memorandum Circular No. 16 dated October 6, 2006 prescribed that the 15 day average Bangko Sentral ng Pilipinas (BSP) guiding rates prevailing at the time of issuance of the invoice computed by the Commercial Services Department shall be used in determining the peso value of the dollar denominated port charges due to PPA. Meanwhile, the remittances of cargo handling operators are converted into pesos using the BSP guiding rate prevailing at the time of payment in conformity with the contract agreements with the PPA.

PPA Finance Memorandum Circular No. 01-2003 requires that the monetary asset or depository account and liabilities denominated in foreign currencies be restated using the BSP guiding rate of exchange as of balance sheet date. Foreign exchange differences are treated as follows:

- For loans identified with completed projects and those used to acquire invoiced assets, the gain or loss is recognized in current year's income/loss.
- For loans related to assets still in-progress, the foreign exchange difference is capitalized and included in the carrying amount of the Fixed Asset-In Process.
- For other foreign currency transactions, i.e. deposits in foreign currency, the gain or loss in foreign exchange fluctuation is recognized in the income or loss for the current period.

#### Provision for Doubtful Accounts

Receivables are valued at face amounts minus allowances set up for doubtful accounts and for any anticipated adjustments which, in the normal course of events, will reduce the amount receivable from the debtor to estimated realizable values.

PPA Finance Memorandum Order No. 11-2006 dated July 21, 2006 prescribes the amended rates on provisions for doubtful accounts, as follows:

Age (Days) of A/R Trade	1-15	16-30	31-90	91-180	181-365	Over 365	Dormant w/ Nil Chance
Rate of Allowance	1%	5%	10%	20%	40%	60%	100%

#### Inventories

Inventories of spare parts, except those for PPA dredgers (see Note 9), supplies and materials are valued at cost, net of Value-Added Tax (VAT), using the first-in, first-out (FIFO) method of pricing.

In conformity with COA Circular 2005-002 dated April 14, 2005, semi-expendable items with estimated useful life of more than a year but small enough to be considered as property and equipment are considered part of the inventory upon acquisition. Items issued during the year are treated as expense, charged to income of the current year.

#### Investments

Investments in the form of Treasury Bills and Treasury Bonds and Land Bank of the Philippines-issued bonds are valued at cost including withholding taxes.

#### Property and Equipment

Property and equipment of the Authority are carried in the books at appraised values except for additions during the year which are recorded at acquisition cost net of Value Added Tax (VAT). Appraisal of assets is done by an independent appraiser once every five years pursuant to its loan covenants with the World Bank.

Upon retirement or disposal, both the cost and appraisal increment and their related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized for the period.

Depreciation is computed based on the carrying values of the properties, net of ten percent (10%) residual value, using the straight-line method over the estimated useful lives of the assets.

Infrastructure projects are valued following the Construction Period Theory. The costs of on-going projects and accounts payable on the projects are based on actual physical accomplishment reported by the Engineering Office.

Lands that form part of property and equipment are acquired either thru:

- Purchase
- Transfer (net of liabilities) as initial paid up capital of the National Government consistent with Section 30 and Section 10B (i) of PD 857.
- Reclamation of port areas pursuant to Section 6.b (x) of PD 857.

Lands purchased by the Authority are covered with Transfer Certificates of Title, while properties transferred from the National Government and lands reclaimed from the sea are covered by Proclamations and Executive Orders. To date, a total of 36 ports have been issued the covering Executive Orders/Proclamations granting PPA administrative jurisdiction over the properties. Executive Orders for 49 ports are for signature at the Office of the President, while 49 Executive Orders covering other Port Zone Delineation Projects of the Authority are for preparation and approval.

#### 5. CASH ON HAND AND IN BANKS

The breakdown of this account is as follows:

	2007	2006
Cash in Banks	P 1,193,889,881	P 824,990,101
Cash with Collecting Officers	38,845,786	25,363,262
Cash with Disbursing Officers	12,274	60,320
Cash with Other Officers	35,917,887	33,162,033
	P 1,268,665,828	P 883,575,716

Cash in Banks includes the balance of P179.840 million on the proceeds of the P1 billion, seven-year Corporate Notes issued by the PPA during the year. The funds are to finance the construction of various port projects for the first quarter of 2008.

Cash with Other Officers includes cash advances granted for government projects, calamity loans and traveling expenses of officials and employees, and for other corporate activities.

#### 6. ACCOUNTS RECEIVABLE

This account refers to the amounts due from port users/customers including interests and penalties on late payments, resulting from the following trading or business operations of the different offices of the PPA:

	2007	2006
Fixed and Variable fees – ICTSI & ATI	P 448,837,785	P 252,048,517
Cargo Charges	123,317,625	87,562,595
Rental	114,498,657	123,624,587
Vessel Charges	13,605,202	13,991,956
Share on Cargo Handling Services	11,381,184	130,934,061
Miscellaneous Charges	28,642,513	11,613,097
	740,282,966	619,774,813
Less: Allowance for Doubtful accounts	(148,893,180)	(137,573,043)
	P 591,389,786	P 482,201,770

The Fixed and Variable Fees represents government share on the income earned for the 4th quarter of the year by the contractors, the International Container Terminal Services, Inc. (ICTSI) and the Asian Terminal Inc. (ATI) in their conduct of cargo handling and other port operations at the Manila International Container Terminal (MICT) and the South Harbor, which in accordance with the terms of the contracts are payable on or before the 5th day January 2008.

#### 7. NOTES RECEIVABLE

This account represents the realizable value of promissory notes issued by port users to cover the assessments made on their restructured accounts for the following services rendered at the different Port District Offices:

	2007	2006
Dockage Fees	P 651,229	P 651,229
Share on Arrastre & Stevedoring	289,685	289,685
Wharfage Fees /Usage	114,530	114,530
Usage Fees	64,832	94,832
Rental	5,973	538,436
Others	141,674	141,674
	P 1,267,923	P 1,830,386

## 8. OTHER RECEIVABLES

This account is composed of receivables from the following:

	2007	2006
Government Owned / Controlled Corporations (GOCCs)	P 67,346,722	P 122,999,952
Special Take-Over Units/ICTSI	39,234,921	36,885,885
Interest and Penalties	1,470,680	1,035,437
Local Government	131,839	131,839
National Government Agencies	5,312,366	85,157
Miscellaneous	233,635,376	313,813,043
	347,131,904	474,951,313
Allowance for Doubtful Accounts	(45,446,466)	(44,896,161)
	P 301,685,438	P 430,055,152

Accrued interests on investments in bonds issued by the Land Bank of the Philippines, and in treasury bills largely account for the Receivables-GOCCs. The Receivables-Special Take-Over Units (STUs) consist of the net income of the STUs for specific periods that are due for remittance to the Port Management Office. Receivables from cargo handling companies for advances made by the Authority on past service benefits of port workers which are subject of audit disallowances amounting to P106.338 million largely comprised Miscellaneous Receivables. Also, included are calamity loans granted to PPA officers and employees amounting to P66.829 million for CY 2007 and P105.519 million for CY 2006.

