

**PORT TERMINAL MANAGEMENT CONTRACT
PORT OF PAGADIAN**

KNOW ALL MEN BY THESE PRESENTS:

This Port Terminal Management Contract entered into this DEC 02 2022 day of _____, in CITY OF MANILA, by and between:

PHILIPPINE PORTS AUTHORITY, a government instrumentality with corporate powers created under Presidential Decree No. 857, as amended, with principal office address at PPA Corporate Building, Bonifacio Drive, South Harbor, Port Area, Manila, represented by its General Manager, **JAY DANIEL R. SANTIAGO**, duly authorized for the purpose by virtue of Board Resolution No. 2530, as contained in Secretary's Certificate dated 21 March 2016, copy of which is attached as **Annex "A"** and hereinafter referred to as the "**AUTHORITY**";

– and –

MEGA LIFTERS CARGO HANDLING, CORP., a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines with office address at Lots 1 and 2, Block 3, Manila Harbour Centre, Tondo, Manila represented herein by its Authorized Representative Reymond H. Alarcon duly authorized for the purpose as shown in Secretary's Certificate dated 18 March 2022, and hereinafter referred to as the "**OPERATOR**".

Hereinafter shall be referred to collectively as "Parties".

WITNESSETH

WHEREAS, the AUTHORITY, pursuant to Presidential Decree No. 857, as amended, is vested with the power and authority (1) to supervise, control, regulate, construct, maintain, operate, and provide such facilities or services as are necessary in the ports vested in, or belonging to the AUTHORITY, and (2) to prescribe rules and regulation, procedures, and guidelines governing the establishment, construction, maintenance, and operations of all other ports, including private ports in the country;

WHEREAS, the PPA Board of Directors approved PPA Administrative Order (AO) Nos. 03-2016, as amended, and PPA AO No. 12-2018, as amended; In order to encourage greater participation of private sector in port operations to ensure that the provision of port services will be of generally accepted global standards, the selection and award of Port Terminal Management Contracts shall be competitive and transparent and shall undergo competitive public bidding.

WHEREAS, the AUTHORITY issued an Invitation to Bid for the selection and award of contract for the Port of Pagadian;

WITNESS BY:

DANIEL T. REYES

MEGA LIFTERS CARGO HANDLING, CORP.
BY:

REYMOND H. ALARCON
Authorized Representative

WITNESS BY:

MARK JON S. PALOMAR
Chairperson, HO-BAC PTMC

PHILIPPINE PORTS AUTHORITY
BY:

JAY DANIEL R. SANTIAGO
General Manager

WHEREAS, after evaluation and post-qualification of the Technical and Financial Bids, the Mega Lifters Cargo Handling, Corp., was declared as the Highest Responsive Bidder (HRB).

WHEREAS, pursuant to BAC Resolution No. 03-2022 dated 23 May 2022, duly approved by the PPA General Manager as the Head of the Procuring Entity, the Notice of Award ("NOA") for the Contract for the management and operation of cargo handling, passenger, RORO and other related services was issued to the Operator in a letter dated 27 May 2022 duly accepted and conformed to by the latter;

NOW THEREFORE, for and in consideration of these premises and the mutual commitments, obligations and undertakings hereunder, the Parties have agreed as follows:

ARTICLE I

Section 1.01 **Contract Documents** - The following documents shall also constitute integral parts of this Contract, as fully as if the contents of said documents are reproduced, incorporated and set forth herein, and shall control in full force and effect the rights and obligations of the Parties, except those modified by the terms and conditions of this Contract:

- a. Bidding Documents
 - i. Invitation to Bid;
 - ii. Instructions to Bidders
 - iii. Terms of Reference and its attachments
 - iv. Supplemental/Bid Bulletin, if any
- b. Technical and Financial Proposals and all other documents or statements submitted;
- c. Performance Security;
- d. Notice of Award; and
- e. In case of Joint Venture, Certificate of Registration with the Securities and Exchange Commission issued within one (1) year from the date of the contract.

Section 1.02 **Words and Meanings** - The words and expressions in this contract shall have the same meanings respectively assigned to them in the contract documents referred to above.

Section 1.03 **Controlling Document** - In case of irreconcilable conflict between the provisions of this contract and the provisions of any of the contract documents, the former shall prevail.

