



Republika ng Pilipinas  
**PANGASIWAAN NG DAUNGAN NG PILIPINAS**  
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November 4, 1981

PPA MEMORANDUM ORDER  
NO. 21 - 81

T O : ALL PORT MANAGERS, OFFICERS-IN-CHARGE  
AND OTHERS CONCERNED

SUBJECT : Guidelines in the Takeover of the Management  
and Operations of Arrastre/Stevedoring and  
Porterage Services by PPA

In the interest of public service and in order to insure continuous and uninterrupted operations of cargo-handling services and pursuant to Section 6(a), (ii) (v) and (x) of Article IV of P.D. 857, Revised Charter of PPA as amended by Executive Order Nos. 513 and 546, dated November 16, 1978 and July 23, 1979, respectively, and Letter of Instructions No. 1005-A dated April 11, 1980, the following guidelines and regulations are hereby established in case of PPA takeover of the management and operations of arrastre/stevedoring and porterage services in any port under its jurisdiction:

I - PRELIMINARY PROVISIONS

Section 1. Scope - This Order shall apply to all contractors/operators undertaking arrastre/stevedoring and porterage services in any port under the jurisdiction of the Authority.

Section 2. Definition of Terms - For purposes of this Order, the following terms shall be understood to mean:

- a) "Takeover" - refers to the assumption by the Authority of the management and operations of an arrastre/stevedoring and porterage services from a contractor/operator for cause and to protect and/or promote public interest.
- b) "Arrastre Service" - refers to the handling of cargoes passing through or over the dockside of the pier, wharf or quay, to or from a vessel. It includes such activities as loading and unloading, recording, checking, accounting, securing or guarding, stripping and stuffing, moving/shifting and delivering/transferring of cargoes.

- c) "Stevedoring Service" - refers to the handling of cargoes on board the vessel. It includes such activities as loading and unloading, storing and stacking inside hatches, compartments and on deck.
- d) "Special Services" - refers to that work of the Contractor not inherently regular in the normal undertaking of arrastre/stevedoring services which include overtime work, standby time, hire of equipment and extra labor services such as rigging and rerigging ship's gear/boom, opening and closing hatches, lashing and unlashng cargo, shoring and unshoring cargo, shifting cargo within the same hatch or on the same deck, pier lighting services, securing gangplank, making fast and letting go lines, recouping of bad order cargo, shifting of cargo from vessel to pier and return to vessel and other work that may be undertaken outside of arrastre and stevedoring.
- e) "Porterage Service" - refers to the handling of baggage/luggage and personal belongings of a passenger by handcarry and/or use of a pushcart through or across the pier, wharf or quay, on to or from the vessel.
- f) "Contractor/Operator" - refers to any person or entity holding a management contract/permit/Memorandum Agreement engaged in cargo handling services in a port.
- g) "Remaining Cargoes" - refers to cargoes in the pier at the time of takeover.

Section 3. Grounds for Takeover - The Authority shall, after having formally advised and given the operator ample opportunity to correct deficiencies and improve his services, but still fails to comply with PPA requirements, or, when public interest demands, e.g. strike, lockouts, etc., takeover of arrastre/stevedoring operation under any of the following grounds shall be effected:

- a) In case of emergency, such as strikes, lockout, stoppage of work and other causes of similar nature;
- b) In case of violation of any of the terms and conditions stipulated in the Management Contract/Special Permit or provisions of law, government rules or regulations, such as:
  - aa) Failure of the contractor without justifiable cause to remit the correct government share, to pay during designated paydays its employees,



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laboreres, stevedores and dockworkers their just salaries or wages, and/or non-remittance of premiums to SSS, Medicare and other fringe benefits as those obligations fall due.

- bb) Unjustified refusal of the Contractor to make available its books of account and other documents for inspection, examination or audit or otherwise to submit to supervision, inspection and/or overseeing by the Authority and/or its duly representatives.
- cc) Existence of pilferage of cargoes in excess of one tenth (1/10) of one (1) percent of the total landed value of all cargoes handled monthly due to the unjustifiable failure of the contractor to control such pilferage.
- dd) If the contractor through any of its corporate officers and ranking management officials or employees from the rank of section heads or higher by taking advantage of their free access to the port premises and the vessels calling at the port, engaged in smuggling and other activities which defraud the government of its due revenues, tariff and customs duties.
- ee) If the contractor engages in any unlawful, illegal or highly immoral business practice, prejudicial to the interest or well-being of the government or its employees or laborers or any such practice which would unduly cause cessation of operations of the arrastre and stevedoring services.
- ff) Failure of the contractor to provide sufficient cargo handling equipment.
- c) In case of violation of any other terms and conditions of the contract or nonrenewal or termination of the same.
- d) Failure to secure authorization or permit from PPA after repeated advice/notice by PPA.
- e) Failure to integrate services.
- f) In such other cases where by reason of change in corporate policy the Authority deems that the takeover is warranted in order to protect and/or promote public interest. Determination of the circumstances justifying cancellation on the ground of public interest shall solely rest on the judgment of the Authority.