## 9. INVENTORIES

Breakdown of this account is as follows:

	2007	2006
Supplies & Materials	P 120,162,439	P 121,762,266
Miscellaneous	5,065	5,065
	P 120,167,504	P 121,767,331

## 12. PROPERTY AND EQUIPMENT

This account (amounts in thousands) is composed of the following:

	Land	Buildings and Land Improvements	Construction in Progress	Motor Vehicles	Machinery and Equipment	Office Equipment	Other Fixed Assets	TOTAL
<b>At December 31, 2006</b>								
Cost	52,871,726	25,941,476	7,799,650	130,084	326,915	567,153	917,540	88,554,544
Accumulated Depreciation	-	(13,262,172)	-	(64,735)	(164,194)	(290,656)	(725,231)	(14,506,988)
Net Book Value	52,871,726	12,679,304	7,799,650	65,349	162,721	276,497	192,309	74,047,556
<b>Year Ended December 31, 2007</b>								
Opening Book Value	52,871,726	12,679,304	7,799,650	65,349	162,721	276,497	192,309	74,047,556
Additions	3,555,736	1,562,536	6,423,299	16,438	30,816	16,920	336,574	11,942,319
Disposed/Retired								
Completed/Transferred	-	(254,174)	(2,532,113)	(2,065)	-	(6,938)	-	(2,795,290)
Depreciation for the Year	-	(1,002,405)	-	(35,423)	(16,333)	(44,724)	(25,871)	(1,124,756)
Adjustment on Prior Years' Depreciation	-	3,332,488	-	7,935	(743)	4,308	(85,062)	3,258,926
Closing Net Book Value	56,427,462	16,317,749	11,690,836	52,234	176,461	246,063	417,950	85,328,755
<b>At December 31, 2007</b>								
Cost	56,427,462	27,249,838	11,690,836	144,457	357,731	577,135	1,254,114	97,701,573
Accumulated Depreciation	-	(10,932,089)	-	(92,223)	(181,270)	(331,072)	(836,164)	(12,372,818)
Net Book Value	56,427,462	16,317,749	11,690,836	52,234	176,461	246,063	417,950	85,328,755

Construction In Progress account includes the cost incurred relative to the Management Information System (MIS) Computerization Project amounting to P540.502 million in CY 2007 and P513.185 million in CY 2006, as well as, the development cost on the Second Phase of the Batangas Port Development Project amounting to P846.533 million and P653.426 million as of December 31, 2007 and 2006, respectively.

In conformity with the adopted policy to conduct appraisal of fixed assets once every five years, the independent appraiser Royal Asia Appraisal Corporation was hired in 2006 to conduct appraisal of PPA property and equipment with the exception of furniture, fixtures and equipment which are carried in the books based on their valuation in the appraisal

Supplies and materials substantially consist of the book value of spare parts for PPA dredgers in the custody of the Harbor Maintenance Department amounting to P104.154 million for CY 2007 and P104.338 million for CY 2006. Pursuant to PPA Memorandum Circular No. 35-2003 dated 8 December 2003, spare parts on PPA dredgers needed by the contractor F. F. Cruz should be sourced first from the stock pile of the Authority and shall be valued at the prevailing market price upon issuance which should not be less than the actual purchase price per PPA inventory.

## 10. PREPAYMENTS

This account includes the following:

	2007	2006
Advance Payment to Contractors	P 441,610,482	P 241,017,894
Prepaid Taxes	332,909,909	651,929,288
Procurement Service	47,842,169	-
Prepaid Insurance	16,248,259	12,791,904
Other prepayments	103,810	-
	P 838,714,629	P 905,739,086

Advance Payment to Contractors not exceeding 15% of the total contract price are granted in pursuant to Republic Act 9184. The advances, which are repaid thru deductions from progress payments to Contractors, are secured with irrevocable letters of credit of equivalent values from commercial banks, bank guarantees or surety bonds.

Prepaid Taxes consist of the amounts of expanded or creditable withholding taxes deducted by port users from wharfage and rental of real properties and other port facilities. Section 76 of the National Internal Revenue Code allows cash refund of the amount withheld or the use of the covering tax credit certificates against future tax liabilities.

## 11. OTHER CURRENT ASSETS

This account consists of the carried over balance of Miscellaneous-Input Value Added Tax (VAT) paid by the Authority for acquired goods and services that may be applied as tax credit or deducted from output tax.

conducted in 2001 and at acquisition cost for purchases from 2002 to December 31, 2007. The results or adjustments in the values of the assets appraised in 2006 were credited in 2007 to the appraisal surplus account amounting to P5,824,084,118.

The value of recorded PPA assets does not include the value of assets constructed/acquired by the Asian Terminal Inc. (ATI) amounting to P202,025,795 which is part of their committed US \$ 300 million development and expansion project at South Harbor. A Confirmatory Agreement granting ownership to ATI of the assets constructed within their leased area was executed on September 27, 2007 to address the original provision of the management contract between PPA and ATI that stipulates the turn-over of ATI infrastructure projects to PPA upon completion.

The Schedule of ATI Investments and Implemented Projects from 1998 - 2005 reporting the assets invested at P202.026 million is subject to PPA evaluation of cost, verification of physical existence/condition, and compliance with the other requirements of the Standing Interpretations Committee (SIC) Interpretation 29 on Disclosure – Service Concession Arrangements issued in Volume 4 of the Philippine Financial Reporting Standards (PFRS).

