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**PPA ADMINISTRATIVE ORDER**

NO. 10-95

**TO : PPA PDO/DEPARTMENT MANAGERS  
CARGO HANDLERS/CONTRACTORS AND  
OTHERS CONCERNED**

**SUBJECT : GUIDELINES ON THE REVOCATION/CANCELLATION OF  
CONTRACT/PERMIT FOR CARGO HANDLING SERVICES  
OR CARGO HANDLING CONTRACT RECALL (CHCR)**

**I. AUTHORITY**

- 1.1 Sections 2(a) and (b), Article II and 6(a), (111) and (x), Article IV, 26, Article VIII of PD 857, Revised Charter of PPA.
- 1.2 Sections 12.04 of PPA Administrative Order No. 10-81 dated April 13, 1981, Re General Conditions on All Contracts/Permits for the Management and Operations of Cargo Handling Services.
- 1.3 Pertinent provisions of Cargo Handling Contracts executed pursuant to PPA Administrative Order No. 03-90 Re Implementing Guidelines on the Cargo Handling Contract System, issued on May 14, 1990.

**2. PURPOSE**

This Administrative Order provides the policy and guidelines on the conduct of revocation/recall proceedings against substandard and delinquent cargo handling operators/contractors on the basis of audit or actions initiated by PPA or verified complaints by any port user or adverse party

**3. SCOPE**

This Order which is hereby known as the CARGO HANDLING CONTRACT RECALL (CHCR) Process shall cover cargo handling and related services with existing Contracts/Permits to Operate which may be suspended/cancelled/terminated in accordance with the procedures herein established

4. STATEMENT OF POLICY

- 4.1 The provision of efficient cargo handling services in ports is necessary for the fast, economical and safe movement of cargoes.
- 4.2 The Authority shall ensure that definitive measures are taken for the effective enforcement of the terms and conditions of the cargo handling contracts/permits and relevant PPA rules/regulations and that violations are properly addressed.

5. CREATION OF CARGO HANDLING CONTRACT RECALL (CHCR) BOARD

- 5.1 There is hereby created a Board that will handle the investigation of all petitions/complaints for cancellation/termination of cargo handling contracts/permits. The CHCR Board shall be composed of the AGM Operations as Chairman, a representative from the Legal Services Department (LSD), one representative from the Port Operations and Services Department (POSD), Internal Control Department (ICD), Port District Office (PDO) and Port Management Office (PMO) concerned, as members.

The Board is hereby authorized to promulgate the rules of its proceedings consistent with the principle of due process.

- 5.2 The investigation/open hearing shall be conducted by the CHCR Board only for the purpose of ascertaining the truth and without necessarily adhering to technical rules applicable in judicial proceedings. Its decision/resolution is recommendatory in nature and shall have no force and effect unless approved by the PPA General Manager or Board of Directors in cases involving contracts approved by the Board.

6. INITIATION OF REVOCATION/CANCELLATION/SUSPENSION/RECALL PROCESS

- 6.1 The Revocation/Cancellation/Recall Process shall be initiated by PPA thru the Manager of ICD or Manager of the PDO/PMO or his representative.

6 1.1 When the ICD Audit Report or ICS Audit Report of the PDO/PMO, as the case may be, results in a rating below sixty-nine (69%) percent in accordance with the rating scheme adopted for the purpose

6.1.2 When any audit finding constitutes a ground for revocation/cancellation of Contract under Section 7 hereof.

6 2 Cargo handling Contract Recall Process may likewise be initiated:

6.2.1 When the Authority finds that the continuous operation of the Contractor becomes inimical or prejudicial to the interest of the port users/shippinglines/labor/port authority.

6.2.2 By any port user or other complainant thru charges/petitions constituting grounds for revocation/cancellation of contract/permit against the Contractor which may be submitted directly to PPA Head Office or indirectly to the PDO or PMO concerned.

## 7. GROUNDS

Any of the following violations shall constitute sufficient cause to warrant the cancellation or termination of contract for cargo handling/related services.

7 1 Failure of the Contractor, without justifiable cause to remit any two (2) monthly committed fixed fee installments and/or government share or failure, without justifiable cause, to pay during the designated pay days to its employees, laborers, stevedores and dockworkers their just salaries or wages, or failure, without justifiable reason, to remit premiums to SSS, Medicare and fringe benefits as their obligations fall due

7 2 Unjustified refusal of the Contractor to make available to PPA or COA auditors/officials (who are vested with authority to conduct audit) its books of account and other documents for inspection, examination or audit as provided in its contract/permit or otherwise to submit to supervision, inspection, and/or overseeing by the Authority and/or its duly authorized representative

7 3 Existence of pilferage of or damage to cargoes due to lack of skill or negligence of the employees of the contractor/operator, in excess of one-tenth (1/10) of one (1%) percent of the total landed value and/or the total volume in metric tons of all cargoes handled monthly due to unjustified failure of the Contractor to control such pilferages/damages