Section 4. Takeover/Revocation/Cancellation of Permit/Contract. - The General Manager or his authorized representative shall, upon satisfactory evidence that a contractor has committed any of the violations mentioned in the preceding Section, takeover the management and operation of arrastre/stevedoring service and/or revoke its permit/contract. In case of cancellation of Management Contract, approval of the Board of Directors shall be secured.

Section 5. Creation of the Special Takeover Unit (STU), Its Composition, Functions and Organization - There shall be created a Special Takeover Unit through the issuance of a Special Order which shall be under the direct supervision of the Office of the Port Manager. The General Manager shall designate the Acting Manager of the Special Takeover Unit. The General Manager or the designated Acting Manager shall designate PPA personnel to compose the STU which shall include, among others, an accounting officer, collecting officer and disbursing officer with powers, functions and duties which may be necessary to carry out its purpose.

The STU shall have the following powers and functions:

1. Ensure the continuous and uninterrupted provision of vital cargo handling and related services in a more efficient manner;
2. Utilize the present dock labor force under the same terms and conditions prevailing at the time of the takeover and observe all labor laws, rules and regulations;
3. Collect at existing rates and amounts, such charges for services rendered;
4. Disburse funds to finance the necessary expenses of operations in accordance with the system prescribed by the Authority;
5. Authorize, whenever necessary, overtime services of the personnel of the Special Takeover Unit including the dock labor force assigned to work and incur other necessary expenses, chargeable against the funds provided for the purpose.



Section 6. Creation of Takeover Committees, Their Compositions, Functions and Organization - The Port Manager shall create the following committees for the takeover, whenever necessary:

- a) Committee to Inventory Remaining Cargoes - To inventory the remaining cargoes received and still in the custody of the Operator as of takeover date.
- b) Committee to Inventory Cargo Handling Equipment, Gears, Tools and Other Properties - To inventory cargo handling equipment, gears, tools and other properties owned by the Operator and classify them as to those that are readyline (serviceable), repairable and dead-line (unserviceable).
- c) Committee to Inventory Accountable Cargo-Records and Claims - To inventory all cargo records pertaining to unsettled claims for lost and damaged cargoes filed by consignees with the Operator.
- d) Committee to Inventory Supplies and Unused Forms - To inventory unused forms and supplies at the time of takeover belonging to the Operator that can be used by PPA in its operations.
- e) Committee to Inventory Personnel Including their 201 File - To inventory all office personnel and laborers (union and non-union) of the Operator, as well as their corresponding 201 file.
- f) Committee to Determine Fair Rate of Rental of Equipments - The fair rate of rental for cargo handling equipment owned by the Operator shall be determined by making a survey/canvass of the prevailing rate of rentals for similar equipments in the locality or by other means. The Committee shall recommend the most reasonable prevailing rate and to be certified by the COA Auditor before the same is adopted by PPA.
- g) Appraisal Committee on Cargo Handling Equipment, Tools, Gears, Office Equipment and Furniture and Fixtures - Committee shall determine the fair market value of the properties belonging to the outgoing Contractor which the Authority shall exercise its option to purchase.

All the Inventory Committees and the Committee to Determine the Fair Rate of Rental of Equipments shall be composed each of a PPA personnel as Chairman, a



representative from the Contractor as member and a representative from COA as witness while the Appraisal Committee shall be composed of COA representative as Chairman and a representative each from the Contractor and PPA, as members

## II - TAKEOVER PROCEDURE

Section 7. Pre-Takeover Activities - Upon the decision of management and/or the PPA Board of Directors to cancel the permit/contract of the cargo handling operator/contractor, the following shall be done:

### A. At the Head Office

- 1) The General Manager shall create the Special Takeover Unit which shall be named after the port where cargo handling service shall be taken over.
- 2) The General Manager shall authorize the Finance Office in coordination with POED the allocation of an initial working capital.

### B. At the PMU - Upon Designation by the General Manager, the Manager of the Special Takeover Unit shall:

- 1) Conduct a meeting to discuss the manning of the Special Takeover Unit and the creation of the different committees required under Sec. 6.
- 2) Coordinate with police agency and military units for the maintenance of peace and order and with other government/private entities and labor unions to attain a smooth takeover.
- 3) Assess the situation obtaining in the Port in order to prepare necessary measures immediately preceding actual takeover.