WITNESS BY:

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General Manager

ARTICLE II

AREA OF MANAGEMENT, OPERATION AND MAINTENANCE

Section 2.01 **Area of Management, Operation and Maintenance** - This contract shall cover the land and existing facilities at the Port of Pagadian, particularly described and delineated in Annex "C" hereof and delivered to the Operator.

Any future development may, at the option of PPA, form part of the concession area. Any additional concession area shall entail additional concession fee in the form of lease.

WITNESS BY:

DANIEL T. REYES

ARTICLE III

CONSIDERATION

Section 3.01 **Fixed and Variable Fees** – The OPERATOR shall, during the effectivity of this Contract, remit to the AUTHORITY the following Fixed and Variable Fees:

(a) **Annual Fixed Fee** which shall be as follows:

Year of Contract	Yearly Fixed Fees
1	Php 4,000,000.00
2	Php 4,000,000.00
3	Php 4,000,000.00
4	Php 4,000,000.00
5	Php 4,000,000.00
6	Php 4,000,000.00
7	Php 4,000,000.00
8	Php 4,000,000.00
9	Php 4,000,000.00
10	Php 4,000,000.00
11	Php 4,000,000.00
12	Php 8,000,000.00
13	Php 16,000,000.00
14	Php 32,000,000.00
15	Php 32,167,000.00
TOTAL	Php 132,167,000.00

MEGA LIFTERS CARGO HANDLING, CORP.
BY:

REYMOND H. ABRON
Authorized Representative

WITNESS BY:

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Chairperson, HO-BAC PTMC

The Concession Fee is exclusive of any, and all applicable Philippine National and Local Taxes, including but not limited to Value-Added Tax (VAT), Percentage Taxes, where applicable. The taxes due on the Concession Fee, including any subsequent increase thereof, shall be for the account of the OPERATOR.

The Annual Fixed Fee shall be divided into twelve (12) equal monthly payments. The corresponding amount for the first (1st) month shall be paid within five (5) days from the signing of the Contract. The payment for the succeeding months shall be made within five (5) days after the 30th day of the previous month's payment. The monthly payment for the succeeding years shall commence on the Contract's anniversary date.

(b) **Annual Variable Fee** - The OPERATOR shall remit to the Authority a variable fee under the following circumstances:

- i. If the actual traffic volume exceeded the projected volume by 10%, a variable fee equivalent to sixty percent (60%) from cargo handling operation and/or

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PTB operation shall be computed on the actual traffic in excess of the one hundred and ten percent (110%) projected volume;

- ii. If the actual traffic volume exceeded the projected volume by 10%, a variable fee equivalent to eighty percent (80%) from RORO operations shall be computed on the actual traffic in excess of the one hundred and ten percent (110%) projected volume; and
- iii. A variable fee equivalent to sixty (60%) of gross revenue earned from additional services which are not included in the determination of minimum concession fee.

The OPERATOR shall remit to the AUTHORITY the Variable Fee quarterly, not later than the fifth (5th) day of the first (1st) month of the succeeding quarter without need of demand.

The defined Threshold Volumes of the various types of cargoes and services for the duration of the concession period is hereto attached as **Annex "D"**.

Section 3.02 Payment Mechanics - All payments to be made by the OPERATOR under this Contract shall be made (1) in Philippine Pesos (Php), and (2) by direct transfer to the account designated by the AUTHORITY which shall be in a Government Financial Institution (GFI) pursuant to Section 5.2 of Department Circular No. 001-2015 dated 01 June 2015 issued by the Department of Finance (DOF).

Section 3.03 Interest and Penalties - Failure to remit the Fixed Fee and other fees on their respective due dates shall render the OPERATOR liable to the payment of interest and penalty charges without the need for any demand, in accordance with the existing regulations and subsequent amendments thereof. Interest payment by the OPERATOR shall be without prejudice to the other remedies available to the OPERATOR under this contract.

ARTICLE IV

MANAGEMENT AND OPERATION

Section 4.01 Management and Operation - The OPERATOR shall manage and operate the concession area and the facilities, structures, buildings existing thereon. Upon Notice of Award, the parties shall undertake and complete a joint survey and inspection of the facilities, structures and buildings to record the state and condition of the premises and the improvements existing thereon. In addition, the parties shall organize a Joint Committee that will formulate plans and procedures to ensure the smooth handover of the management and operations of the concession area at the Port of Pagadian.