### 13. OTHER NON-CURRENT ASSETS

This account consists of the following:

	2007	2006
Other Investments	P1,340,730,484	P 3,059,308,672
Restricted Cash Deposits	717,914,748	738,788,960
Advances to DPWH	120,386,429	120,386,429
Non-Operating Assets	41,737,587	-
Treasury/Current Deposits	18,748,154	18,748,154
Miscellaneous Assets and Deferred Charges	10,183,631	14,180,130
Guaranty Deposits	8,727,294	7,869,621
Stocks of Service Enterprises	140,760	140,760
	<b>P2,258,569,087</b>	<b>P 3,959,422,726</b>

*Other Investments* pertain to the Investments in Treasury bills and bonds from the Land Bank of the Philippines and the Bureau of Treasury that are earmarked for projects and debt servicing. The holding period of the T-bills, with interest rates of 4.00% to 7.25%, ranges from 84 to 364 days. The Land Bank bonds consist of 25 year, 6% bonds that are tax-free whereas, the Treasury bonds with holding period of 1,026 days and interest rate of 10.5% will mature in March 2008.

*Restricted Cash Deposits* account pertains to the funds held in escrow which are either kept in TOP-Fixed Term Deposit at the Bangko Sentral ng Pilipinas or in Savings and Current Accounts with the Development Bank of the Philippines. These funds are earmarked for the partial settlement of Case No. 5447 concerning the Batangas land expropriation and claim for real estate tax at the Port of Iloilo.

*Advances to DPWH* includes the P109.582 million costs of the projects implemented by the Department of Public Works and Highways (DPWH) thru the issuance of Special Cash Advances by the PPA. The account also includes funds amounting to P10.804 million issued in 1977 to accountable officers of the DPWH which have remained unsettled to date. The accounts have been dormant for more than ten years and are subject of management's request for approval from the Commission on Audit for closure in the PPA books. Evaluation of the application for write off cannot be completed yet, pending submission of proper documents to support the request.

*Treasury/Current Deposits* pertain to the balance of the Special Account kept with the Bureau of Treasury pursuant to the requirements of PD 1234. Collections remitted, as well as reimbursements of PPA advances for project expenditures financed by foreign loans, are deposited to this account through the then Central Bank of the Philippines. The use of this account was discontinued with the issuance of Executive Order No. 159. The account

is likewise included in the application for write off submitted to the Commission for approval as inactive for several years and already closed in the books of the Bureau of Treasury.

*Guaranty Deposits* consist of the amounts deposited with contractors/suppliers to guarantee performance of obligation, such as deposits with Meralco, PLDT, lessors of buildings occupied by the Authority, and others.

### 14. ACCOUNTS PAYABLE

This account consists of obligations incurred for purchases of goods and services from private suppliers and entities arising from the conduct of business operations.

### 15. OTHER CURRENT LIABILITIES

This account consists of:

	2007	2006
Trust Liabilities	P 416,584,379	P323,523,331
Depository Liabilities	66,632,703	59,145,856
Payables to National Government Agencies	82,078,049	362,389,302
Payables to Government Owned or Controlled Corporation	7,962,064	6,123,590
Payables to Local Government Units	387,746	1,255,253
Miscellaneous	343,716,236	297,942,510
	<b>P 917,361,177</b>	<b>P 1,050,379,842</b>

*Trust Liabilities* consist of collections of mandatory deductions on salaries of personnel, such as GSIS, Pag-Ibig, and Medicare premiums, loan amortizations, as well as taxes withheld from salaries and from payments made to suppliers or contractors, retention fees and bid bonds withheld from suppliers and contractors.

*Depository Liabilities* are deposits other than those required to guaranty the performance of contracts.

*Payables to National Government Agencies* includes provision for income tax in the amount of P57,851,909

*Miscellaneous Liabilities* pertain to the advances received on leased properties, and the amount of value added tax collected from port users for the rendition of taxable services.

### 16. LONG - TERM DEBT

Below is the breakdown of the account consisting of foreign loans acquired to finance PPA infrastructure projects:

Loan Account	Interest Rate %	No. of Years Maturity Date	Loan Amount	Outstanding Balance		
				In Foreign Currency	In Peso	
					2007	2006
ADB-875	6.53	20.0 Oct. 2012	\$ 43,083,327	¥2,106,633,894	P 870,250,462	P 998,805,694
IBRD-2823	7.76	15.0 June 2007	30,065,960	\$ -	-	51,021,609
JBIC-PH-P20-2	3.25	20.5 Nov. 2008	¥ 4,433,743,861	¥ 216,254,000	89,334,527	178,669,055
JBIC-PH-P40	3.00	20.5 June 2010	1,529,753,393	55,965,000	23,119,142	32,366,798
JBIC-PH-P61	3.00	20.5 Sept. 2013	169,794,479	49,680,000	20,522,808	23,943,276
JBIC-PH-P84	3.00	20.5 Jan. 2018	61,381,669	31,437,000	12,986,625	14,223,446
JBIC-PH-P91	3.00	20.5 Jan. 2018	169,158,544	86,604,000	35,776,112	39,183,361
JBIC-PH-P122	2.70	20.5 June 2021	5,497,049,624	3,619,971,000	1,495,410,020	1,606,181,133
JBIC-PH-P172	2.30	20.5 Mar. 2027	502,889,141	478,296,000	197,584,078	207,743,504
JBIC-PH-P187	2.20	20.0 Sept. 2028	13,788,000,000	13,279,233,778	5,485,651,474	3,520,862,928
JBIC-PH-P187A	2.20	31.0 Sept. 2038	767,000,000	1,020,776,244	421,682,666	333,057,698
KFW-D1-P1	2.00	20.0 June 2009	€ 3,579,043	€ 268,428	17,341,457	28,902,428
KFW-D1-P2	2.00	20.0 Dec. 2011	306,775	61,355	3,963,758	4,954,699
KFW-D2-P1	2.00	20.0 June 2009	1,431,617	107,374	6,936,587	11,560,976
KFW-D2-P2	2.00	20.0 Dec. 2011	2,388,410	467,997	30,234,358	38,029,757
					<b>8,710,794,074</b>	7,089,506,362
Current Portion					<b>(394,275,844)</b>	(432,125,801)
					<b>P 8,316,518,230</b>	<b>P 6,657,380,561</b>

- equivalent to \$ 19,374,227

In 2007, the prescribed provision of PPA Finance Memorandum Circular No. 01-2003 dated 29 December 2003 to revalue the foreign loans and other financial transactions in foreign currency as at balance sheet date was not applied considering the unstable foreign exchange rates due to the weakening of the US dollar which is used in defining the rates of various foreign currencies. Thus, the peso equivalent of the outstanding balances of foreign loans are reported based on the year-end Bangko Sentral ng Pilipinas guiding rates of exchange of the previous year, December 31, 2006.

