

# INFRASTRUCTURE AND AVIATION ADVOCACY PAPER 2022



## ABOUT ECCP

The **European Chamber of Commerce of the Philippines** (ECCP) is a service-oriented organization whose main goal is to foster close economic ties and business relations between the Philippines and Europe. The ECCP does this through offering a wide range of consultancy services and by fostering connections between companies, organizations, and individuals with existing or potential business ties to Europe and the Philippines. It is also at the forefront of pro-business, pro-growth advocacy in the Philippines, representing European business interests for increased market access and trade facilitation, at the highest level of Philippine political discussions.

The ECCP views itself as the stepping stone for Europeans into the Philippine market and for Filipinos into the European market.



# INFRASTRUCTURE AND AVIATION ADVOCACY PAPER 2022



**EUROPEAN CHAMBER OF COMMERCE OF THE PHILIPPINES**  
19th Floor, Philippine AXA Life Center Bldg.,  
Sen. Gil Puyat Ave. cor. Tindalo Street,  
Makati City, Metro Manila, Philippines, 1200

*Positions expressed in the advocacy papers are the result of the activities of the Sector Committees working under the ECCP.*

## EDITORIAL BOARD

Florian Gottein  
Sophia Mari Antoinette Ordoña  
Katrina Angelica Baligod  
Ma. Elena Tabbu  
Mazel Cathleen Salazar

Chienie Patricia Nethercott  
Aila Jenina Torres  
Angelita Bonsilao  
Sonja Cristi Leigh Duller

## ECCP COMMITTEE CHAIRS

COMMITTEE	COMMITTEE LEADERS
Agriculture	Ruth Novales Dr. Mary Ann Sayoc
Automotive	Willy Tee Ten Paulo Duarte
Aviation	Atty. Marvin Masangkay Lourdes Cariño Angeles
Customs	Atty. Mark Anthony Tamayo
Education	Bai Norma Shareef Dr. Luningning Misuarez Umar Dr. Amor Pentaliday
Environment and Water	Christine Ponce-Garcia
Food and Beverages	Helen Grace Baisa
Healthcare and Pharmaceuticals	Dr. Ma. Teresa Dioko
Human Capital	Atty. Eliseo Zuñiga
ICT-BPM-KPM	Erik Moller Nielsen Karl Bantiling
Infrastructure	Ram Maganti Reinier Dizon
Innovations	Amor Maclang David Almirol Abid Zaidi
Intellectual Property Rights	Atty. Divina Ilas-Panganiban
Open Finance and Financial Inclusion	John Januszczak Eng Teng Wong
Real Estate	Lylah Fronda-Ledonio Paula Queaño Mikko Barranda Ricardo Lagdameo

Renewable Energy and Energy Efficiency	Ruth Yu-Owen Ditmar Gorges
Sustainability	Ram Maganti
Tax and Financial Services	Atty. Kristine Anne Mercado-Tamayo Atty. Maria Concepcion Simundac
Transportation and Logistics	Michael Kurt Raeuber
Tourism	Dottie Wurgler-Cronin Gwendolyn Dela Cruz
Women in Business	Sheila Lobien Lourdes Angeles Jen Alava-Francisco Carmie De Leon
Young Professionals	Patricia Reposo Kenneth Kung

We would also like to acknowledge the support of our committee members.

## METHODOLOGY

The 2022 edition of the ECCP Advocacy Papers features issues and recommendations developed after extensive discussions among members of the ECCP sector committees, consultations and meetings with representatives from the Philippine Government, and other stakeholders. Information gathered from organizing events that cover relevant topics, participating in numerous hearings and committee meetings in both chambers of the Philippine Congress, as well as in private sector consultations held by several government agencies were also taken into consideration upon writing.

Further, the recommendations provided in each paper were primarily based on the discussions during the quarterly sector committee meetings. The ECCP Advocacy Team carefully examined each issue and advocacy recommendation in close collaboration with the sector committee leaders and members to make sure they were in line with European business interests and priorities. Once the Advocacy Team had finalized the first draft of each sector paper, it was then disseminated to the Committee members and other important stakeholders for consultation. This allowed for the collection of input that would later be used to create the final draft of the papers.

The assessment of the status of each recommendation included in 2021 Advocacy Papers were examined under the following criteria:

**Completed/Substantial Progress:** Recommended action has either been completed or there has been significant progress towards the realization of the recommendation.

**Some Progress:** Movement towards realizing the recommendation has been made, but substantial work still needs to be done to fully achieve and complete the proposed measure.

**No Progress/Retrogression:** Minimal progress or no movement towards attaining the recommended reforms were done, or the status of the issue has worsened and has evolved to an even bigger bottleneck for European businesses.



# MESSAGE FROM THE ECCP PRESIDENT

I am pleased to present the latest set of the European Chamber of Commerce of the Philippines' (ECCP) Advocacy Papers. This features an overview of the country's current business landscape and industry-specific challenges identified by the Chamber's sector committees. More importantly, the papers put forward constructive policy recommendations for strengthening European-Philippine economic relations and promoting sustainability.

We have witnessed uncertainties and concerns arising from the Russia-Ukraine crisis, inflationary pressures, and disruptions in the global supply chain, among others. Nevertheless, we have seen significant progress such as the easing of COVID-19 restrictions, increased mobility for businesses and consumers, as well as solid headways in boosting business confidence and the country's position as a competitive destination for trade and investments. We are optimistic that we will see positive outcomes from the passage of game-changing economic reforms such as the amendments to the Public Services Act, the Retail Trade Liberalization Act, and the Foreign Investment Act. These will undoubtedly usher in foreign direct investments and create more jobs for Filipinos. Furthermore, for the year 2022, multilateral agencies have expressed optimism for the Philippines with an estimated 6.0% and 6.5% growth rate by the World Bank and the Asian Development Bank, respectively.

The ECCP seeks to continue to maximize the opportunities brought about by these recent socioeconomic developments. This year's set of ECCP Advocacy Papers is our contribution to addressing some of the remaining challenges to realize the potential of the European-Philippine economic ties as well as advance sustainable development. Lastly, I would like to extend my sincerest thanks to our Committee leaders, member companies, and the ECCP team who supported the completion of this publication. The ECCP is committed to working with the European-Philippine stakeholders in navigating this new era of progress, possibilities, and partnerships.

**Mr. Lars Wittig**  
ECCP President



# WHERE ARE WE NOW?

## THE PHILIPPINES

The Philippines prides itself in its dynamic and robust economy, transforming into one of the region's top economic performers and attracting companies to invest and expand their operations. In the last decade, the country was able to sustain an average annual growth of 6.4% between 2010-2019 from an average of 4.5% between 2000-2009.<sup>1</sup> However, the onset of the unprecedented COVID-19 pandemic has resulted in a drastic decline of economic activity around the world. The Philippines has not been spared from the economic effects of the pandemic. The country's growth collapsed, with a negative growth rate of 9.6% in terms of Growth Domestic Product (GDP), in 2020 (Table 1). Among its neighboring countries in the Association of Southeast Asian Nations (ASEAN), the Philippines was ranked 10th in terms of Gross Domestic Product (GDP) growth rate (Table 1). Ranked last, the Philippines appears to be the Southeast Asian economy most affected by the pandemic in 2020.

**Table 1. ASEAN GDP Year-on-Year Growth Rates, 2020 and 2021 (% per year)**

Country	2020	2020 ranking	2021	2021 ranking
Brunei Darussalam	1.1	3rd	-1.5	9th
Cambodia	-3.1	6th	3	5th
Indonesia	-2.1	5th	3.7	3rd
Lao People's Dem. Rep.	-0.5	4th	2.3	7th
Malaysia	-5.6	8th	3.1	4th
Myanmar	3.3	1st	-18.4	10th
<b>Philippines</b>	<b>-9.6</b>	<b>10th</b>	<b>5.6</b>	<b>2nd</b>
Singapore	-5.4	7th	7.6	1st
Thailand	-6.1	9th	1.6	8th
Vietnam	2.9	2nd	2.6	6th

*Asian Development Bank. Asian Development Outlook 2022<sup>2</sup>*

Nonetheless, in 2021, the Philippines ranked second among the ASEAN countries in terms of growth rates. Growth was buoyed by robust private domestic demand, including a dramatic increase in investment in the second quarter of 2021 and a steady rise in household final consumption expenditure<sup>3</sup>.

Furthermore, for the year 2022, multilateral agencies have expressed optimism for the Philippines with an estimated 6.0% and 6.5% growth rate by the World Bank and the Asian Development Bank, respectively. A strong rebound in domestic demand with the easing of COVID-19 mobility restrictions in the country will support robust growth for the Philippine economy in 2022 amidst the Russia-Ukraine conflict, inflationary pressures and disruptions in global supply chains.

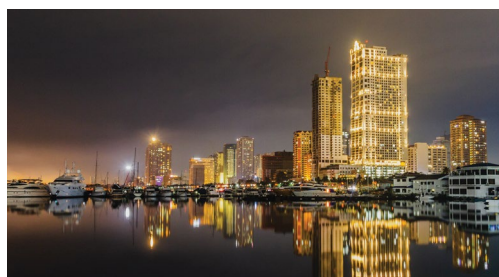
<sup>1</sup> World Bank. (07 April 2021). Philippines: Overview. Retrieved from <https://www.worldbank.org/en/country/philippines/overview>  
<sup>2</sup> Asian Development Bank (April 2022). Asian Development Outlook 2022. Retrieved from <https://data.adb.org/dataset/asian-development-outlook-ado-2022-statistical-appendix-tables>  
<sup>3</sup> World Bank (June 2022). Philippines economic update 2022 edition. Retrieved from <https://documents1.worldbank.org/curated/en/099325006072264961/pdf/P177408091735101c0b25405cf39f312c86.pdf>.