The parties agree that the Authority shall retain possession, use and administrative control of the facilities and buildings not included in the concession area.

Section 4.02 Core and Non-Core Services - The Operator shall provide and undertake the following core and non-core services at the Port of Pagadian which shall include but not limited to the following:

(a) Core Services:

- (1) Cargo handling and related services
- (2) Container terminal management

- (3) RORO cargo services
- (4) Storage management

(b) Non-Core Services:

- (1) Bagging services
- (2) Weighbridge services
- (3) Waste and Shore reception facilities
- (4) Water distribution services

Section 4.03 **Other Business and Third-Party Services** - The OPERATOR shall carry out all the core services stated in Section 4.02 (a). Except for the core services, the OPERATOR may, subject to approval of the AUTHORITY, sub-contract or designate a qualified third party to provide non-core and other related services.

For the avoidance of doubt, it is clarified that the provision of the following ancillary services: (1) chandling; (2) tugboat; (3) pilotage; (4) bunkering; (5) transport services; (6) water supply, including those services that may be hereinafter determined by the AUTHORITY in the Port Operational Area ("**Ancillary Services**"), is not the exclusive right of the OPERATOR, and these Ancillary Services may also be provided by any other service provider ("**Ancillary Service Providers**"). Further, the OPERATOR shall provide the Ancillary Service Providers uninterrupted access to the Port, to provide the Ancillary Services subject to such Ancillary Service Providers obtaining permits from the AUTHORITY to operate at the Port, and subject also to compliance by the Ancillary Service Providers with the OPERATOR's and AUTHORITY's health, safety and environmental rules, policies and procedures and general disclosed operational procedures and requirements.

Section 4.04 **Facilities, Cargo Handling Equipment and Gears** – The OPERATOR shall utilize the cargo handling equipment and facilities installed by the AUTHORITY in the concession area as listed in **Annex E** hereof.

The OPERATOR shall on its own account provide and deploy upon commencement of operation its committed equipment and gears in accordance with the Port Development Plan which forms part of its Technical Proposal (**Annex F**).

The OPERATOR shall likewise provide and deploy on its own account the additional and replacement equipment and gears committed in its Port Development Plan according to its schedules (**Annex G**) and such other necessary equipment and gears as may be required by the PPA.

The OPERATOR shall be responsible for the repair and maintenance of all equipment and gears used in the operations as well as the security thereof.

If during the contract period, equipment is procured by the OPERATOR whose depreciation period is longer than the contract period, the existing Contract shall not be deemed automatically extended to allow full depreciation.

All equipment of the OPERATOR being used at the port shall, upon expiration of the initial term of the Contract or in the event the Contract is pre-terminated or cancelled, automatically become the property of the AUTHORITY without any obligation to reimburse for the same except for equipment acquired by the OPERATOR during the last five (5) years prior to the termination or expiration of the Contract. In which case, AUTHORITY shall have the option either to purchase the same at book value at the time of transfer of possession and control or to pay to the OPERATOR reasonable rentals for all equipment it may utilize. In such event, the AUTHORITY shall have the right to

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General Manager

immediately take over possession and control of and utilize the serviceable cargo handling equipment, gears, machinery and tools including office equipment, furniture and fixtures of the OPERATOR as may be needed by the AUTHORITY for the continuous and uninterrupted operation at the port.

The OPERATOR shall return to their original condition, normal wear and tear excluded, all the existing improvements, structures, buildings and facilities at the port; including structures where the equipment, facilities and gears were removed from their installation.

All properties owned and belonging to the AUTHORITY but made available to the OPERATOR shall be returned to the former in good working conditions immediately upon the termination or expiration of the Contract.

Section 4.05 **Working Capital** - The OPERATOR shall establish and maintain a deposit in a reputable Universal or Commercial bank the amount of **Eight Hundred Ten Thousand Pesos (Php 810,000.00)** as Working Capital to sufficiently meet its day-to-day operational needs, including any and all claims arising from its operations.