#### 17. OTHER LONG-TERM LIABILITIES

The PPA entered into an Issue Management and Underwriting Agreement with the Development Bank of the Philippines in 2007, for the issuance of P2 billion seven-year Corporate Notes with fixed interest rate of 7.783%, payable every quarter. The first tranche of the Corporate Notes guaranteed by the Republic of the Philippines amounting to P1 billion was released on 18 July 2007. The taxes and other charges incurred in the issuance of the notes were recognized expenses of the current year.

In accordance with the Sinking Fund Management Agreement the PPA shall establish and maintain a Notes Sinking Fund with the Bureau of Treasury, the Sinking Fund Manager, for the purpose of redeeming the Notes upon maturity. The Fund shall be payable annually on the anniversary of issue date with the first contribution falling due on July 18, 2008 in the amount of P261,012,708.

#### 18. PENSION AND RETIREMENT PAYABLE

This account represents the provision for the retirement benefits of PPA officials and employees. Additional provision of P14.380 million was made in 2007 corresponding to services rendered during the year.

#### 19. CAPITAL CONTRIBUTION

Executive Order No. 513, amending PD 857, increased the authorized capital of the Authority from three billion to five billion pesos.

The initial paid up capital consisted of:

- a) The value of assets (including port facilities, quays, wharves, and equipment) and such other properties, movable and immovable contributed or transferred by the Government and its agencies valued at the date of the contribution or transfer after deducting the loans and other liabilities of the Authority.
- b) The initial cash appropriation of two (2) million pesos out of the funds of the National Treasury and further sums, including working capital contributed by the National Government.

#### 20. DONATED SURPLUS

The account represents the amount of cash or properties received as donations from persons other than the National Government.

#### 21. APPRAISAL SURPLUS

Appraisal increase, which is the difference between historical cost and the appraised value of fixed assets, is added to the carrying value of the property and equipment. The excess of sound value over net book value, presented in Note 12, is credited to the Appraisal Surplus.

#### 22. RETAINED EARNINGS

Pursuant to Section 5 of RA 7656 dated 9 November 1993, the Authority declares and remits fifty percent (50%) of its annual earnings as dividends to the National Government.

#### 23. FIXED FEE – ICTSI

In 1988, the Authority entered into an agreement with the International Container Terminal Services, Inc. (ICTSI), a consortium of Andres Soriano Corporation (ANSOR), E. Razon, Inc. (ERI), and Sealand Orient International (SOI), for the management, operation and development of the Manila International Container Terminal (MICT) at the Port of Manila subject to the direct control and supervision of the Authority.

The contract provides that the contractor shall remit to the Authority in Philippine Pesos an amount equivalent to Three Hundred Thirteen Million Seven Hundred Fifty Six Thousand (\$313,756,000) US Dollars in one hundred (100) quarterly installments, payable in advance not later than the fifth (5th) day of the first month of every quarter without the need for demand. The U.S. dollar equivalent of the Philippine peso shall be based on the reference rate of the Bankers Association of the Philippines or the equivalent reference rate at the time the payment is made.

In addition to the Fixed Fee, the contractor shall share with the Authority variable fee equivalent to 20% of its "GROSS REVENUE" which, as defined in the contract, shall include all income generated by the Contractor from the MICT from every source and on every account except interest income, whether collected or not, to include but not limited to Harbor Dues, Berthing Fees, Wharfage, Cargo Handling Revenues, Cranage Fees, Stripping/Stuffing Charges and all other revenues from Ancillary Services."

#### 24. OTHER INCOME

Breakdown of this account is shown below:

	2007	2006
Traditional & Non-Traditional Income	<b>P 395,803,468</b>	P 381,956,217
Interest Income	<b>151,516,752</b>	246,014,864
Special Take-Over Units	<b>31,884,330</b>	43,279,732
	<b>P 579,204,550</b>	P 671,250,813

Traditional Income consists of such income as regulatory fees, fines and penalties as well as interests on overdue accounts from various sources. On the other hand, Non-traditional Income is made up of rentals from leases of land and buildings, crane cargo handling equipment, sale of gate passes/stickers and income from Special Take-Over Units.

Interest income represents earnings on matured investments in Treasury Bills and interests on bank depository accounts.

#### 25. GAIN (LOSS) ON REVALUATION

This account pertains to the net amount of gains/(losses) on foreign exchange recognized in the revaluation of the balances of the foreign currency deposit and loans outstanding at year-end. The net effect of the gains and losses as a result of foreign exchange fluctuations that was not recognized in the 2007 financial reports are as follows: (see Note 16)

	2007	2006
Gain (Loss) on Foreign Exchange:		
Gain on the revaluation of the outstanding balances of loans for completed projects and invoiced assets	<b>P305,206,742</b>	P281,041,369
Loss on revaluation of the balance of the foreign currency deposit accounts	<b>(22,807,047)</b>	(87,283,881)
Net Gain (Loss) on Revaluation	<b>P282,399,695</b>	P193,757,488

The following are the peso equivalent per the Bangko Sentral ng Pilipinas guiding rates as of December 31, 2006 that were used in determining the outstanding balances of foreign loans and dollar deposits:

Currency	2006
United States Dollar (\$)	49.1320
Japanese Yen (Y)	0.4131
European Euro	64.6040

#### 26. GAIN (LOSS) ON FOREIGN EXCHANGE

Foreign exchange differences arising from the settlement of long-term foreign loans at exchange rates different from the booking rates used to record them are recognized as ordinary gains or losses and reported as income/expense for the period.

## 27. OTHER STAFF BENEFITS

This account is composed of the following:

	2007	2006
Bonus and Incentives	P 306,283,447	P 286,989,381
Monetized Leave	46,367,862	28,055,802
Additional Allowance	41,290,497	43,076,210
Overtime Pay/Night Shift Differential	39,833,716	36,960,455
Rice Allowance	26,690,960	28,879,775
Personnel Economic Relief Allowance	14,196,989	14,552,518
Uniform Allowance	9,365,765	9,926,828
Loyalty Award	3,663,000	2,067,200
Children's Allowance	2,068,567	1,094,182
Meal Subsidy	1,861,933	2,000,504
Hazard Pay	145,877	144,465
Longevity Pay	131,479	47,875
	<b>P 491,900,092</b>	<b>P 453,795,195</b>

## 28. DREDGING

This account represents expenses incurred in dredging the harbors to the required depth through removal of silts. It also includes expenses in the maintenance of basins and navigational channels, cost of minor repairs of dredging equipment, spare parts, salaries and wages of casual and contractual employees, incidental traveling expenses and other related costs.