The growth projection for 2023 is at 5.8% and 6.3% by the World Bank and ADB, respectively. This is attributed to monetary policy tightening and accelerating inflation affecting domestic demand.

Additionally, the annual preliminary figures show that the country's employment rate rose from 89.7% in 2020 to 92.2% in 2021, with the services sector accounting for 58.1% share, followed by the agriculture sector with 22%, and the industry sector with 19.9%.<sup>4</sup> As of writing, the country's unemployment rate decreased to 5.2 percent in July 2022 from 7.2 percent in the same period last year.<sup>5</sup>

On the other hand, inflationary pressures have been widely felt. As of writing, inflation in the Philippines heated up to 6.9 percent in September 2022 from 6.3 percent in July, according to the Philippine Statistics Authority. This was mainly driven by faster rate of increases in prices of foodstuff as well as electricity and housing.<sup>6</sup>

In terms of the country's Foreign Direct Investments (FDI), the BSP officially recorded USD 10.518 billion net inflows for 2021. Majority of the equity capital placement came from Singapore (USD 526.69 million), Japan (USD 257 million), USA (USD 73.60 million), Germany (USD 29.20 million), and Hong Kong (USD 23.45 million).<sup>7</sup> In the same year, top European FDI sources include Germany (USD 32.94 million), United Kingdom (USD 15.77 million), Sweden (USD 6.24 million), France (USD 4.43 million) and Spain (USD 4.34 million). More recently, total FDI net inflows from January to June 2022 reached USD 4.64 billion, an increase of 3% over the same period last year. Specifically, the top source country is **Singapore** with USD 526.69), followed by **Japan** (USD 257), **USA** (USD 73.60), **Germany** (USD 29.20), and **Hong Kong** (USD 23.45).



The total external trade of the country in terms of goods was recorded at USD 192.532 billion in the year 2021, representing a growth of 24.2% compared to the USD 155.02 billion recorded during 2020, but most importantly an augmentation of 10 billion compared to the 2019, pre-pandemic data. Among the major trading partners are the People's Republic of China, Japan, and the USA<sup>8</sup>. The European Union (EU) followed as the fourth largest trading partner, accounting for 7.9% of the country's total trade in 2021<sup>9</sup>. Meanwhile, as for the Philippines' bilateral trade with the EU member countries, Germany ranked as the top trading partner, with a total of trade of USD 4.985 billion. Likewise, in 2020, Germany ranked as the highest trading partner with a total trade of USD 4.343 billion.<sup>10</sup>

Furthermore, in the 2022 World Competitiveness Ranking compiled by the Institute for Management Development (IMD), the Philippines ranked 48th out of 63 countries, climbing four spots from the previous ranking. Specifically, the report notes that the country moved up in two of the factors: Economic Performance rose 4 places to 53rd; Infrastructure climbed 2 spots to 57th. Meanwhile, the Philippines' ranking for government Efficiency slipped three more spots to 48th, and public finance fell six places to 51st.

Nevertheless, we have seen significant progress such as the easing of COVID-19 restrictions, increased mobility for businesses and consumers, as well as solid headways in boosting business confidence and the country's position as a competitive destination for trade and investments. We are optimistic that we will see positive outcomes from the passage of game-changing economic reforms such as the amendments to the Public Services Act, the Retail Trade Liberalization Act, and the Foreign Investment Act. These will undoubtedly usher in foreign direct investments and create more jobs for Filipinos.

	Jan-June 2022	Jan-June 2021	2021	2020
<b>Globally</b>	USD 4.64 billion (+3.07% year-on-year increase)	USD 4.50 billion	USD 12.41 billion	USD 6.82 billion
<b>Europe (both EU and non-EU states)</b>	USD 62.54 million (+53% year-on-year increase)	USD 40.87 million	USD 48.08 million	USD 326.47 million

4 Philippines Statistics Authority. Percent distribution of employed persons by major industry group July 2020 and July 2021. Retrieved from <https://psa.gov.ph/statistics/survey/labor-and-employment/labor-force-survey/tab1>  
5 National Economic and Development Authority (September 2022). Ph Records Lowest Unemployment Rate Since Covid-19 Onset—Neda. Retrieved from <https://neda.gov.ph/ph-records-lowest-unemployment-rate-since-covid-19-onset-neda/#:~:text=As%20reported%20by%20the%20Philippine,Labor%20Force%20Survey%20since%202005.>  
6 <https://psa.gov.ph/press-releases/id/168188>  
7 Bangko Sentral ng Pilipinas. Net foreign direct investment flows (BPM6), by country. Retrieved from [https://www.bsp.gov.ph/Statistics/External/tab10\\_fdc.aspx](https://www.bsp.gov.ph/Statistics/External/tab10_fdc.aspx).  
8

8 Philippines Statistics Authority. Highlights of the 2021 annual final international merchandise trade statistics of the Philippines. Retrieved from <https://psa.gov.ph/content/highlights-2021-annual-final-international-merchandise-trade-statistics-philippines>, table 1 and 5.  
9 European commission. Countries and Regions: The Philippines. Retrieved from [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/philippines\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/philippines_en).  
10 Department of Trade and Industry of the Philippines. Philippines merchandise total trade, historical trend. Retrieved from <http://www.tradelinephilippines.dti.gov.ph:8080/total-trade>.  
INFRASTRUCTURE AND AVIATION

# INFRASTRUCTURE AND AVIATION ADVOCACY PAPER 2022

## INTRODUCTION

Infrastructure is one of the critical components of a growing state. Thus, the increase in infrastructure signifies not only economic stability but also serves as an opportunity for job and market expansion. Current global data, according to the World Bank, states that 840 million people live more than 2 kilometers from all-weather roads, 1 billion people lack electricity, and 4 billion people lack Internet access.<sup>1</sup> Although governments and international organizations have enhanced efforts and measures to address the aforementioned issues through infrastructure developments, other external factors such as the COVID pandemic have adversely affected the result and implementation.

In the Philippines, it has been identified by the Asian Development Bank that among the barriers to the Philippine economy and its infrastructure is the private investment, inadequate infrastructure, a weak investment climate, and restrictions on foreign direct investment.<sup>2</sup> Therefore, the Build, Build, Build (BBB) Program of Duterte's Administration, otherwise known as the "Golden Age of Infrastructure," has aimed to accelerate public infrastructure development in the country.

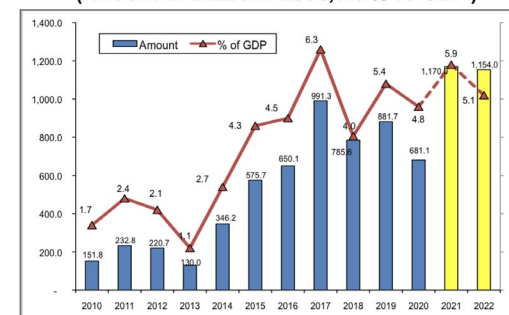
The BBB Program of the previous administration focused on six key sectors of the Philippine economy with a total of 112 BBB projects, with Transport and Mobility as the highest priority and allocation of budget.<sup>3</sup>

### Summary of IFPs by Sector

Sector	Project Count	Project Cost (in PHP billion)
Transport and Mobility	76	4,273.37
Urban Development	12	156.38
Water Resources	10	84.89
ICT	8	106.03
Health	4	46.44
Power and Energy	2	20.05
Total	112	4,687.16

Table 1: Summary of Infrastructure Flagships Projects by Sector  
Source: National Economic and Development Authority of the Philippines<sup>4</sup>

FIGURE 1  
PUBLIC INFRASTRUCTURE SPENDING 2010-2022  
(AMOUNT IN BILLION PESOS, AS % TO GDP)



Note: Actual spending in 2010 to 2020; programmed infrastructure spending in 2021 and 2022.  
Source: Department of Budget and Management (DBM)

1 World Bank. (N.D). Infrastructure. Retrieved from: <https://www.worldbank.org/en/topic/infrastructure/overview#1>

2 Asian Development Bank. (2019). Improving Public Infrastructure in the Philippines. 161 - 162. Retrieved from: <https://www.adb.org/sites/default/files/publication/525971/adr-vol36no2-6-public-infrastructure-philippines.pdf>

3 National Economic and Development Authority. (2019). Infrastructure Flagship Project. Retrieved from: <https://neda.gov.ph/infrastructure-flagship-projects/>

4 Ibid.



However, the list was updated in June 2021 to include 119 projects.<sup>5</sup> Meanwhile, according to the Congress Policy and Budget Research Development, it is expected that by 2021 and 2022, the Philippine government's public infrastructure spending will equate to P1.17 trillion (5.9 percent of GDP) and P1.15 trillion (5.1 percent of GDP), respectively (Figure 1).<sup>6</sup> However, the actual data for 2021 presented that the Philippine economy grew by 5.6%, while the infrastructure spending increased to 895.1 billion.<sup>7</sup> Withal, the earmark for the national budget for 2022 was PHP 5.024 trillion, with a projection for the Philippine economy to grow by 7-9%.<sup>8</sup>

Under the transport and mobility sector, the aviation industry, which has been drastically affected by the pandemic, is a crucial priority of the BBB Project and other government project initiatives. The abrupt halt in demand for travel and tourism-related activities resulted in significant income losses and an increase in unemployment across industries. With the increasing number of vaccinated individuals worldwide and the easing of travel restrictions, the path toward recovery for the industry has become promising.