Section 8. Actual Takeover - On the scheduled takeover date, the Manager of the STU shall order, cause or effect the simultaneous accomplishment of the following:

- 1) Serve Notices to -
  - a) Contractor/Operator of the cargo handling service,

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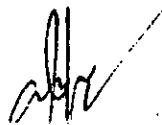
informing him among others, that the PPA has cancelled his privilege to operate and the Authority is assuming the management and operations of cargo handling thereat.

- b) Insurance company concerned informing the same that the Authority shall file claims against the performance bond posted by the contractor.
  - c) Shippers, shipping companies and all other port users informing them of the change in the management of the concerned service and providing proper directions or information (See Annex "A").
  - d) The Commission on Audit to examine, verify and determine the unpaid government share on gross income from arrastre/stevedoring operations.
- 2) Discharge by the STU of its takeover duties, functions and responsibilities.
  - 3) Submit report to Head Office on the highlights of the Takeover.
  - 4) Perform all other necessary or related functions to ensure the continuous, normal and efficient cargo handling service taken over.

Section 9. Treatment of Revenues, Expenses, Receivables, Liabilities, Cargo Handling Equipment, Gears, Tools and Other Properties Arising from the Takeover -

a. Revenues, Receivables

1. Revenues (gross income) to be derived from remaining cargoes must be divided on a 50-50 share basis between PPA and the Contractor, provided that the 50% share of the Contractor shall be subject to the payment of government share.
2. All revenues (gross income) from cargo handling services purely undertaken by PPA shall be duly receipted using their Accountable Forms. All checks received in payment thereof must be either a manager's or cashier's check made payable to PPA.



3. Collection of all Accounts Receivable of the Contractor~~s~~ as of the takeover arising in the course of its cargo handling operations is subject to the payment of government share.

All income due the former Operator/Contractor after the takeover shall be held in trust by PPA until a decision has been made by proper authorities as to its disposition.

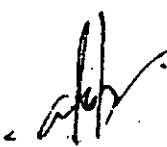
b. Expenses, Liabilities

1. Expenses incurred on cargoes received prior to time and date of takeover is for the account of the Contractor while expenses for loading/delivery is to be paid by PPA.
2. Payment of claims on lost and damaged cargoes prior to time and date of takeover is for the account of the Contractor.
3. Salaries, overtime pay and other fringe benefits of management personnel and dock labor force from the date and time of takeover is for the account of the Authority.
4. Forms and supplies belonging to the Contractor if used by PPA must be paid at purchase price as shown in the purchase order, invoice or stock card.
5. All accounts payable including salaries and wages prior to takeover shall be paid by the Contractor.

All income and expenses from the date and time of takeover by PPA shall be subject to the auditorial jurisdiction of the representative of the Commission on Audit assigned with the PMU.

c. Cargo Handling Equipment, Gears, Tools, Office Equipment and Related Devices

1. Equipment rented/purchased from the outgoing Contractor - Subject equipment may be rented or purchased at the option of the Authority.





In any case, the approved rate of rental or purchase price as determined by the proper Committees shall apply. If PPA decides to purchase an equipment, it shall formally notify the Contractor within thirty (30) days of its intention. The amount paid for rental shall form part of the purchase price, but in no case shall be the amount of rental exceed the purchase price. All expenses for repairs of rented equipment shall be for the account of the Contractor.

2. Equipment rented/purchased from Others - Subject equipment maybe rented or purchased at a rate determined by the Committees concerned.

Whenever a rented equipment is dispatched, a trip ticket (Annex "C") shall be issued to account for the number of hours the equipment has been operating as the basis for computation of rental.

Section 10. Accounting Procedures - The accounting procedures that shall apply shall be those provided by PPA Memorandum Circular No. 8-80 which is hereby incorporated by reference. (Annex "B")

Section 11. Separate Records and Financial and Operational Reports - A separate record of accounts distinct from that of the PMU must be kept and maintained, to record all transactions pertaining to the cargo handling operations of the Special Takeover Unit.

Periodic reports on the result of the cargo handling operations shall be submitted to the PPA Head Office on or before the 10th day of the succeeding month. These reports shall include the following:

- a. Monthly Operational Report
- b. Monthly Income Statement
- c. Monthly Statement of Operating Expenses
- d. Annual Financial Statements

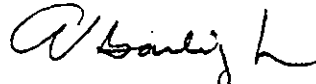


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III - FINAL PROVISIONS

Section 12. Repealing Clause - All PPA orders, rules and regulations, memoranda, circulars or guidelines which are inconsistent herewith are hereby repealed or modified accordingly.

Section 13. Effectivity - This Order shall take effect immediately



E. S. BACLIG, JR.  
General Manager

POED/POD