Section 4.06 **Key Performance Indicators (KPIs)** - The OPERATOR shall efficiently operate the port and provide the services covered under this Contract. The OPERATOR must be able to attain KPIs equal to, or better than the following KPIs which may be progressively increased during the duration of this Contract:

Key Performance Indicators	Productivity Rates	
	Average gross service time at berth per vessel	Average working time at berth per vessel
1. Average gross service time per vessel at berth		
a. RORO	36 hours	24 hours
b. Tramping		
- Cement (unitized)	48 hours	30 hours
- Copra (bulk)	36 hours	20 hours
- Fishing vessel	24 hours	4 hours
2. Average moves per ship hour at berth	1	
o Containerized cargoes		
3. Average tons per hour (bulk, breakbulk)	Domestic	Foreign
a. Bulk (dry)	60 mts/nsh	60 mts/nsh
b. Breakbulk		
- Manual		
- Non-self sustaining	30 mts/nsh	n/a
c. Mechanized		
- Self-sustaining	40 mts/nsh	40 mts/nsh
- Non-self sustaining	30 mts/nsh	30 mts/nsh
4. Port user satisfaction survey results	Very Satisfactory	
5. Minimum port user and passenger service standards	Full Compliance	

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Every three (3) years or whenever necessary, the KPIs may be subject to revisions after the conduct of review by the Parties.

If the OPERATOR fails to maintain productivity equal to or better than pre-specified productivity measures in any given period, the OPERATOR may be required to provide additional variable fee payments. Failure to meet productivity measures for 3 consecutive years may result in the termination of the Contract.

Section 4.07 **Repair and Maintenance** – The OPERATOR shall cover the cost of repairs and maintenance to port facilities within the concession area up to an amount equivalent to two (2) months concession fee for the applicable year. The threshold indicated herein is for any single incident of repairs and maintenance and shall not be accumulated. Any amount in excess of the threshold set herein shall be for the account of PPA.

Section 4.08 **Dredging** - The AUTHORITY shall be responsible for, and shall bear the cost of the capital dredging (i.e., fairways, access channels, turning basin). The AUTHORITY shall perform the capital dredging, as may be necessary.

Section 4.09 **Management Information System** – The OPERATOR shall undertake and implement computerization programs for the OPERATOR's port operations and financial transactions, adoptable and compatible with the AUTHORITY's MIS Computerization Project. Such computer programs shall include, among others, the functionalities of the Port Operations Management System (POMS), the Account and Finance Management System (AFMS) and other functions implemented under said project.

Section 4.10 **Submission of Reports** - The OPERATOR shall furnish the AUTHORITY with detailed reports of the movement of cargo and vessels at the premises in the form, substance and frequency prescribed in existing PPA- rules and regulations. Further, the OPERATOR shall submit the financial and operational reports prescribed by the AUTHORITY.

The OPERATOR shall furnish the AUTHORITY with monthly statistical data of its financial and operational activities and the maintenance and development of the facilities and equipment.

Section 4.11 **Insurance** – The OPERATOR shall secure an insurance to cover the property damage on all the concession area facilities and equipment against all risks, including but not limited to windstorm, flood, earthquake, fire and vessel impact. In addition, all facilities and equipment covered by this Contract shall be insured up to their full appraised value against losses and damages under the terms approved by the AUTHORITY. The OPERATOR shall regularly furnish the AUTHORITY copies of the insurance policies and receipts of current premium payments. The required insurance coverage for property damage shall be secured from the Government Service Insurance System (GSIS).

The insurance policies shall be effective from the date of effectivity of this Contract and shall be renewed annually for the entire duration of this Contract. All insurance premiums and other related costs shall be borne solely by the OPERATOR.

The OPERATOR shall not perform nor allow any act to be done that may render the insurance policies null and void.

The OPERATOR shall also insure all cargoes under its custody against fire as well as against loss or damage resulting from acts of its employees, agents or sub-contractors.

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The OPERATOR shall secure a Comprehensive General Liability (CGL) Insurance to cover Bodily Injury, Property Damage including all port operational facilities, and Personal Injury Liability. In addition, all equipment and leased facilities shall be insured up to their full appraised value against losses and damages under the terms approved by the AUTHORITY. The OPERATOR shall regularly furnish the AUTHORITY copies of the insurance policies and receipts of current premium payments.