In 2021, global tourism increased by 4% over the previous year (415 million versus 400 million), according to the preliminary World Tourism Organization (UNWTO) figures. However, foreign tourist arrivals (overnight visitors) were still 71% lower than in the pre-pandemic year of 2019. Meanwhile, international tourism recovered robustly from the COVID-19 crisis in January-March 2022. Destinations welcomed about three times as many foreign tourist arrivals as they did in the same period in 2021, with Europe leading the resurgence.<sup>9</sup>



Source: UNWTO

Source: World Tourism Organization

\* Provisional data

In the Philippines, tourism relies on air transport for 98% of international tourist arrivals. Domestic aviation connectivity is also critical for local communities to prosper from multi-destination trips of domestic and international tourists around the archipelago.<sup>10</sup> Against this backdrop, the number of domestic and

5 CNN Philippines. (2021). How does infrastructure change during a pandemic?. Retrieved from: <https://www.cnnphilippines.com/life/culture/infrastructure/2021/9/8/infrastructure-pandemic.html>

6 Congress Policy and Budget Research Development. (May 2021). Public Infrastructure Expenditure. Retrieved from: [https://cpbrd.congress.gov.ph/images/PDF%20Attachments/Facts%20in%20Figures/FF2021-30\\_Pub\\_Infra\\_Expenditure.pdf](https://cpbrd.congress.gov.ph/images/PDF%20Attachments/Facts%20in%20Figures/FF2021-30_Pub_Infra_Expenditure.pdf)

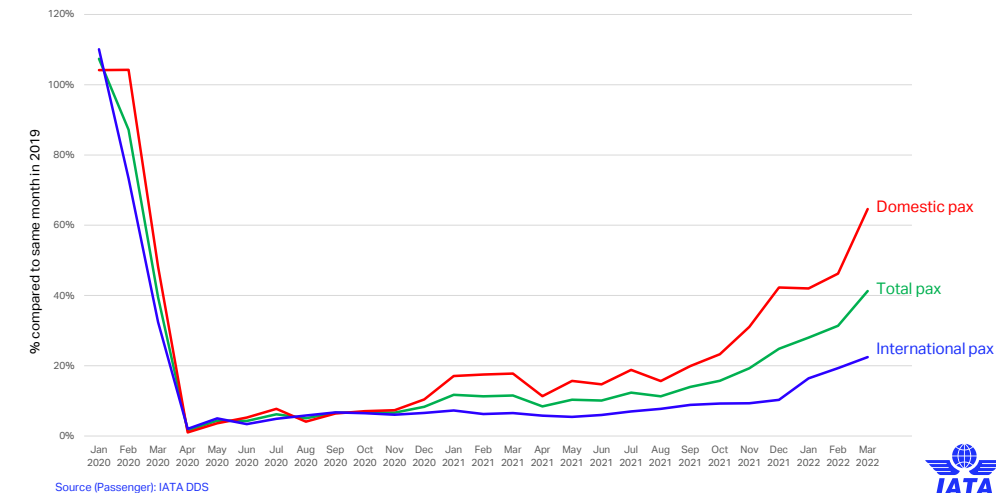
7 Business World. (2022). State's 2021 infrastructure spending hits P895B. Retrieved from: <https://www.bworldonline.com/top-stories/2022/03/28/438442/states-2021-infrastructure-spending-hits-p895b/>

8 Department of Budget and Management. (2021). Recovery, Growth, and Sustainability Highlighted in the Signed FY 2022 National Budget. Retrieved from: <https://www.dbm.gov.ph/index.php/secretary-s-corner/press-releases/list-of-press-releases/2036-recovery-growth-and-sustainability-highlighted-in-the-signed-fy-2022-national-budget>

9 World Tourism Organization. (2022). UNWTO World Tourism Barometer: May 2022. Retrieved from [https://webunwto.s3.eu-west-1.amazonaws.com/s3fs-public/2022-06/UNWTO\\_Barom22\\_02\\_May\\_excerpt.pdf?VersionId=5c909abJcIFcYUyL\\_4zmzIL3YBzI7A](https://webunwto.s3.eu-west-1.amazonaws.com/s3fs-public/2022-06/UNWTO_Barom22_02_May_excerpt.pdf?VersionId=5c909abJcIFcYUyL_4zmzIL3YBzI7A)

10 Safe Travel Alliance. Presentation on 'Revenge Tourism' and Philippine Airports at the Joint Foreign Chambers Philippine Airport Webinar Series Webinar.

international travelers in the Philippines has increased since mid-2021, although still below pre-pandemic levels. There is a steep rise in the figures starting February 2022, following the approval of the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF-MEID) to the proposal of the Department of Tourism (DOT) to open our borders to fully-vaccinated foreign travelers from visa-free countries without any quarantine or post-arrival testing requirement starting 10 February.<sup>11</sup> This serves as one of the developments that significantly contributed to the travel restart in the Philippines.



Source (Passenger): IATA DDS



Source: International Air Transport Association

Based on the data of the DOT, the country recorded 814,144 inbound tourist arrivals from February 10 to June 30 of this year, with 489,900 foreign tourists and 324,244 Filipinos arriving. The United States was the top source of arrivals during this period with 161,863, followed by South Korea with 57,549 arrivals, and Australia with 34,899.<sup>12</sup>

RANK	BY NATIONALITY	Total	Total	Total	Total	Total	Total	% Share
		Feb. 10-28, 2022	Mar. 1-31, 2022	Apr. 1-30, 2022	May 1-31, 2022	Jun. 1-30, 2022	Feb. 10-Jun. 30, 2022	
	<b>GRAND TOTAL</b>	47,715	117,150	188,574	206,393	254,312	814,144	100.00%
	<b>TOTAL FILIPINO (BALIKBAYAN)</b>	21,409	47,511	73,059	81,459	100,806	324,244	39.83%
	<b>TOTAL FOREIGN TOURIST</b>	26,306	69,639	115,515	124,934	153,506	489,900	60.17%
1	AMERICAN	10,176	26,045	36,188	40,657	48,797	161,863	19.88%
2	SOUTH KOREAN	1,779	4,829	10,206	15,624	25,111	57,549	7.07%
3	AUSTRALIAN	1,587	4,432	9,937	8,869	10,074	34,899	4.29%
4	CANADIAN	2,469	5,343	8,851	9,200	7,702	33,565	4.12%
5	BRITISH	1,952	5,426	7,491	7,202	7,205	29,276	3.60%
6	JAPANESE	824	2,310	5,838	5,203	6,775	20,950	2.57%
7	VIETNAMESE	1,193	2,899	3,457	3,046	3,118	13,703	1.68%
8	SINGAPOREAN	291	1,354	2,758	3,640	4,682	12,725	1.56%
9	GERMAN	870	2,404	3,066	2,686	2,548	11,574	1.42%
10	MALAYSIAN	487	1,142	2,243	2,693	3,597	10,162	1.25%

Source: Department of Tourism

On a similar note, the Philippines ranked 75th out of 117 economies in the 2021 World Economic Forum's (WEF) Travel & Tourism Development Index (TTDI). With an overall TTDI score of 3.73 (out of 7), the country is behind its neighbors in East and Southeast Asia, trailing only Cambodia (79th overall), Mongolia (84th), and Laos (93rd).<sup>13</sup> Still, the increased contribution of the tourism industry to the

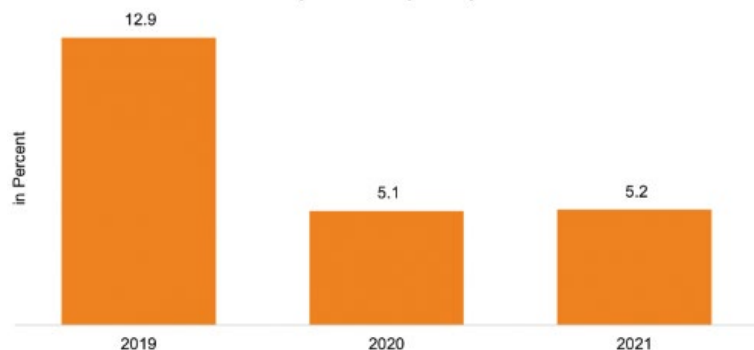
11 Department of Tourism. (2022). DOT: PH to accept fully-vaxxed tourists from visa-free countries starting Feb. 10. Retrieved from [https://beta.tourism.gov.ph/news\\_and\\_updates/dot-ph-to-accept-fully-vaxxed-tourists-from-visa-free-countries-starting-feb-10/](https://beta.tourism.gov.ph/news_and_updates/dot-ph-to-accept-fully-vaxxed-tourists-from-visa-free-countries-starting-feb-10/)

12 Department of Tourism. (2022). February 10 to June 30, 2022 Actual Tourist Arrivals. Retrieved from <http://www.tourism.gov.ph/files/07-2022/07-21-2022/Foreign%20Tourist%20Arrivals%20February%20-%20June%202022.pdf>

13 Desiderio, L. (2022, May 25). Philippines ranks 75th in Travel and Tourism Index. Retrieved from <https://www.philstar.com/>

Philippine economy in 2021 helped the country rank as the world's fourth fastest-growing economy last year, as reported by the World Travel and Tourism Council.<sup>14</sup> According to the Philippine Statistics Authority, the contribution of Tourism Direct Gross Value Added (TDGVA) to the Philippine economy in the same year, measured by the Gross Domestic Product (GDP), is estimated at 5.2%, slightly higher than the share in 2020. This amounted to PHP 1 trillion TDGVA compared to PHP 917.2 billion in 2020.<sup>15</sup>

**Figure 1. Percent Share of Tourism to GDP 2019-2021 (at current prices)**



Source: Philippine Statistics Authority

In relation to this, Safe Travel Alliance stated that domestic tourism is leading the rebound in the industry, with a 26% rise in domestic travelers from 2020 to 2021.<sup>16</sup> Aside from the continued vaccination deployment and easing of border restrictions, restoration of connectivity primarily air transport is the main enabling factor for this revamp. Another contributory aspect is the prevalence of the revenge tourism phenomenon or the “rush to end isolation brought by the pandemic by traveling for sanity” that is one of the impacts of COVID-19 on travel behavior.<sup>17</sup>