- 7.4 The Contractor through any of its corporate officers and ranking management officials or employees from the rank of section head or higher and by taking advantage of their free access to the port, premises and the vessels calling at the port engages in or fails to take action to prevent the commission of illegal activities to the prejudice of PPA, port users or others concerned.
- 7.5 If the Contractor engages in any unlawful or illegal business practice, prejudicial to the interest or well-being of the government or its employees or laborers or any other practice which would unduly cause termination of operations of the arrastre and stevedoring/related services.
- 7.6 Unjustified failure of the Contractor to provide equipment under its committed equipment acquisition program and deployment schedule and/or failure to keep the equipment in good operating condition.
- 7 7 Failure of the Contractor to post the prescribed performance bond within one (1) month after the execution of the contract or renew the same within one (1) month upon expiration of said bond.
- 7 8 Charging of rates by the Contractor over the PPA authorized cargo handling rates or collection of rates other than its authorized rates in the contract.
- 7 9 Change of control of the services/firm arising from its sale, assignment, transfer or subcontract or other disposition of capital stock by the Contractor without the prior written consent/approval of the Authority.
- 7.10 Failure of the Contractor to attain the committed annual production rates as provided in its contract.
- 7 11 If the Authority shall find that public interest can be better served by the cancellation of the contract for violation or non-performance of any of its other terms and conditions
- 7 12 Refusal by the Contractor to supply sufficient number of gangs when directed by PPA

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8. PROCEDURES

- 8.1 Whenever recall is initiated by any port user or other complainant consistent with paragraph 6.2.2 hereof, every petition/complaint for revocation/cancellation of cargo handling contract/permit must be made under oath, specifying the grounds therefor and accompanied by documentary/testimonial evidence in support thereof.
- 8.2 The petition/complaint thus filed or the PPA Audit Report specified in paragraph 6.1.1 hereof shall be submitted to the Legal Services Department or Legal Office of the PDO concerned which shall forthwith furnish the respondent cargo handling operator with a copy of the petition/complaint/audit report and annexes thereof requiring him/it to submit his/its answer to the charge under oath within ten (10) days from receipt thereof, unless a different period is provided in the contract/permit.
- 8.3 On the basis of the petition/complaint/audit report and the answer thereto, the LSD or the PDO Manager thru the Legal Office of the PDO, as the case may be, shall determine whether a prima facie case exists that the respondent operator has committed the act(s) complained of constituting grounds for the termination/cancellation of his/its contract/permit under Section 7 hereof
- 8.4 If no prima facie case is found to exist against the respondent Contractor, the LSD or the PDO Manager thru his Legal Officer, shall with the approval of the General Manager in both cases, dismiss the petition/complaint. However, if a prima facie case exists, LSD or PDO Manager shall recommend to the General Manager the filing of a Formal Charge for cancellation/termination of the respondent Contractor's contract/permit for cargo handling/related services.
- 8.5 Upon the signing by the General Manager of the Formal Charge for cancellation/termination of Cargo Handling Contract/Permit, the same shall, after sending notice thereof to the respondent Contractor, be referred to the CHCR Board created under Section 5 hereof which shall commence the hearing/deliberation of the charges in accordance with the procedure it may adopt, pursuant to paragraph 5.1 hereof

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8 6 Notice shall likewise be sent to all concerned about the public hearing to be convened, inviting those with issues against the Contractor to submit documentary or verbal testimony.

8 7 As far as practicable, the proceedings before the CHCR Board shall be terminated within thirty (30) days from receipt of the Formal Charge. Upon conclusion of the hearing/investigation, the Board shall submit within thirty (30) days its resolution/decision to the General Manager for his approval. Thereafter, copies thereof shall be served upon the parties concerned.

9. OPERATIONS OF CARGO HANDLING SERVICES DURING THE ADMINISTRATIVE PROCEEDINGS AND CONSEQUENT BIDDING THEREOF

9.1 The cargo handling contract/permit of cargo handling operator is not deemed suspended from the time a formal charge for the cancellation/termination thereof is signed/issued to respondent Contractor by the General Manager. Notwithstanding the filing of the Formal Charge, the Contractor shall be allowed to continue operating the services to ensure uninterrupted provision of services thereof unless otherwise ordered by the General Manager to cease and desist from its operations.

9 2 In the event that the decision of the CHCR Board duly approved by the General Manager or the PPA Board is adverse to the respondent Contractor, PPA shall have the option of either to immediately take over the cargo handling service from the erring Contractor or further allow the Contractor to operate the services until PPA shall have awarded the contract for cargo handling services to another operator through public bidding.

9 3 The cargo handling Contractor whose contract/permit was cancelled/terminated for cause by the General Manager or the Board of Directors of PPA shall be disqualified from participating directly or indirectly in the public bidding of the cargo handling/related services involved.



**10. APPEAL/EFFECTIVITY OF DECISION**

Appeal from the adverse decision of the General Manager may be brought to the Board of Directors or of the latter's decision may be appealed to the Office of the President of the Philippines as may be allowed under existing laws/regulations, within thirty (30) days from the receipt of the Order/Decision. A motion for reconsideration of the decision of the General Manager or the PPA Board of Directors, may be allowed to be filed but only once within the said period but it shall not stay the execution of said decision.

**11. AMENDATORY/EFFECTIVITY CLAUSES**

- 11 1 This Order amends/modifies all PPA issuances inconsistent herewith.
- 11 2 This Order shall, after approval by the Board of Directors of the Authority, take effect fifteen (15) days after its publication in a newspaper of general circulation.



**CARLOS L. AGUSTIN**  
General Manager

Approved per PPA Board Resolution No. 1439  
dated 10 February 1995 which confirmed  
EXCOM Resolution No. 95-334

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