On 15 October 2001, a contract was entered into by and between the PPA and F.F. Cruz & Co., Inc. (FFCCI) for the Rehabilitation, Operation and Maintenance of the PPA Dredging Fleet under the Rehabilitate and Maintain Scheme in the amount of ₱148.80 million. Under the contract, the private dredging contractor shall rehabilitate, operate, and maintain the six (6) dredge vessels ( PHILPORTS D-I to D-VI) and the two (2) supply boats (PHILPORTS A-I and A-II) and shall undertake the maintenance dredging at various ports in the country that are included in the PPA Port System. The contract started on 6 November 2001 and shall be valid for ten (10) years. The Authority will pay FFCCI the cost of the actual volume dredged per year within the contract period. The contract has a guaranteed minimum annual dredging volume of 2,000,000 cubic meters.

Costs incurred in dredging activities undertaken in 2007 and 2006 and treated as expense for the year amounted to P177.370 million and P 260.172 million, respectively.

## 29. REPAIRS AND MAINTENANCE

These are operating costs for the repair and maintenance of PPA structures and port facilities to restore the assets to normal condition.

	2007	2006
Port Facilities	P 413,118,401	P 339,321,879
Buildings	39,228,046	3,987,140
Motor Vehicles	20,332,733	20,261,205
Equipment	3,737,115	2,613,707
Furniture and Fixtures	122,380	-
	<b>P 476,538,675</b>	<b>P366,183,931</b>

## 30. MISCELLANEOUS EXPENSES

This account is composed of the following:

	2007	2006
Awards & Indemnities	P 78,163,595	P 79,783,294
Other Professional Services	70,279,906	-
Janitorial Services	24,484,619	25,330,069
Rewards and other Claims	14,670,000	-
Printing and Binding	6,579,710	46,825,545
Board Expenses	6,965,325	7,797,492
Contractual Services	2,590,845	9,102,452
Bond Premiums	2,119,487	2,081,700
Journal and Subscriptions	981,060	524,566
SSS Benefits and Other Claims	-	700,000
Others	-	7,413,279
	<b>P 206,834,547</b>	<b>P 179,558,397</b>

## 31. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the 2006 financial statements were reclassified to conform with the 2007 presentation.

## 32. CONTINGENT ACCOUNTS

In compliance with the provisions of PAS 37, Contingent Assets and its contra account Contingent Surplus were excluded among the accounts presented in the Balance Sheet. As of December 31, 2007, income or surplus that may be realized on contingent assets amounts to P844,968,349. The account consists mainly of contested accounts receivable with expected income from increased rates on lease of land and other PPA port facilities. It is the policy of the Authority that rates are automatically adjusted based on the appraised value of the property. This adjusted rate on lease serves as the basis of computation of charge in the invoice issued to the lessee.

## 33. PENDING LAWSUITS

The Authority is involved as a party litigant in several lawsuits still pending for resolution that could materially affect its financial position. Among these lawsuits are the following:

- a. **PPA vs. Remedios Rosales-Bondoc, et al. Civil Case No. 5447 –** The Supreme Court on 5 September 2007 issued a Status Quo Order on its decision dated 24 August 2007 awarding the amount of P5,500 per square meter established by the Regional Trial Court of Batangas as just compensation on the properties covered by the Batangas Port Development Project II that are subject of expropriation case. A Motion for Reconsideration was filed by the PPA on 7 September 2007 and on 10 September 2007, the PPA through the Office of the Solicitor General (OSG) filed an Omnibus Motion to: (a) Refer the case to the Supreme Court en banc, and (b) Set the case for oral argument. Subsequently, on 14 September 2007 the PPA through the OSG filed a Respectful Plea for Leave to Allow Withdrawal of the Expropriation Case as Alternative Relief in the Exercise of the Honorable Court's Equity Jurisdiction. The total reward on the properties will reach a substantial amount of roughly eleven billion and three hundred million pesos (P11,300,000,000).
- b. **MIPTI vs. PPA Civil Case No. 96-37673 –** The operators of Manila International Port Terminal Incorporated (MIPTI) filed a case of damages against the Authority when the latter took over the operations of the Manila International Container Terminal. The Regional Trial Court ruled in favor of plaintiff and ordered the Authority to pay seven hundred fifty million pesos (P750,000,000). The case is now pending with the Court of Appeals.
- c. **Real Estate Tax Cases –** The Supreme Court, in PPA versus the City of Iloilo, affirmed the assailed decision of the Court of Appeals and ruled that the Authority is liable for real property tax from the last quarter of 1984 up to December 1986. The decision may become a precedent and may involve the Authority in the litigation of realty tax cases on its properties nationwide that would require approximately nine billion and a half pesos (P9,500,000,000).

The Supreme Court though, in a similar tax case involving the Manila International Airport Authority (MIAA) and the local government of Parañaque City rendered a favorable decision exempting the MIAA from payment of real estate taxes which the PPA might use as basis to support its position.