On the outlook of domestic and international travel, the DOT estimates that the country's domestic travel sector will recover by 2022 when demand returns to 90% of what it was in 2019 and by 2024 at the latest. Travel receipts are also expected to rebound rapidly by 2022, surpassing their level in 2021. In terms of the arrival of foreign travelers, the DOT estimates that international visitors will reach between 2 million and 5 million in 2022. The prognosis of the Bureau of Immigration also reports an increase in passenger arrivals of 10,000 to 15,000 per day in the coming months.<sup>18</sup>

headlines/2022/05/25/2183577/philippines-ranks-75th-travel-and-tourism-index

14 Adel, R. (2022, April 21). Tourism sector contributed to Philippines' 4th fastest growing economy rank in 2021 -report. Retrieved from <https://www.philstar.com/business/2022/04/21/2175615/tourism-sector-contributed-philippines-4th-fastest-growing-economy-rank-2021-report>

15 Philippine Statistics Authority. (2022). Philippine Tourism Satellite Accounts (PTSA) 2021. Retrieved from [https://psa.gov.ph/system/files/3-PTSA-Publication\\_ao13June2022\\_ONS-signed.pdf](https://psa.gov.ph/system/files/3-PTSA-Publication_ao13June2022_ONS-signed.pdf)

16 Safe Travel Alliance. Presentation on 'Revenge Tourism' and Philippine Airports at the Joint Foreign Chambers Philippine Airport Webinar Series Webinar.

17 Safe Travel Alliance. Presentation on 'Revenge Tourism' and Philippine Airports at the Joint Foreign Chambers Philippine Airport Webinar Series Webinar.

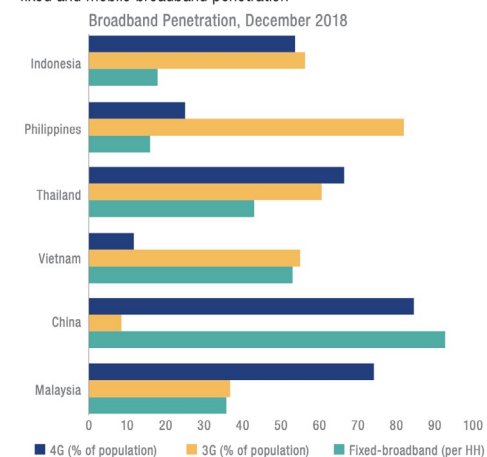
18 Caynila, K. A., Luna, K. T., & Milla, S. A. (2022). The Philippines Tourism Sector Amid The Pandemic: Developments and Prospects. Bangko Sentral ng Pilipinas. Retrieved from [https://www.bsp.gov.ph/Media\\_And\\_Research/Publications/EN22-02.pdf](https://www.bsp.gov.ph/Media_And_Research/Publications/EN22-02.pdf)

ICT Indicator	2019 (%)	2017 (%)	Percentage-Point Difference
<b>Proportion of Establishments:</b>			
That Owned and Used Computers and Communication Equipment	99.8	99.6	0.2
With Internet	97.6	97.9	-0.3
With Website	40.7	43.7	-3.0
With E-Commerce via the Internet	23.1	22.2	0.9
With Business Transaction via Cellular Mobile Phone	41.2	26.8	14.4
With Social Media Account	51.3	39.9	11.4
<b>Proportion of Employees:</b>			
Using Computer Routinely at Work	65.5	63.8	1.7
Using Computer Routinely at Work with Internet Connection/Access	59.9	57.2	2.7

Source: Philippine Statistics Authority, 2017 SICT (Final Results) and 2019 SICT (Preliminary Results)

In the past two years of the pandemic, the shift in global demand for Information & Communication Technology has been evident. However, the decline in services and goods was the opposite of the increase in the Information and Communication Technology (ICT) sector. In a survey published by the Philippine Statistics Authority in 2022, it was reported that there was an overall increase in the demand and use of computers and communication equipment by non-core ICT industries from 2017 to 2019.<sup>19</sup>

**Figure I. The Philippines lags most regional peers in high-speed fixed and mobile broadband penetration**



Source: Data from Telegeography and GSMA (2019)

Nonetheless, despite the accelerated rate in the ICT sector, the World Bank stated that the Philippines' digitalization is primarily constrained by the country's low high-speed broadband penetration, which lags behind neighboring middle-income countries.<sup>20</sup>

The Philippine government agencies, such as the Department of Science and Technology, have imposed several measures and efforts to increase the ICT by formulating a strategic roadmap and sectoral plan for artificial intelligence and Information & communication technology.

19 Philippine Statistic Authority. (2022). 2019 Survey on Information and Communication Technology (SICT) - For Information Economy (Core ICT Industries): Preliminary Results. Retrieved from: <https://psa.gov.ph/surveys/sict>

20 World Bank. (2020). Philippines Digital Economy Report 2020: A better Normal Under Covid-19-Digitalizing the Philippine Economy: Retrieved from: <https://openknowledge.worldbank.org/handle/10986/34606>



# RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- On 16 June 2022, the Duterte administration called for the revival of the mining industry. A joint report published by NEDA, DENR, DOF, and the Development Academy of the Philippines said their analysis done as part of the initial review showed that mining and quarrying “contributed significantly to the regional gross domestic product (GDP) in regions where there are mining operations.”<sup>21</sup>
- District Rep. Joey Sarte Salceda, chair of the House Ways and Means Committee, proposes P2.25-trillion ‘Build, Build More’ (BBM) infra program. The BBM Program’s social and economic infrastructure aims to end poverty, create a stronger middle class, and accelerate sustainable and equitable economic growth.<sup>22</sup>
- On 23 June 2022, the Philippines withdrew from the Extractive Industries Transparency Initiative (EITI). This mechanism ensures the government discloses essential information about extractive industry operations and earnings and engages with environmental activists and communities.<sup>23</sup>
- In July 2022, Secretary Bonoan stated that the Department of Public Works and Highways would continue the BBB Program of the previous administration by prioritizing infrastructure that would aid in the food security program of the government amid the rising inflation.<sup>24</sup>
- The Department of Public Works and Highway reported that 12 out of 119 infrastructure flagship projects (IFP) were completed as of April 2022, totaling P70.65 billion or 1.4% of the P5.08 trillion total cost of investments to complete the 119 IFPs.<sup>25</sup>
- In March 2022, the Ninoy Aquino International Airport (NAIA) increased the maximum international inbound passenger capacity to 10,000 per day from only 1,500 per day in 2021. Since the shift to the least restrictive Alert Level 1 last March 1, all public transit, including air, has been permitted to run at full capacity.<sup>26</sup>
- On aviation infrastructure development, the Department of Transportation (DOTr) completed 246 airport projects from 2016 to 2022 under the Duterte administration. The projects, done through the DOTr and the Civil Aviation Authority of the Philippines (CAAP), include the Mactan-Cebu International Airport (MCIA), Bohol-Panglao International Airport (BPIA), New Clark International Airport (CIA), and the Bicol International Airport (BIA).<sup>27</sup>

## On legislation:

- On 1 June 2022, the Senate and the House of Representatives ratified the bicameral conference committee report on the disagreeing provisions of Senate Bill No. 1077 and House Bill No. 9030, creating the Philippine Transportation Safety Board (PTSB). The

proposed PTSB bill seeks the creation of a non-regulatory and independent agency attached to the Office of the President to be the primary agency responsible for the conduct of impartial investigation of transportation-related accidents and incidents.<sup>28</sup> However, the measure was vetoed last 30 July by President Ferdinand ‘Bong Bong’ Marcos, Jr. as it “is likely to create functional duplication, confusion as to authority, ineffectiveness, and deficiency in the performance of the responsibilities.”<sup>29,30</sup> The ECCP, together with the Joint Foreign Chambers of the Philippines (JFC), Safe Travel Alliance, and IATA, issued a public statement expressing their disappointment over the veto and committing to ensure its refiling in the next Congress.

- In the 18th Congress, Senate Bill No. (SBN) 1490 and House Bill No. (HBN) 7976 aims to establish the Philippine Airports Authority, which shall be an independent agency focused on the development of Philippine airports and provide a unified approach to the operations and maintenance of domestic and international airports. All operational responsibilities and duties of the Civil Aviation Authority of the Philippines would be transferred to the Philippine Airports Authority under the proposed measures.<sup>31</sup> SBN-1490, filed by Senator Grace Poe, has been pending in committee since 5 May 2020. Meanwhile, HBN-7976, filed by Representative Eric Olivarez, has been approved at the committee level.<sup>32</sup>
- On 15 February 2020, Rep. Edgar Sarmiento filed HBN-8700, which seeks to amend Republic Act 9497, otherwise known as Civil Aviation Authority Act of 2008, to resolve the deficiencies in the supervision and management of the Philippine civil aviation industry and to strengthen CAAP as an agency. The significant amendments in the bill include increasing the term of the director general to 7 years, exemption of CAAP from the salary standardization law, and enhanced fiscal autonomy.<sup>33</sup> Its Senate counterpart SBN-2313, filed by Sen. Sonny Angara, has been pending in the Committee on Public Services since July 2021.<sup>34</sup>

In response to the urgent call to provide better internet connectivity in the country, several policies have also been made and implemented. As of June 2022, the country’s mobile speed averaged at 21.41 Mbps, ranking 88 out of 139 countries. In terms of fixed broadband, the country ranked 63rd with an average download speed of 68.94 Mbps.<sup>35</sup> Needless to say, significant strides need to be made in order to bridge the current digital infrastructure gap in the country. Among the policies and efforts over the past year are as follows:

- Signed into law in March 2022, **Republic Act No. 11659**<sup>36</sup> amends the **Public Service Act (PSA)** otherwise known as Commonwealth Act No. 146. The amendment to the PSA clarified the definition of the term ‘public utility’<sup>37</sup> from public service, and relaxed foreign ownership restrictions which formerly limited ownership to only up to 40%. Under the new law,

21 Inquirer. (2022). Duterte team calls for the revival of mining industry. Retrieved from: <https://business.inquirer.net/350520/duterte-team-calls-for-revival-of-mining-industry>

22 Manila Times. (2022). Salceda proposes P2.25 - trillion “Build, Build More” Infrastructure. Retrieved from: <https://manilastandard.net/business/314245210/salceda-proposes-p2-25-trillion-build-build-more-infra-program.html>

23 Rappler. (2022). PH leaves mining transparency initiatives after group cites shrinking civic space. Retrieved from: <https://www.rappler.com/nation/duterte-administration-withdraws-from-mining-transparency-initiative-june-2022/>

24 Philippine News Agency. (2022).DPWH vows continuity of vital “Build, Build, Build” Projects. Retrieved from: <https://www.pna.gov.ph/articles/1178479>

25 GMA News Online. (2022). DPWH: 12 out of 119 Build, Build, Build Projects completed. Retrieved from: <https://www.gmanetwork.com/news/money/economy/829909/dpwh-12-out-of-119-build-build-build-projects-completed/story/>

26 Dela Cruz, R. C. (2022, March 3). NAIA to double passenger cap, airplanes at 100% capacity: DOTr. Retrieved from <https://www.pna.gov.ph/articles/1168962>

27 Abadilla, E. V. (2022, May 2). DOTr completes 246 airport projects. Retrieved from <https://mb.com.ph/2022/05/02/dotr-completes-246-airport-projects/>

28 Senate of the Philippines. (2022). Senate Bill No. 1077 - National Transportation Safety Board Act. Retrieved from [http://legacy.senate.gov.ph/lis/bill\\_res.aspx?congress=18&q=SBN-1077](http://legacy.senate.gov.ph/lis/bill_res.aspx?congress=18&q=SBN-1077)

29 Antonio, R. (2022, July 30). Marcos vetoes bills on tax exemption for poll workers’ allowances, creation of transportation safety board. Retrieved from <https://mb.com.ph/2022/07/30/marcos-vetoes-bills-on-tax-exemption-for-poll-workers-allowances-creation-of-transportation-safety-board/?amp>

30 A copy of the veto Message of the President for House Bill No. 9030/Senate Bill No. 1077 can be viewed at <https://drive.google.com/file/d/18ambOVttcBHZFEEyFIRnai-xbeTiqRhB/view?usp=sharing>

31 Senate of the Philippines. (2022). Senate Bill No. 1490 - Philippine Airports Authority Act. Retrieved from <http://legacy.senate.gov.ph/lisdata/3268029549!.pdf>

32 Arangkada Philippines. (2022). Policy Tracker. Retrieved from <https://docs.google.com/viewerng/viewer?url=http://www.investphilippines.info/arangkada/wp-content/uploads/2022/06/Legislative-Priorities-May-2022-.pdf>

33 House of Representatives. (2022). House Bill No. 8700 - An Act Strengthening The Civil Aviation Authority of The Philippines, Amending For The Purpose Republic Act 9497, Otherwise Known Civil Aviation Authority Act of 2008. Retrieved from [https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic\\_18/HB08700.pdf](https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_18/HB08700.pdf)

34 Arangkada Philippines. (2022). Policy Tracker. Retrieved from <https://docs.google.com/viewerng/viewer?url=http://www.investphilippines.info/arangkada/wp-content/uploads/2022/06/Legislative-Priorities-May-2022-.pdf>

35 Speedtest. (2022). Speedtest Global Index: Global Median Speeds June 2022. Retrieved from <https://www.speedtest.net/global-index>

36 The Official Gazette. (March 2021). Republic Act No. 11659. Retrieved from <https://www.officialgazette.gov.ph/downloads/2022/03mar/20220321-RA-11659.pdf>

37 Under the amendment, public utility refers to a public service that operates, manages or controls for public use any of the following: distribution of electricity; transmission of electricity; petroleum and petroleum products pipeline transmission systems; water pipeline distribution systems and wastewater pipeline systems, including sewerage pipeline systems; seaports; and public utility vehicles.

telecommunications is one of the key sectors that are no longer subject to the foreign equity cap provided under the Constitution.

- As of 01 October 2021, through the Free Internet Access in Public Places Act of 2017, **11,203 free Wi-Fi sites have been installed and activated throughout the country**. This was after having boosted its rollout rate from about 800 sites a year from 2016 to 2019 to a total of 4,305 sites in 2020 alone.<sup>38</sup>

#### On legislation under the 18th Congress:

- The **Open Access in Data Transmission Act**, filed as **House Bill (HB) No. 8910**<sup>39</sup>, aims to promote fair and open competition in the telecommunications sector by lowering barriers and cost to entry. The bill has been approved on third reading and has been transmitted to the Senate in July 2021.
- At the upper house level, **Senate Bill No. 1831**<sup>40</sup> or the **Better Internet Act**, requires internet service providers to increase service coverage and deliver a minimum standard for internet connection speed within three (3) years from the effective date of Act and according to the schedule and strategy to be set forth by the Department of Information and Communications Technology (DICT) in the National ICT Household Plan.
- The proposed **Satellite-Based Technologies Promotion Act** or **HB No. 9070**<sup>41</sup> seeks to deregulate access to satellite-based services and technologies to make it more accessible and inclusive. The bill promotes the expansion of satellite-based networks, particularly in underserved and unserved areas, by allowing internet service and value-added services providers to own and operate their own network using satellite technology without the need of a franchise and a provisional authority of Certificate of Public Convenience and Necessity (CPCN) from the National Telecommunications Commission (NTC).

## ADVOCACY RECOMMENDATIONS

The ECCP Aviation and Infrastructure Committees seek to provide a platform for its member to share ideas, updates, and best practices to discuss industry-wide concerns, issues, and challenges in the concerned industry sector.

### ECCP INFRASTRUCTURE ADVOCACY RECOMMENDATIONS

#### Presentation on the priority projects under the BBB Programs

The BBB Projects of the Duterte Administration, aims to usher in the Golden Age of Infrastructure in the country. In the course of the tenure of the previous administration, the BBB Projects earmarked numerous advantages for the Philippine economy. However, the infrastructure spending of the government increased two folds, several reforms, such as Department Order 65, otherwise known as ROW, created a Right of Way Tasks in which we decentralized the ROW acquisition functions

<sup>38</sup> Philippine News Agency. (31 December 2021). Giant leap in ICT infra makes people more connected in 2021. Retrieved from <https://www.pna.gov.ph/articles/1164219>

<sup>39</sup> House of Representatives. (July 2021). House Bill No. 8910 Third Reading Copy. Retrieved from [https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third\\_18/HBT8910.pdf](https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third_18/HBT8910.pdf)

<sup>40</sup> Senate of the Philippines. (September 2020). Senate Bill No. 1831. Retrieved from <http://legacy.senate.gov.ph/lisdata/33520303471.pdf>

<sup>41</sup> House of Representatives. (June 2021). House Bill No. 9070 Third Reading Copy. Retrieved from [https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third\\_18/HBT9070.pdf](https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third_18/HBT9070.pdf)

and delegated the duties and responsibilities to various implementing units. Another institutional reform, DO No. 127, in relation to DO 9184 that deals with the conduct of post-qualification of bidders with ongoing delayed contracts with the DPWH. Withal, the ECCP and its Infrastructure Advocacy Committee urge the Philippine government to present its project priorities on the mass transportation system and infrastructure, such as the improvement of bus way system and airport improvement.

The ECCP supports and recognizes the government's initiative in promoting and implementing Infrastructure projects. In relation to this, the ECCP recommends that the new administration present key priority projects under the BBB Programs.

#### Prioritize solicited bids over unsolicited bids

Infrastructure development signifies a country's economic development and serves as an avenue to foster long-term partnerships with other multi-stakeholders. In the Philippines, the Build-Operate-Transfer Law is infrastructure and development projects financed and operated by the public sector but will be wholly or partly implemented by the private sector. In relation to This, most of the BBB Projects are funded through public-private partnerships (Unsolicited), Supplemental Toll Operation Agreement/Public-Private Partnership, Official Development Assistance/Public-Private Partnership, and General Appropriations Act/Public-Private Partnership. With this, the ECCP urges the government to strengthen the public-private partnership in various areas of infrastructure. In addition, the ECCP calls the administration to discourage the practice of unsolicited bids and negotiated contracts except for infrequent cases and strengthens the institutional capacity within existing agencies.

#### Reconsider Mineral Reservations and imposition of mineral reserve status

The Philippines is known as a country that is rich in natural resources. Hence, as part of the country's economic recovery after the pandemic, the Duterte Administration lifted the nine-year ban moratorium on granting new mining permits in the Philippines by amending Executive Order 130.<sup>42</sup> The EO 130 is a framework that aims to guide the government and stakeholders in the implementation and operation of mining in the Philippines. Furthermore, in August 2022, the House of Representative Committee passed the mining tax bill, which aims to propose a royalty tax of 5 percent on the market value of the gross output of large-scale mining operations.<sup>43</sup> In line with this, the ECCP respectfully requests the concerned government agencies to reconsider its proposal to establish mineral reservations. Should the classifications as Mineral Reservation Areas be pursued, these may directly equate to additional costs which may adversely affect government infrastructure projects. Additionally, the imposition of mineral reserve status on existing mining tenements may be inflationary.