Section 4.12 **Taxes, Licenses, Permits and Fees** – The OPERATOR’s tax, licenses, fees and charges of whatever form, kind or nature due or which may be due to the national and/or local government units and/or its instrumentalities/agencies on the account of the performance of the service and/or its activities stipulated herein, shall be paid for and obtained by the OPERATOR on its own account. The AUTHORITY shall extend reasonable assistance to the OPERATOR in securing the necessary licenses and permits with the relevant government agencies, as may be necessary. The OPERATOR shall on an annual basis, present, within the duration of the Contract, a Tax Clearance from the Bureau of Internal Revenue (BIR) as well as a copy of its Income and Business Tax Returns duly stamped and received by the BIR and duly validated with the tax payments made thereon.

The OPERATOR shall pay all lawful taxes and other impositions on real properties within its area of responsibility under this Contract, which are payable to the government, its agencies, instrumentalities or political subdivisions, accruing from the date of the effectivity of this Contract.

Section 4.13 **Quality Standards** - Within six (6) months from the effectivity of the Contract, the OPERATOR shall have commenced the required processes in order to secure a certification for ISO 9001 (Quality Management Systems Standards), ISO 14001 (Environmental Management Systems Standards), and ISO 45001 (Occupational Health and Safety Management System Standards). For this purpose, the OPERATOR shall notify AUTHORITY as soon as it has secured the necessary certifications and in no case to exceed three (3) years from the signing of the Contract.

The core and non-core processes mentioned in Section 4.02 shall be enrolled to the ISO Integrated Management System (ISO 9001, ISO 14001 and ISO 45001) certification.

Section 4.14 **Utilities** – The OPERATOR shall pay all charges relating to electrical supply, communications and other utilities used within the concession area directly to the individual service providers.

Section 4.15 **Promotion** – The OPERATOR shall market and promote the concession area. It may also request the AUTHORITY to assist in its marketing and promotional activities. Reasonable and actual costs incurred by the AUTHORITY in connection therewith shall be reimbursed by the OPERATOR, subject to the prior approval by the OPERATOR, and upon presentation of valid supporting documents.

Section 4.16 **Performance Security** – The OPERATOR shall, within one (1) month from signing of this Contract, put up the required Performance Security in a form of cash or cashier’s/manager’s check equivalent to the first year concession fee. The amount of the Performance Security for each succeeding Contract year shall be those indicated in “Annex H” of this Contract. The Performance Security shall answer for and guarantee the faithful performance of its obligations under this Contract. It shall further guarantee the prompt payment of all its contractual liabilities, such as but not limited to, payment of Variable Fees, interest and penalties in case of delay, and other charges, as well as losses, injuries or damages on any property and other premises occupied by or under the control of the OPERATOR. It shall also answer for the damages that the AUTHORITY may sustain as a result of the OPERATOR’s non-performance or violation of any

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General Manager

contractual obligation or due to negligence. The Performance Security, until so released in writing by the PPA, shall remain in full force and effect and shall be secured in accordance with PPA AO No. 07-2020, or its subsequent amendments. The OPERATOR shall renew the Performance Security annually and failure of which shall constitute a default on its part and shall cause the termination of the Contract.

The form and conditions of the Performance Security shall be in accordance with the pertinent rules and regulations of the AUTHORITY.

Section 4.17 **Property and Cargo Under the OPERATOR's Control** - The AUTHORITY reserves the right to police entry and exit gates and the use of the concession area for national security and for the exercise of its regulatory functions. All other government regulatory agencies such as the Bureau of Customs, Philippine Coast Guard, Bureau of Quarantine, etc. shall continue to exercise their inherent functions in the concession area. The AUTHORITY assumes no responsibility or liability for loss or damage to the property of the OPERATOR or property under the control of the OPERATOR whether caused by fire, water or other causes, nor does it assume responsibility for any shortages of cargo handled by the OPERATOR at the concession area, except in cases where the loss or damage is attributable to the fault, willful act or negligence of the AUTHORITY, its officers, agents, or employees.

Section 4.18 **Port Safety and Security** – The OPERATOR shall be responsible for the safety and security in the concession area. It shall implement thereat the Port Facility Security adopted by the AUTHORITY and such other safety and security measures applicable and/or required thereon. The OPERATOR shall also comply with all safety and security regulations promulgated by the government agencies concerned.

ARTICLE V

TARIFF AND RATE ADJUSTMENT

Section 5.01 **Tariff and Related Service Charges** – The applicable tariff on stevedoring, storage and other related services for handling cargoes at the concession area shall be provided in **Annex "I"** hereof which forms an integral part of this Contract.