## Board of Directors



**Leandro R. Mendoza**  
**Chairperson**

Secretary, Department of Transportation  
and Communications



**Atty. Oscar M. Sevilla**  
**Vice-Chairperson**

General Manager, Philippine  
Ports Authority



**Atty. David R. Simon**  
**Corporate Board Secretary**  
Philippine Ports Authority

## Members



**Margarito B. Teves**  
**Secretary**  
Department of Finance



**Angelo R. Reyes**  
**Secretary**, Department  
of Environment and  
Natural Resources



**Peter B. Favila**  
**Secretary**, Department  
of Trade and Industry



**Romulo L. Neri**  
**Director-General**,  
National Economic and  
Development Authority



**Hermogenes E. Ebdane, Jr.**  
**Secretary**, Department  
of Public Works & Highways



**Vicente R. Suazo, Jr.**  
**Administrator**,  
Maritime Industry Authority



**Noemi L. Saludo**  
**Private Sector Representative**

## Executive Officers



Standing (L-R):

**Benjamin B. Cecilio**  
Assistant General Manager  
for Operations

**Aida P. Dizon**  
Assistant General Manager  
for Finance and Administration

Seated (L-R):

**Claro V. Maranan**  
Assistant General Manager  
for Engineering

**Atty. Oscar M. Sevilla**  
General Manager

**Raul T. Santos**  
Assistant to the General Manager  
for Corporate Affairs and Special  
Projects

## Department Managers

### Office of the General Manager

Atty. Ma. Asuncion Hiyasmin  
H. delos Santos  
Internal Control

Atty. David R. Simon  
Legal Services

Elizabeth C. Follosco  
Mgmt & Information Services

Amelia M. Aquino  
Strategic Planning

Arnel F. Reyes  
Head Executive Assistant

### Finance and Administration

Rustico G. Villanueva  
Administrative Services

Rosalia G. Banson  
Controllershship

Adelaida C. Hernandez  
Human Resource Mgmt.

Madeleine C. Abada  
PPA Training Center

Virginia G. Quina  
Treasury

### Operations Office

Emma L. Susara  
Commercial Services

Lilian T. Javier  
Port Operations & Services

Loving F. Fetalvero, Jr.  
Port Police

### Engineering Office

Tomas B. Carlos  
Facilities Const. & Maint.

Cesar P. Galvez  
Harbor Maintenance

Romelo T. Mascariña  
Project Development



The General Manager and his Immediate Staff: **ARNEL F. REYES**, Head Executive Assistant; **ATTY. MA. ASUNCION HIYASMIN H. DELOS SANTOS**, Chief of Staff; **ATTY. DAVID R. SIMON**, Corporate Board Secretary