#### Level the playing field in the construction industry for fully foreign-owned and local contractors alike

##### **Amend Rule 3.1 of the IRR of R.A. 4566 to allow foreign contractors to be issued regular licenses under the same conditions as those posed to domestic players**

Licensing of contractors in the Philippines, both foreign and local, is governed by Republic Act No. 4566, as amended by Presidential Decree No. 1846, "An Act Creating The Philippine Licensing Board For Contractors, Prescribing Its Powers, Duties, And Functions, Providing Funds Therefor, And For Other Purposes," otherwise known as the "Contractors' License Law." The Contractors' License Law provides that the Philippine Construction Accreditation Board ("PCAB") has the authority to issue,

<sup>42</sup> Official Gazette. (2021). Executive Order No. 130, s. 2021. Retrieved from: <https://www.officialgazette.gov.ph/2021/04/14/executive-order-no-130-s-2021/>

<sup>43</sup> Philippine News Agency. (24 August 2022). House Committee approves new tax regime for mining. Retrieved from: <https://www.pna.gov.ph/articles/1182107>

suspend and revoke the licenses of contractors.<sup>44</sup>

However, Rule 3.1 of the Implementing Rules and Regulations (IRR) of R.A. 4566 distinguishes between two types of licenses: regular and special. A regular license is issued to a domestic construction firm or a corporation with at least 60% Filipino equity. A special license may be issued to a joint venture, a consortium, a foreign contractor, or a project owner, provided the licensee will engage only in the construction of a single, specific project/undertaking. This distinction is not found in the law.

To demonstrate openness to foreign players, the PCAB issued Board Resolution No. 333, s. 2013 "Creating A Quadruple A Or "AAAA" Category Under the PCAB Regular License for Contractors with a Net Worth of At Least 1 Billion Pesos, and Allowing Foreign Contractors to be Licensed Under the said Category."<sup>45</sup> This allows foreign contractors to work on multiple construction projects provided they meet the minimum Net Worth of 1 Billion Pesos requirement to qualify for an AAAA license. This minimum investment amount is quite high, especially compared to the minimum stockholders' equity of only 180 Million Pesos for the AAA regular license category.

This discrimination between foreign and domestic contractors in the licensing process lacks a legal basis. R.A. 4566 does not provide for any nationality criteria but only for minimum requirements related to the technical capacity of the contractor. Additionally, Article 48 of the Omnibus Investments Code, as cited in the PCAB IRR, has since been amended and can no longer be used as the basis for Rule 3.1. The Department of Justice opined in 2011<sup>46</sup> that no law prescribes the restrictions made to the regular licensing of foreign contractors as stipulated in the IRR of R.A. 4566.

The licensing restrictions for foreign contractors are not conducive to fair market competition. According to the Philippine Competition Commission, foreign firms would have to pay twelve times more in application fees compared to local ones.<sup>47</sup> Such a nationality distinction limits the ability of foreign contractors to enter the market and compete with domestic competitors based on a level playing field. Foreign contractors do not just feel the repercussions; rather, they have detrimental effects on much-needed infrastructure development and the wider Philippine economy.

The lifting of the restrictions on foreign contractors and promoting fair competition will only bring positive economic benefits. Furthermore, the Philippine Competition Commission estimates an additional PHP 210 billion worth of private construction activities, particularly in the residential, condominiums, commercial, industrial, and institutional segments, should the construction sector be liberalized.<sup>48</sup>

We, therefore, recommend that PCAB reviews and amends Rule 3.1 of the IRR of R.A. 4566 to allow foreign contractors to be issued regular licenses under the same conditions as those posed to domestic players and therefore align the contractors' licensing process with the principles of fair competition and transparent market practices, consistent with R.A. 4566, the Foreign Investment Negative List and the policy of the State to rationalize investments.

The benefits for infrastructure development, employment generation, and innovation, knowledge, and technology transfers that increased competition in the infrastructure sector will create will have a positive spillover effect to the wider economy and will be a significant step forward towards attracting more FDI in the infrastructure sector and conveying the message that the Philippines is open for business.

## Prioritization and allocation of funds for Green Infrastructure

The Philippines is one of the fastest-growing economies in the ASEAN countries. However, it is also one of the countries that remains vulnerable to climate change. According to the Philippines Statistic Authority, 2020 census population, the current population of the Philippines is 8.05 million, and 33 cities in Manila are highly urbanization. Withal, the increase in the traditional infrastructure poses a challenge as urbanization also contributes to the rise of ecosystem functionality. Therefore, urban green infrastructure plays a vital role in society's reaching a balance. For instance, the extreme traffic congestion in Metro Manila has worsened over the years. Hence, implementing low carbon transportation to improve connectivity and mobility on transportation will provide a long-term solution to the traffic congestion problem. Low-carbon transportation reduces urban congestion and enhances energy security, equitable mobility access, and safety. According to the research study conducted by the United States Environment Protection, green infrastructure is more cost-effective than traditional gray infrastructure, as it improves air quality caused by urban heat and promotes water conservation by native plants, reducing the need for irrigation.<sup>49</sup> Throughout the years, the Philippines' sustainable bonds are increasing and diversified. According to the Department of Finance (DOF), the sustainable bonds<sup>50</sup> of the Philippines in 2016 reached USD4.5 billion in 2016, with green bonds having the most significant share amounting to USD3.0 billion, which means that evident capital market increase not only from a global perspective but also in the local context.<sup>51</sup>

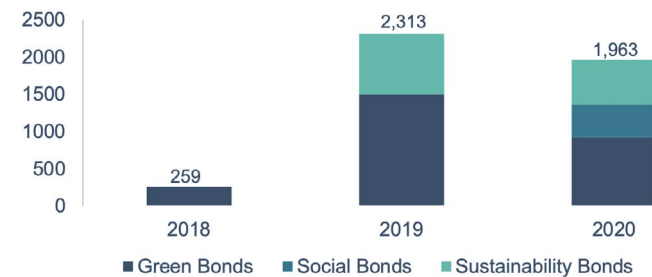


Figure 11. Philippine Sustainable Bond Issuance (in USD million)

<sup>22</sup> BloombergNEF

In line with this, the ECCP Infrastructure Committee recommends that the Philippine government should encourage stakeholders in building green infrastructure.

## ECCP AVIATION ADVOCACY RECOMMENDATIONS

### Formulate a long-term National Aerospace Plan

Over the years, the ECCP Aviation Committee seeks to provide a platform for its members to share general updates and best practices on aviation, discuss industry-wide concerns, and more importantly, identify actionable solutions for the promotion of the aviation industry. As such, the Committee urges the Philippine government to design a long-term **National Aerospace Plan** that will aid in the sustainable development of the aviation sector. This Plan should be able to consider the policy recommendations of industry players and experts and address issues affecting the industry including but not limited to the following:

<sup>44</sup> Section 5, Article I, R.A. No. 4566, "An Act Creating The Philippine Licensing Board For Contractors, Prescribing Its Powers, Duties And Functions, Providing Funds Therefor, And For Other Purposes"

<sup>45</sup> Construction Industry Authority of the Philippines. PCAB Classification/ Categorisation table. Retrieved from <https://ciap.dti.gov.ph/content/philippine-contractors-accreditation-board>

<sup>46</sup> DOJ LML M-21111-622 dated 21 September 2011

<sup>47</sup> Philippine Competition Commission (2017). Anti-Competitive Effects of Regulatory Restrictions: The Case of the Construction Sector (01-2017). Retrieved from [http://phcc.gov.ph/wp-content/uploads/2017/03/PolicyNote\\_20170316.pdf](http://phcc.gov.ph/wp-content/uploads/2017/03/PolicyNote_20170316.pdf)

<sup>48</sup> Ibid.

<sup>49</sup> United States Environment Protection. (2015). Green Infrastructure Opportunities that arise during Municipal Operations. Retrieved from: [https://www.epa.gov/sites/default/files/2015-09/documents/green\\_infrastructure\\_roadshow.pdf](https://www.epa.gov/sites/default/files/2015-09/documents/green_infrastructure_roadshow.pdf)

<sup>50</sup> Sustainable Bonds are finance or re-finance a combination of green and social projects or activities

<sup>51</sup> Department of Finance.(2020). The Philippine Sustainable Finance Roadmap .Page 30. Retrieved from: <https://www.dof.gov.ph/wp-content/uploads/2021/10/ALCEP-Roadmap.pdf>



## Upgrade airport infrastructure

Airports, and the air transport industry in general, have played a vital role in the economic growth of cities and regions by providing access to local markets. As a country's gateway to the world, the sector facilitates the economic mobility of goods, investments, people, and innovation, which are the primary drivers of economic progress. Apart from the benefits of employment generation, airports also serve to stimulate growth in other industries such as tourism.

Many countries, including Singapore and Hong Kong, have worked and invested over the years to make their country the premier international gateway in the Asian region, realizing the economic gains this would bring. The Philippines has made significant progress, with the Clark International Airport and Mactan-Cebu International Airport recently earning international health accreditation for safe travel.<sup>52,53</sup> Nonetheless, the country has yet to further improve its competitiveness vis-à-vis its ASEAN neighbors as Ninoy Aquino International Airport (NAIA) has been frequently ranked relatively dismal. More recently, in May 2022, NAIA was tagged as the "worst business class airport in the world" in an international study.<sup>54</sup>

The lack of connecting facilities between the four separate terminals, the relatively restricted number of destinations served, and the limited volume of passengers that it can accommodate are some of NAIA's recognized key challenges. Overcapacity, which causes delayed flights and unpleasant passenger experiences, is essentially undermining the country's global reputation as a tourist and investment destination. According to Asia Sentinel, prior to the onset of the COVID-19 pandemic, the airport was catering to 46 million people when it was originally only designed to cater to 25 to 35 million people per year.<sup>55</sup> Furthermore, the Philippines received 4.4 out of 10 in passenger facilitation, which is below the Asia-Pacific region's overall average of 4.7, as reported by the International Air Transport Association (IATA) in the 2018 Air Transport Regulatory Competitiveness Index.