Section 5.02 **Rate Adjustment** – The prescribed rates and charges collectible by the OPERATOR for services rendered may be subject to adjustments in accordance with the rate adjustment mechanism as approved by the AUTHORITY.

Failure of the OPERATOR to secure authorization to increase cargo handling rates in accordance with the rate adjustment mechanism of the AUTHORITY shall not absolve the OPERATOR from the payment of any fees stipulated in Article III hereof.

Section 5.03 **Cost Recovery Measures** – Subject to the conditions set in the preceding Section, and in order to cushion the impact of changes in input prices of labor, fuel and power, an interim across the board cargo handling rate increase may be granted to the OPERATOR using the Consumer Price Index (CPI) formula as a guide.

Section 5.04 **Rate-Setting for Non-Traditional Services** – In cases where non-traditional services may be offered to the port users, the OPERATOR may apply for the applicable service rates and such rates shall be processed in accordance with the tariff setting mechanism of the AUTHORITY.

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ARTICLE VI
PORT LABOR

Section 6.01 **Port Workers' Retirement and Separation Fund (PRSF)** – The OPERATOR shall upon the effectivity of this Contract establish and maintain a PRSF strictly in accordance with the pertinent provisions of PPA Administrative Order No. 01-2006, as amended. The PRSF shall be used exclusively to finance and pay the benefits of port workers and employees of the OPERATOR who resign, retire, have been retrenched or whose services have been terminated due to change of operator/contractor at the concession area. The amount of the PRSF shall be correspondingly adjusted/increased in accordance with the applicable regulations of the AUTHORITY to fully cover the retirement/separation benefits of port workers/employees of the OPERATOR retiring during the term of this Contract, provided that any existing retirement and separation plan of the OPERATOR in favor of its employees which conforms with the requirements of PPA Administrative Order No. 01-2006, as amended, shall be sufficient for this purpose.

Section 6.02 **Relationship of Parties** – Nothing contained herein shall be construed as establishing a relation of employer and employee as between the AUTHORITY and the OPERATOR. The OPERATOR has complete charge, supervision and control of its personnel and shall be fully responsible for the services performed by them or on their behalf.

The OPERATOR shall during the performance of the services under this Contract be an independent contractor, retaining complete control over its personnel, conforming to all statutory requirements with respect to all its employees, and providing all appropriate employee benefits.

ARTICLE VII
PROHIBITION AGAINST ASSIGNMENT
AND TRANSFER OF CONTRACT

Section 7.01 **Prohibition Against Assignment and Transfer of Contract** – The OPERATOR shall not, either directly or indirectly, assign, hypothecate, encumber or transfer this Contract or any interest therein without prior written consent of the AUTHORITY, which consent shall not be unreasonably withheld.

ARTICLE VIII
SUSPENSION CANCELLATION OR TERMINATION
OF CONTRACT AND DAMAGES

Section 8.01 **Grounds** – The AUTHORITY may, without prejudice to other remedies against the OPERATOR, extrajudicially suspend, cancel or terminate this Contract on any of, but are not limited to, the following grounds, which may be determined as fundamental breaches of Contract:

1. Failure of the OPERATOR without justifiable cause to remit to the AUTHORITY the committed Fixed and Variable Fees;
2. Failure of the OPERATOR without justifiable cause, to pay during the designated paydays to its employees, laborers, stevedoring and dockworkers their just salaries

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or wages, and or remittances of premiums to SSS, Philhealth and fringe benefits as those obligations fall due.

3. Overcharging of cargo handling rates or collection of rates other than those prescribed in this Contract.

4. Failure and/or refusal of the OPERATOR to fully comply with its commitments as specified in its submitted Business Plan.

5. Failure of the OPERATOR to provide and maintain in good operating condition the cargo handling, safety and related equipment/gears resulting to material inefficiency of the concession area.

6. Failure of the OPERATOR to attain the committed productivity rate.

7. Failure of the OPERATOR to establish, maintain and update the prescribed PRSF or similar fund for its workers and employees.

8. Change of control of the OPERATOR arising from the sale, assignment, transfer or other disposition, of all or substantially all, of the capital stock by the OPERATOR without the prior written consent and approval of the AUTHORITY.

9. When the OPERATOR's performance is rated or considered "FAILED" in accordance with the Performance Standards and Rating System, or its subsequent amendments, of the AUTHORITY.