## Port District Office (PDO) / Port Management Office (PMO) Managers

### PDO Manila/Northern Luzon

Leopoldo F. Bungubung  
District Manager

#### Port Managers

Constante T. Fariñas, Jr.  
North Harbor

Atty. Edgar C. Pilar  
South Harbor

German P. Tuguigui  
Limay

Silverio D. Mangaoang, Jr.  
San Fernando

### PDO Southern Luzon

Hector E. Miole  
District Manager

#### Port Managers

Alex T. Cruz  
Batangas

Felix M. Barcala  
Calapan

Alfonso D. Taggweg, Jr.  
Legazpi

Luis A. Cuison  
Puerto Princesa

### PDO Visayas

Raul T. Santos  
District Manager

#### Port Managers

Noeme W. Calderon  
Dumaguete

Atty. Fernando B. Claveria  
Iloilo

Enrique H. Fuentesbaja  
Pulupandan

Manuel A. Boholano  
Ormoc

Winfred G. Elizalde  
Tacloban

Aurelio S. Gambuta  
Tagbilaran

### PDO Northern Mindanao

Bienvenido P. Basco  
District Manager

#### Port Managers

Efren B. Bollozos  
Cagayan de Oro

Prudencio B. Mercado, Jr.  
Iligan

Roger G. Garcia  
Nasipit

Necitas G. Layola, Jr.  
Ozamiz

Liberto C. dela Rosa  
Surigao

### PDO Southern Mindanao

Abdussabor A. Sawadjaan  
District Manager

#### Port Managers

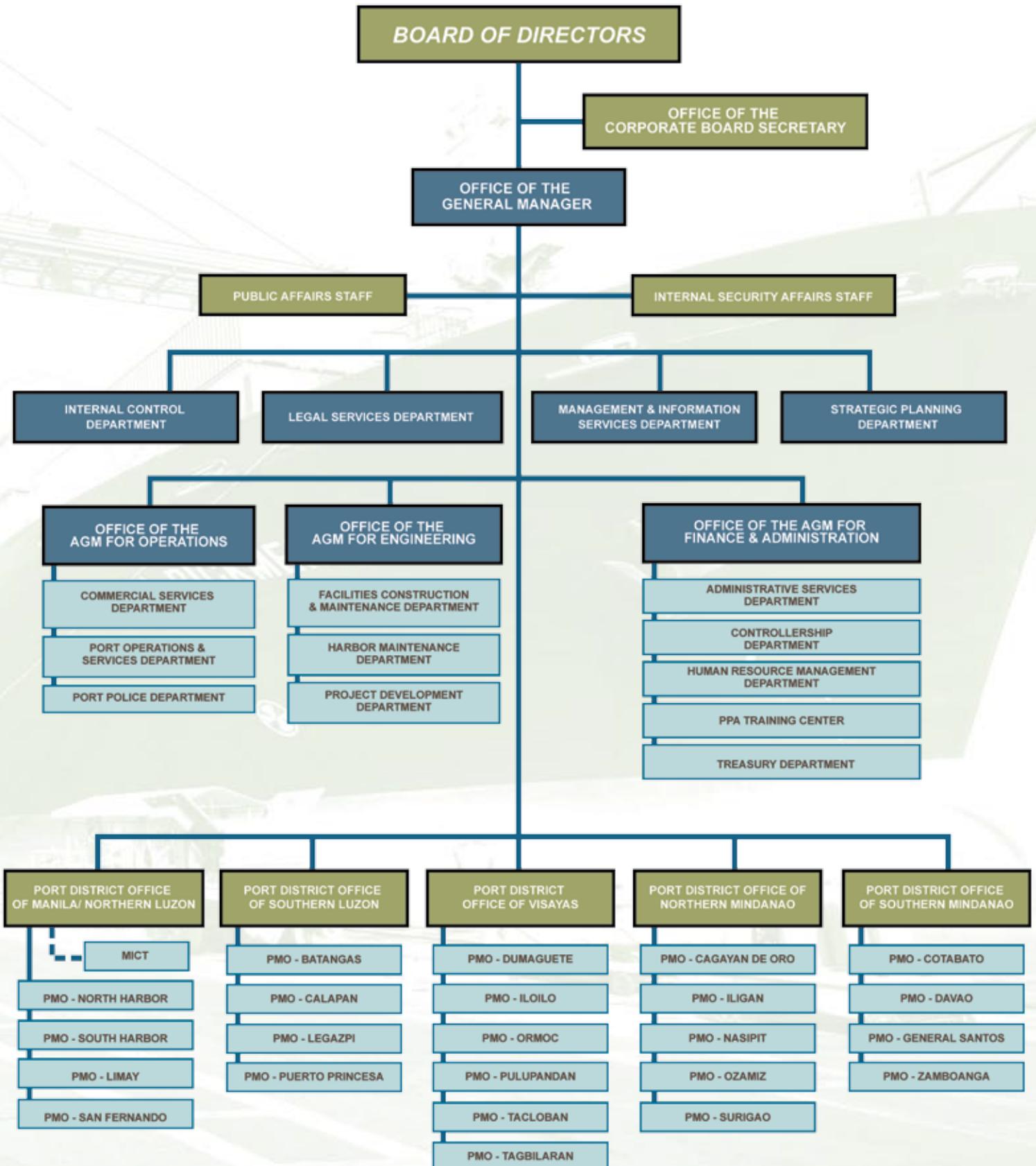
Renato T. Tolinero  
Cotabato

Atty. Christian V. Santillan  
Davao

Manuel C. Albarracin  
General Santos

Leonilo E. Miole  
Zamboanga

# Corporate Structures



## Executive Profiles



**ATTY. OSCAR M. SEVILLA, General Manager**

An accomplished lawyer, customs broker and sportsman, GM Sevilla completed his Bachelor of Laws from the Ateneo de Manila University and BA English degree with honors at the Colegio San Juan de Letran. Prior to his appointment as PPA General Manager in September 2004, Atty. Oscar M. Sevilla was Administrator at MARINA, a licensed customs broker, senior partner at Sevilla and Sevilla Law Office, Executive Vice President of A. Sevilla Brokerage Corporation and a member of the Integrated Bar of the Philippines. Since taking over the helm of PPA, Atty. Oscar M. Sevilla has worked tirelessly towards implementing projects to fulfill PPA's Vision of having internationally benchmarked gateway ports and continues to actively support the President's thrusts of seamless nationwide transport links through innumerable Ro-Ro infrastructure projects which have benefited the traveling public, businessmen, tourists and producers even in far-flung and remote islands in the country. Atty. Sevilla has attended numerous conferences in Europe, North America, Middle East and Asia as resource speaker on various topics relating to customs brokerage, port operations and maritime transport/industry. Atty. Sevilla brings his expertise on port operations and maritime shipping to the fore as a full-time member of the Philippine delegation to the IMO General Assembly and Council of International Maritime Organization (IMO) in London.

As a sportsman, GM Sevilla had the distinction of being a Graded Masters Champion in the Philippine Open Tenpin Bowling Championship in 1978 and a national champion in the Philippine International Open Tenpin Bowling Championship in 1979.

A multi-awarded professional, Atty. Oscar M. Sevilla has been conferred "Most Outstanding Professional in the field of Customs Brokerage by the Professional Regulation Commission. For his present stint at the PPA, GM Sevilla has also been commended by various local government units for his direct contribution to their economic and transportation development through various port infrastructure projects directly benefiting the recipient localities.

GM Sevilla is credited for initiating and making possible the construction of PPA's Head Office corporate headquarters after 33 years of PPA's existence.



**MR. BENJAMIN B. CECILIO, AGM for Operations**

Mr. Benjamin B. Cecilio received his AB Economics and Philosophy Degree from Ateneo de Naga and proceeded to earn his MA in Economics from the University of Asia and the Pacific and his Masters in National Security Administration from the National Defense College of the Philippines. He also completed a special study in Port Operations and

Management at the Carl Duisberg Gesselshaft at Bremen, West Germany. Prior to his stint at the PPA, Mr. Cecilio was Resident Manager at Northern Carriers Corporation, General Manager at South Harbor Port Services and General Manager at Palompon Port Services.

From Chief Operations Officer reporting directly to the Port Manager, he rose to become Port Manager of Manila and Tacloban, Manager of Commercial Services Department and finally as Assistant General Manager for Operations. Mr. Cecilio is credited for formulating and prescribing guidelines, systems and procedures in the operations and delivery of services in all ports directly managed by PPA, including terminal and marine services, port marketing plans and programs, real estate management and port privatization directives. During his tour of duty at PPA, Mr. Cecilio attended various international conferences related to port operations, port security, VTMS, wastes management, port transport, port tariff and port privatization in Europe, Asia, Australia, and the USA.

Prior to his professional stints, Mr. Cecilio was an academic practitioner and Economics Instructor at Xavier School, Philippine Women's University, St. Theresa's College and Maryknoll Fathers High School.

**MS. AIDA P. DIZON, AGM for Finance and Administration**



Ms. Aida P. Dizon obtained her AB Psychiatry Degree and Masters in Business Administration (MBA) at the University of the Philippines. She rose from the ranks at the PPA – rising to Department Manager of Comptrollership Department and then as Department Manager of MISD, before being appointed as the first female Assistant General Manager for Finance and Administration. Prior to being Controller, Ms. Dizon was a member of the Philippine Panel that negotiated the 4th IBRD Ports Project with the World Bank in Washington, DC. During her stint as Controller, Ms. Dizon served as financial consultant to the World Bank project missions in China and Vietnam.

While serving as MISD Manager, Ms. Dizon was elected Vice-Chairman of the APA (ASEAN Ports Association) Working Committee from 1992 to 1999 and was eventually appointed as Head of the APA Permanent Secretariat from 1993 to the present.

Ms. Dizon has also attended numerous training, conferences and meetings in Europe, Asia, US, Canada and Australia in her various capacities at PPA.

A multi-awarded professional, Ms. Dizon has been a recipient of DOTC Kapwa award in 1998; Soroptimist International of Pampanga, Women of Distinction in Administration and Management in 2004; Outstanding Alumni Award for government service and Diamonds award for achievements in finance and administration given by Holy Cross College in 2005; and semi-finalist in the 2006 individual Lingkod Bayan award of the Civil Service Commission.

Under her stewardship of the Office of Finance and Administration, the PPA has received an award as Most Outstanding Accounting Office by the Association of Government Accountants of the Philippines. Also under her chairmanship of the PPA Gender and Development Focal Point, PPA's halfway houses were recognized by the ILO and commended by various institutions for their role in averting human trafficking.