In order to fully maximize the enormous potential for domestic and international tourism in the country, upgrading and modernizing airport infrastructure and networks are required. There is an urgent need to improve the air transport system to accommodate the growing demand for connectivity to revamp the tourism and aviation industries, which had major setbacks from the pandemic lockdowns. In this context, the ECCP Aviation Committee urges the new government leaders to improve air traffic control and prioritize modernizing NAIA after the cancellation of the NAIA rehabilitation public-private partnership (PPP).<sup>56</sup> We continue to advocate for strengthened PPPs in the rollout of key infrastructure projects such as airports since this initiative will provide access to the pool of funds, expertise, and innovation of the private sector.

## Enact laws to restructure the Civil Aviation Authority of the Philippines (CAAP) into a regulatory body, including the amendments of the Civil Aviation Authority Act of 2008, the establishment of the Philippine Airports Authority, and the creation of the Philippine Transportation Safety Board

The ECCP and its Aviation Committee support the move to establish an independent agency focused on the development of Philippine airports through the Philippine Airports Authority (or Corporation) with the aim of providing a unified approach to the operations and maintenance of domestic and international airports. The airport authority or corporation will be an independent body that will manage the existing functions of the CAAP of planning, developing, and maintaining all airports, as well as regulating privatized airports. The separation of the regulator and operator within CAAP can be achieved through the creation of such independent authority. Furthermore, the privatization of

CAAP and having the Philippine Airport Corporation/Authority (PAA) will also bolster modernization in the aviation industry.

In relation to the foregoing, the Chamber backs the enactment of the CAAP amendments to streamline its existing functions as operator and investigator, allowing the agency to focus on its role as a safety regulator. Turning CAAP into a purely regulatory body is necessary because currently, CAAP serves as the inspector and the implementer of the safety and security of airports and aerospace, affecting the credibility of its functions. We believe that such a move will further strengthen CAAP and result in a more efficient airport industry.

As the Philippine economy and transportation sector expand at a rapid pace, a national transportation safety board independent of the Department of Transportation becomes more crucial than ever. With this, the ECCP and its partners at the Joint Foreign Chambers have been supporting the creation of a Philippine Transportation Safety Board, which will be able to prevent and minimize catastrophic transportation accidents that have claimed the lives of far too many Filipinos and will improve the overall transportation safety for the Philippines. Following the recent veto of the PTSB bill by the Office of the President, the Chamber remains committed to working with the government, its partners, and other stakeholders to continue pushing for the creation of a non-regulatory and independent agency primarily responsible for the conduct of impartial investigation on transportation-related accidents and incidents.

The ECCP strongly believes that the passage of the PTSB bill would strengthen good governance and ensure orderliness. Presently, various agencies handle different sectors of transportation with regard to accident investigations. The country has no single, autonomous authority in charge of investigating transportation-related incidents. As regulators, operators, and investigators; transportation authorities conduct overlapping and contradictory duties. The Civil Aviation Authority of the Philippines (CAAP) has authority over aviation disasters. Sea mishaps are under the Maritime Industry Authority, which forms inquiry boards to investigate major maritime disasters. With respect to road accidents involving public utility vehicles, the Land Transportation Franchising and Regulatory Board (LTFRB) has jurisdiction. Road accidents may also be investigated by the Philippine National Police (PNP), the Land Transportation Office (LTO), and the Metro Manila Development Authority (MMDA). As such, we believe that the PTSB will further strengthen industry players and result in a more efficient transportation sector in the country. It is undeniable that the competence of such a safety board is critical to the country's continuing, sustainable economic growth.

## Ratify the Montreal Protocol 2014 to tackle the growing issue of unruly passengers

At the onset of the pandemic, a number of governments and associations have reported an increase in the issue of disruptive and unruly passengers. Data from IATA show that there is a rate of 1 incident for every 1,340 flights in the first 7 months of 2021 versus one incident for every 1,561 for the 17-month period from 1 January 2020 to 31 July 2021. This is driven by the deliberate non-compliance of some travelers with the safety measures set by airlines to contain the spread of the coronavirus.<sup>57</sup>

However, unruly passengers seldom face prosecution or other legal or economic consequences for their misbehavior. To this end, the ECCP strongly believes that the enactment of laws and regulations aimed at strengthening good governance is of high importance. One of these measures is the ratification of the Montreal Protocol 2014 (MP14), which aims to enhance the states' ability to control the degree and frequency of disorderly behavior on board airplanes by implementing the protocol on how unruly passengers should be dealt with.

Moreover, MP14 bridges the jurisdictional gaps of the Tokyo Convention of 1963, the international aviation legal instrument that covers crimes committed on board aircraft affecting its deterrence impact.<sup>58</sup> It defines behaviors to be considered as an offense that can fall under legal proceedings as

52 Abadilla, E. V. (2020, November 17). Clark Airport gets global health accreditation. Retrieved from <https://mb.com.ph/2020/11/17/clark-airport-gets-global-health-accreditation/>

53 Newman, M. (2021, January 30). Mactan-Cebu airport gets international health accreditation for safe travel. Retrieved from <https://mb.com.ph/2021/01/30/mactan-cebu-airport-gets-international-health-accreditation-for-safe-travel/>

54 Luna, F. (2022, May 27). NAIA tagged as worst business class airport in the world in intl study. Retrieved from <https://www.philstar.com/business/2022/05/27/2184085/naia-tagged-worst-business-class-airport-world-intl-study>

55 Asia Sentinel. (2021). Manila's Airport Fiasco. Retrieved from <https://www.asiasentinel.com/p/manilas-airport-fiasco>

56 Cigaral, I. N. (2022, March 28). Philippine airport projects face lingering pandemic risks. Retrieved from <https://www.philstar.com/business/2022/03/28/2170729/philippine-airport-projects-face-lingering-pandemic-risks>

57 International Air Transport Association. (2022). Unruly Passengers Fact Sheet. Retrieved from <https://www.iata.org/en/iata-repository/pressroom/fact-sheets/fact-sheet--unruly-passengers/>

58 Ibid.

well as recognizes that airlines have a right to seek compensation for the significant costs caused by unruly passenger incidents. The Protocol also extends the jurisdiction to prosecute unruly passengers at foreign destinations while preserving prosecutorial discretion.

With this in mind, the Chamber and its Aviation Committee posit that MP14 can address not only incidents concerning unruly passengers but also instances relating to the tampering with safety equipment in the aircraft, which can endanger the safety of the passengers as well as the reputation of the aviation industry as a whole. We believe that a special penal code should be crafted by the Philippine government for the harmonization of laws among contracting states vital for efficient compliance with the Protocol following its ratification.

### **Facilitate the Philippine aircraft finance by ratifying the Cape Town Agreement (CTA)**

The 2001 Cape Town Convention on International Interests in Mobile Equipment and the associated Protocol on Matters Specific to Aircraft Equipment aims to resolve the problem of obtaining rights to high-value aviation assets; to protect the international interests of the sellers, purchasers, and creditors through the creation of an International Registry; and to reduce the risks of lending for aircraft financiers and for other parties involved in aircraft purchasing and leasing. The Convention entered into force on 1 March 2006 and currently, 80 Contracting States have become parties to the Agreement including Indonesia, Malaysia, Myanmar, and Singapore.<sup>59</sup> As of writing, the Philippines is not a Contracting State under the Convention or the Protocol concluded in Cape Town.

The CTA is a legal safety net for the lessors and lessees, and would be mutually beneficial to both parties. It will also make financing straightforward, therefore managing risk levels. Accordingly, the ECCP advocates for the Philippines' accession to the Cape Town Agreement. Aimed at making a major contribution to the aviation industry's long-term sustainability, being a contracting state to the Agreement will make the Philippines a more attractive market for aircraft leasing companies. The country's non-accession to the CTA also affects the credit standing of the PH operators, especially after the pandemic.

Ratifying the Agreement is a move forward to modernize aviation. In this regard, the Chamber and its partners call for the new government administration to push for the CTA ratification to provide the Philippines with easier access to aircraft worldwide. Being a contracting state to the CTA will also give the country access to more sustainable planes and other aircraft equipment as this will bring down the cost of financing aircraft with the predictability, uniformity, and efficiency it brings to the aviation industry, particularly with aircraft financing and leasing. As the future of aircraft finance, European and Philippine businesses alike will be able to access affordable and secure transactions when purchasing aviation equipment. The Convention's ratification will also enable the country to secure its aircraft assets in the highly competitive and volatile global aviation market.

### **Strengthen the role of the aviation industry in humanitarian assistance and upgrade the Philippine aviation safety systems**

Airports do not only serve as a gateway for tourism but also play a highly critical role in humanitarian assistance. For this reason, the National Aerospace Plan should address civil defense issues including natural disasters, threats of terrorism, and territorial disputes that all affect the aviation industry. Modernization of airports is also needed, including those situated on the seaboard of the Philippines. Developing airports as a facility should not only pertain to balancing economic spread but also thinking along the lines of humanitarian aid function.

Natural disasters could happen anytime and the golden hour for the first responders to access areas devastated by natural calamities is the most critical window to save the most number of lives. Hence, another aspect that needs to be looked at is the helicopter instrument flight rules (IFR) operations.

Helicopter medical evacuation is needed to address health and disaster emergency operations. A vertical rescue and fire suppression system has to be in place including the CAAP, Philippine National Police (PNP), the Philippine Coast Guard, and other concerned agencies where aerospace units can be activated for emergency response operations.