10. Failure of the OPERATOR to post the Performance Security in accordance with Section 4.16 or to renew the same within one (1) month after the expiration of the said bond.

11. Unjustified refusal of the OPERATOR to make available its books of accounts and other documents for inspection, examination or audit as provided for in this Contract or otherwise to submit to supervision, inspection and/or overseeing by AUTHORITY and/or duly authorized representatives, after prior reasonable notice.

12. Existence of pilferages of cargoes in excess of one-tenth (1/10) of one (1%) percent of the total value and/or the total volume in metric tons of all cargoes handled monthly due to the unjustified failure of the OPERATOR to control such pilferages.

13. If the OPERATOR, through any of its corporate officers and ranking management officials or employees from the rank of section head or higher, by taking advantage of their free access to the concession area and the vessels calling thereat, engage in smuggling and other activities and the OPERATOR fails or refuses without justifiable cause to take corrective or disciplinary action against its culpable officers, officials or employees.

14. If the OPERATOR is engaged 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 cargo handling services.

In case of repetitive instances of non-performance regularly by the OPERATOR, the AUTHORITY can take necessary action for termination of the Contract and forfeiture of Performance Security after issuing a maximum of three months' notice.

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Subject to due process requirements, when national security so requires or if the AUTHORITY shall find that public interest shall be better served by the cancellation of the Contract.

Section 8.02 **Effects of Cancellation or Termination of Contract** – As a consequence of cancellation or termination of this Contract, the AUTHORITY shall:

- a. Seize the Performance Security;
- b. Take possession of the concession area and its equipment;
- c. Take over the management and operation of the concession area; and
- d. Charge the OPERATOR compensation equal to three (3) times the average yearly amount of financial commitments and other remuneration paid during the three (3) years preceding the termination.

Further, the OPERATOR shall have no right to any compensation due, directly or indirectly, to the early termination of this Contract.

Section 8.03 **Notice of Violation and Decision** – The AUTHORITY shall inform the OPERATOR in writing of any violation of the terms of this Contract or its failure to perform any of its commitments or undertaking specified in this Contract, giving the latter up to thirty (30) days from receipt within which to explain. In the event such explanation is satisfactory to the AUTHORITY, the AUTHORITY shall allow a period of time to remedy the situation. Otherwise, the AUTHORITY may extra-judicially suspend, cancel or terminate this Contract upon approval by the Board of Directors of the AUTHORITY.

In all cases of violation of this Contract by the OPERATOR, the AUTHORITY shall be entitled to damages as may be adjudicated by proper authorities.

Section 8.04 **Mutual Termination of Contract** – At any time, the AUTHORITY and the OPERATOR may agree to terminate this Contract subject to the conditions defined by both parties. No such termination may take effect without the prior approval of the Board of Directors of the AUTHORITY.

Section 8.05 **Ownership/Acquisition of Improvement, Facilities and Equipment; Option to Purchase and Use of OPERATOR's Equipment by AUTHORITY** – Upon expiration of the term of this Contract or cancellation prior to its expiration, all existing improvements, structures, buildings and facilities at the concession area, permanent or semi-permanent, constructed by or belonging to the OPERATOR shall automatically become the property of the AUTHORITY without any obligation to reimburse the cost thereof.

Any equipment of the OPERATOR being used at the concession area shall, upon expiration of the term of this Contract or in the event the Contract is pre-terminated or cancelled, automatically become the property of the AUTHORITY without any obligation to reimburse for the same, except for equipment acquired by the OPERATOR whose depreciation extends beyond the expiration of this Contract. The OPERATOR shall return to their original condition, normal wear and tear excluded, all the existing improvements, structures, buildings and facilities at the concession area; including structures where the equipment, facilities and gears were removed from its installation.

In case the depreciation of equipment and gears extend beyond the term of this Contract, the costs for acquiring cargo handling equipment and facilities shall be mutually agreed by both parties.

The AUTHORITY shall have a right of first refusal over the cargo handling equipment, facilities and gears on the basis of its residual book value.