**ENGR. CLARO M. MARANAN, AGM for Engineering**



Engineer Claro M. Maranan has a BS in Civil Engineering degree from the Luzonian Institute in Lucena, Quezon and pursued his Masters in Public Administration at the Lyceum of the Philippines. Prior to his stint at PPA, Mr. Maranan was a member of the Sangguniang Bayan of Sariaya, Quezon and member of the Sangguniang Panlalawigan of Quezon Province; President of East Orient Development Corporation and Materials Engineer at Quezon Provincial Engineer's Office. He rose from the ranks at PPA, holding various posts as field engineer, project engineer, chief internal control officer and acting manager of the Engineering Services Division of the PPA Port Management Office (PMO) of Batangas before being appointed as the youngest AGM for Engineering to date of PPA.

Apart from his numerous local training, Engineer Maranan attended various international training, seminars and site inspection related to port operations, port engineering and design, VTMS, and safety management in Japan, China, USA and Sweden.

Current achievement includes the formulation of PPA benchmarks in port planning, engineering and design that conforms to regional as well as international standards.



**MR. RAUL T. SANTOS, A/GM for Corporate Affairs & Special Projects and concurrent Port District Manager - Visayas**

Mr. Raul T. Santos completed his Bachelor of Arts in Philosophy from the Ateneo de Manila University and has trained in Port and Harbor Management at Antwerp Central State University in Belgium. His first stint in government service was at the Population Commission or POPCOM as Senior Management Audit Analyst. He began his career at PPA as Systems Implementation Specialist and rose to the position of Port Manager of Cagayan de Oro, Polloc, General Santos and Cebu before being appointed as of Port District Manager of Visayas. During his stint at PDO Visayas, Mr. Santos was seconded to the Cebu Ports Authority during its founding years as General Manager.

As concurrent A/GM for Corporate Affairs and Special Projects, he reports directly to the General Manager and is responsible for formulating policies related to PPA's overall operations and oversees the day-to-day affairs and operation of the departments (Strategic Planning Dept., Management & Information Services Dept., Internal Control Department and Legal Services Department under the Office of the General Manager.



**ATTY. DAVID R. SIMON, Corporate Board Secretary**

Atty. David R. Simon completed his Bachelor of Laws degree from the University of the Philippines and his Masters in Management from the Asian Institute of Management. Atty. Simon started his career in government service as Training Assistant and then as Administrative Officer at the UP Institute of Small-Scale Industry before moving to PPA as Chief Legal Officer of the Port of Manila. He rose to the post of Litigation and Research Attorney at the Regulatory and Research Division, became a member of the Corporate Planning Group and was designated as Head Executive Assistant to the General Manager. Prior to his current post as Corporate Board Secretary and concurrent Department Manager of Legal Services, Atty. Simon had been designated as Officer-in-Charge of the Marketing Department (now Commercial Services Dept.) and had been appointed as Manager of the Administrative Services Dept.

Atty. Simon has had extensive specialized local and overseas training on real property taxation, shipping and port development policy, port-related legislation, project development and port management information systems, among others.

Atty. Simon has to his credit a number of published reports in international publications, specifically at ESCAP, on port-related legislation and ports privatization.



**MR. LEOPOLDO F. BUNGUBUNG, Port District Manager- PDO Manila/Northern Luzon**

Mr. Leopoldo F. Bungubung obtained his AB Political Science degree from the University of the Philippines and attended various training in port management and operations in Japan, UK, Germany, Belgium, Rotterdam and France. Prior to serving at PPA, he had previous stint as Development Management Officer at the Development Management Staff of the Office of the President. Mr. Bungubung started his career at PPA as Port Operations Specialist and eventually rose to the position of Port Manager of Dumaguete, Iloilo and Cebu, before being appointed as Port District Manager of Luzon.

Mr. Bungubung has been awarded consecutively for three years as Best Port District Manager from 1997 to 1999. He has received commendations for his active involvement in the Pasig River Clean-up Operations and other port community-related undertakings.



**MR. HECTOR E. MIOLE, Port District Manager - Southern Luzon**

Mr. Hector E. Miole received his Certificate in Business Economics at the University of Asia and the Pacific and graduated with distinction for his Masters Degree in Port Management and Harbor Administration from the State University Center in Antwerp, Belgium. Mr. Miole served as Port Manager of Zamboanga, Surigao, Cagayan de Oro and General Santos and was designated as Superintendent of the Port Police Department until his appointment as Port District Manager of Luzon in 1995. He was also designated in a concurrent capacity as Corporate Board Secretary, Cagayan Economic Zone Authority (CEZA) from 1996 to 1997.

Mr. Miole has also attended and represented PPA in various international conferences and has extensive foreign training in port operations and management in Europe and Asia.



**MR. BIENVENIDO P. BASCO, Port District Manager - Northern Mindanao**

Mr. Bienvenido F. Basco received his BS Political Science Degree from the Ateneo de Manila University. He was Dean/Registrar at the Lyceum of Batangas and Port Manager of Philippine Phosphate Fertilizer Corporation prior to serving at PPA. He began his career at PPA as Port Management Specialist and quickly rose to the post of Port Manager of Davao in less than a year. He subsequently held the posts of Port Manager of Iloilo, Dumaguete, Cagayan de Oro and Zamboanga. He briefly held the post of Port District Manager of PDO Southern Luzon in a detailed capacity prior to serving as Port Manager of Zamboanga. Mr. Basco presently handles all Port Management Offices under the jurisdiction of PDO Northern Mindanao.



**MR. ABDUSSABOR A. SAWADJAAN, Port District Manager - Southern Mindanao**

Mr. Abdussabor A. Sawadjaan finished his Bachelor of Arts in Literature and Bachelor of Science in Education from the Notre Dame of Jolo College and pursued his Masters in Public Administration at the University of Sto. Tomas in Manila. Mr. Sawadjaan was Election Registrar and a secondary school teacher before moving to PPA. He started at PPA as a Ports Operations Officer and rose to the post of Port Manager of Zamboanga. His tour of duty as Port Manager included Surigao and Cagayan de Oro. He was appointed as Port District Manager of Northern Mindanao and was also given the opportunity to handle the PMOs under Southern Mindanao. Mr. Sawadjaan actively represented the Port District in shipping and maritime conferences for the BIMP-EAGA Region.

Mr. Sawadjaan had been actively involved in such civic organizations as the Rotary Club of Surigao where he was President from 1983 to 1984; Jaycee Senate, Cagayan de Oro Chapter where he was President from 1998 to 1999; and Filipinas Shrine Club of Cagayan de Oro Chapter where he was President from 1987 to 1989.

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