In relation to this, the Aerodrome Development and Management Service of the CAAP should make use of updated data from the Manila International Airport Authority (MIAA) on building height to address issues related to uncertified helipads of skyscrapers with a height higher than required. Furthermore, the long-term National Aerospace Plan should include necessary measures to upgrade the Philippine aviation safety systems. An improved contingency measure is important to counter cyberattack incidents and global positioning system (GPS) denial attacks that affect aircraft operations, especially for aircrafts caught up in areas involved in territorial disputes.

### **Incorporate sustainability in a long-term strategy for the development of the Philippine aviation industry**

In April 2016, the Philippines signed the Paris Climate Agreement, which outlines a sustainable framework to significantly reduce global greenhouse gas emissions globally.<sup>60</sup> The global aviation industry believes that sustainable development of aviation cannot be accomplished until the sector is decarbonized. Otherwise, more and more taxes and restrictions would be imposed on international air transport, jeopardizing its future growth. For this reason, in 2021, the global aviation sector regrouped as ATAG (airlines, aircraft manufacturers, airports, and air navigation services) have taken a unified commitment to reach net-zero carbon emissions for air transport by 2050, owing to new aircraft technology, sustainable aviation fuels, improved operations, and carbon offsets or elimination.<sup>61</sup>

On 22 July 2022, at the International Civil Aviation Organization's (ICAO) High-Level Meeting on Long-Term Aspirational Goal (LTAG), ICAO Member States made a step forward in the adoption of LTAG for international aviation emissions. A formal agreement at the 41st ICAO Assembly would underpin a common approach by states to decarbonize aviation. Similarly, the IATA member airlines committed to achieving net zero carbon by 2050. A resolution was passed by member airlines during the 77th IATA Annual General Meeting last October 2021. This pledge aligns the air transport industry's commitment with the objectives of the Paris agreement to limit global warming to 1.5°C.<sup>62</sup>

As such, the ECCP Aviation Committee advocates for enhanced enforcement and implementation framework of the Paris Climate Agreement in order for the industry players to achieve net-zero carbon emissions by 2050. The Philippines has always taken a public stance in support of finding long-term solutions to the global climate crisis, and it can play a significant role in ICAO on the topic.

In order to achieve this commitment, the government should develop a comprehensive support program for the adoption of sustainable aviation fuel (SAF). The national climate action plan of the Philippines should also include devising policy support for aircraft manufacturers to accelerate research, facilitation of investments in the aviation sector, and push for a cost-competitive production of SAF. Additionally, ANSPs should implement Aviation System Block upgrade programs while the business community should boost SAF purchase agreements.

The Committee also urges the Philippine government to position the Philippines in ICAO, providing a global platform to promote sustainability; demonstrate that the country supports the decarbonization of a highly visible and strategic sector in the global economy; draw investments in the technology, industrial, and infrastructure areas, as well as boost tourism through the conscious application of sustainable development; and ensure that the aviation industry is contributing to the sustainability strategy.

<sup>60</sup> Department of Foreign Affairs. (2016). Philippines, 174 Countries Sign Paris Climate Agreement. Retrieved from <https://dfa.gov.ph/dfa-news/news-from-our-foreign-service-postupdate/9115-philippines-174-countries-sign-paris-climate-agreement>

<sup>61</sup> Airbus Helicopters Philippines. (n.d.). Position Paper of Airbus Shared with ECCP on the Importance of the Adoption of an LTAG at ICAO 41st Assembly.

<sup>62</sup> International Air Transport Association. (n.d.). Our Commitment to Fly Net Zero by 2050. Retrieved from <https://www.iata.org/en/programs/environment/flynetzero/>

# ASSESSMENT OF 2021 INFRASTRUCTURE ADVOCACY RECOMMENDATIONS

ISSUE	COMPLETED / SUBSTANTIAL PROGRESS	SOME PROGRESS	NO PROGRESS / RETROGRESSION
Timely passage of the 2022 national budget and allocation of budget for digital infrastructure	Former President Rodrigo Roa Duterte signed into law the <b>P5.024 trillion Fiscal Year (FY) 2022</b> General Appropriations Act (GAA), anchored to the theme for 2022, “Sustaining the Legacy of Real Change for the Future Generations,” which aims to build resilience amidst the pandemic, sustaining the momentum towards recovery, and continuing the legacy of infrastructure development. <sup>63</sup>		
Amendments to the Price Act			<p><b>No progress has been noted during the 18th Congress.</b></p> <p>The <b>HB No 1278</b> otherwise known as “AN ACT PROVIDING PROTECTION TO CONSUMERS BY EXPANDING THE DEFINITION OF BASIC NECESSITIES AND PRIME COMMODITIES, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 7581, OTHERWISE KNOWN AS THE ‘PRICE ACT’, AND FOR OTHER PURPOSES” is still pending the with the Committee on TRADE AND INDUSTRY since <b>July 24, 2019</b>.<sup>64</sup></p> <p>Meanwhile, <b>HB No. 2662</b> otherwise known as “AN ACT PROVIDING PROTECTION TO CONSUMERS BY EXPANDING THE DEFINITION OF BASIC NECESSITIES AND PRIME COMMODITIES, AMENDING, FOR THE PURPOSE REPUBLIC ACT NO. 7581, OTHERWISE KNOWN AS THE PRICE ACT, AND FOR OTHER PURPOSES” is still pending the with the Committee on TRADE AND INDUSTRY since <b>July 31, 2019</b>.<sup>65</sup></p>
Level playing field in the construction industry for fully foreign-owned and local contractors alike			<p><b>No progress has been noted during the 18th Congress.</b></p> <p>The <b>HB No 7337</b> otherwise known as “AN ACT FURTHER AMENDING REPUBLIC ACT NO. 4566 TO PROMOTE COMPETITION AND INVESTMENTS IN THE CONSTRUCTION CONTRACTING SERVICES INDUSTRY, AND FOR OTHER PURPOSES” is still pending with the Committee on TRADE AND INDUSTRY since <b>August 11, 2020</b>.<sup>66</sup></p>

<sup>63</sup> Department of Budget and Management. (N.D). Recovery, Growth, and Sustainability Highlighted in the Signed FY 2022 National Budget. Retrieved from: <https://dbm.gov.ph/index.php/secretary-s-corner/press-releases/list-of-press-releases/2036-recovery-growth-and-sustainability-highlighted-in-the-signed-fy-2022-national-budget>

<sup>64</sup> House of Representative. (N.D). House Bill No. 01278. Retrieved from: <https://www.congress.gov.ph/legisdocs/?v=billsresults#18>

<sup>65</sup> House of Representative. (N.D). House Bill No. 02662. Retrieved from: <https://www.congress.gov.ph/legisdocs/?v=billsresults#18>

<sup>66</sup> House of Representative. (N.D). House Bill No. 07337. Retrieved from: <https://www.congress.gov.ph/legisdocs/?v=billsresults#18>



# ASSESSMENT OF 2021 AVIATION ADVOCACY RECOMMENDATIONS

ISSUE	RECOMMENDATIONS	COMPLETED / SUBSTANTIAL PROGRESS	SOME PROGRESS	NO PROGRESS / RETROGRESSION
<b>Improvement of International and Domestic Connectivity</b>	Upgrade airport infrastructure		On aviation infrastructure development, the Department of Transportation (DOTr) completed a total of 246 airport projects from 2016 to 2022 under the Duterte administration. The projects, done through the DOTr and the Civil Aviation Authority of the Philippines (CAAP), include the Mactan-Cebu International Airport (MCIA), Bohol-Panglao International Airport (BPIA), New Clark International Airport (CIA) and the Bicol International Airport (BIA).	The new government leaders are urged to prioritize modernizing NAIA after the cancelation of the NAIA rehabilitation public-private partnership (PPP) of the previous administration.
	Streamline travel requirements and adhere to international COVID-19 safety protocol for international travel	<p>Under IATF-MEID Resolution No. 168, boosted Filipinos and foreigners who will enter the Philippines beginning 30 May 2022 are no longer required to present an RT-PCR test upon arrival in the Philippines.</p> <p>The Philippine government suspended the classification system listing countries under green, yellow, and red categories, as stated in IATF-MEID Resolution No. 159. In the same resolution, fully-vaccinated foreign travelers and Filipino nationals will no longer be required to observe mandatory facility-based quarantine starting 1 February 2022, provided that a negative RT-PCR result is presented.</p>		
Develop a roadmap for safe re-opening of borders that takes into account testing and vaccination protocols and aims to remove quarantine requirements for travelers		Under IATF-MEID Resolution No. 159, fully-vaccinated foreign travelers and Filipino nationals will no longer be required to observe mandatory facility-based quarantine starting 1 February 2022.		
Enact laws to strengthen the Civil Aviation Authority of the Philippines (CAAP), including through the ratification of the Montreal Protocol 2014 to tackle the growing issue of unruly passengers in light of the COVID-19 pandemic, and create a National Transportation Safety Board				Last July 30, President Ferdinand Marcos Jr. vetoed the bill creating a Philippine Transportation Safety Board (PTSB). The measure would have established a non-regulatory and independent agency attached to the Office of the President to be the primary agency responsible for the conduct of impartial investigation on transportation-related accidents and incidents.





**EUROPEAN CHAMBER OF COMMERCE OF THE PHILIPPINES**



19<sup>th</sup> Floor, Philippine AXA Life Center Bldg.,  
Sen. Gil Puyat Ave. cor. Tindalo Street,  
Makati City, Metro Manila, Philippines, 1200



8845-1324



[info@eccp.com](mailto:info@eccp.com)



[www.eccp.com](http://www.eccp.com)