WITNESS BY:

DANIEL T. REYES

MEGA LIFTERS CARGO HANDLING, CORP.
BY:

REYMOND H. ALARCON
Authorized Representative

WITNESS BY:

MARK JON S. PALOMAR
Chairperson, HO-BAC PTMC

PHILIPPINE PORTS AUTHORITY
BY:

JAY DANIEL R. SANTIAGO
General Manager

If the AUTHORITY will not acquire the cargo handling equipment and facilities, the OPERATOR shall remove the same from the port premises within thirty (30) days after expiration of this Contract, provided that such removal can be done without damaging the concession area. If the OPERATOR fails to remove such cargo handling equipment and facilities, the AUTHORITY shall have the right to subject the equipment to an auction sale and apply the proceeds thereof to damages and expenses it had incurred as a consequence of non-removal.

The OPERATOR shall likewise overhaul or recondition all equipment, facilities and gears owned by the AUTHORITY to a state reasonably acceptable to the AUTHORITY.

The Contract shall not be deemed automatically extended even if during the contract period the OPERATOR procured cargo handling equipment whose depreciation period is longer than the contract period.

The second and third sentences of the preceding paragraph shall likewise apply on equipment, infrastructure and other improvements introduced or acquired by the OPERATOR in the event the termination is not due solely to the fault of the OPERATOR.

Section 8.06 **Takeover by the AUTHORITY** – Without prejudice to Sections 8.01, 8.03 and 10.07 of this Contract, the AUTHORITY shall have the right to immediately takeover operations at the concession area, including all equipment and structures therein, in any of the following instances:

- a. In cases of any emergency such as strikes, lock-out, stoppage of work and other causes of similar nature for the duration of such emergencies if the same results in the inability of the OPERATOR to carry out its obligations and deliver the services in accordance with the Contract;
- b. In case of violation of any of the terms and conditions of this Contract or the AUTHORITY's rules and regulations;
- c. In case of cancellation or termination of this Contract; or
- d. In such other cases where the AUTHORITY deems that the takeover is warranted as provided in Article II, Section 17(b), 12(c) of PPA Administrative Order No. 01-2006, as amended.

Section 8.07 **National Security** – In cases where national security or public interest so requires, the AUTHORITY may suspend the effectivity of this Contract and immediately take-over operations of the concession area. Upon cessation of the event affecting national security or public interest, the AUTHORITY shall immediately turn-over the operations of the concession area to the OPERATOR. The Fixed Fees shall be reduced in proportion to the period of such take-over. In addition, the term of this Contract shall be automatically extended for a period equivalent to that during which the Contract was suspended.

Section 8.08 **Compensation** – In the event that the property and/or operations of the OPERATOR or any part thereof at any time becomes the subject matter of or be included in any notice, notification or declaration concerning or relating to acquisition by the Government or any government authority or if the Government or government authority shall seize or otherwise appropriate in time of war or national emergency all or any substantial part of the property or other assets or control of operations of the OPERATOR or shall have taken any action that would prevent the OPERATOR or their officers from carrying on the operation of its business or a substantial part thereof, the OPERATOR shall forthwith inform the AUTHORITY of the same and the parties hereto shall undertake all

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Chairperson, HO-BAC PTMC

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General Manager

necessary steps and measures to ensure that the OPERATOR is awarded reasonable compensation for the duration of such seizure or appropriation.

ARTICLE IX

VENUE OF ARBITRATION AND LITIGATION

Section 9.01 **Venue of Arbitration and Litigation** - In case of controversy or dispute arising between the OPERATOR and the AUTHORITY concerning this Contract, either party may submit such dispute or controversy to arbitration. The arbitration proceedings shall follow the rules prescribed in Republic Act No. 9285, as amended, otherwise known as the "Alternative Dispute Resolution Act of 2004", and shall be conducted in the City of Manila.

The venue of any court action arising from this Contract shall be the proper court in the City of Manila to the exclusion of all other venues. Provided, however, that nothing herein contained shall preclude the AUTHORITY from exercising its rights provided under Article VIII, Sections 8.01, 8.05 and 8.06 of this Contract.

ARTICLE X

MISCELLANEOUS PROVISIONS

Section 10.01 **Compliance with Government Rules and Regulations** – The OPERATOR shall, from the effectivity of this Contract, strictly comply with all the existing laws, policies, guidelines, rules and regulations which are now or may hereafter be promulgated by the government and/or the AUTHORITY. All such policies, guidelines, rules and regulations, and all applicable laws, shall be read into, and made integral part of this Contract.

Section 10.02 **Training Program** - The OPERATOR shall conduct training programs for its employees in coordination with the AUTHORITY. Likewise, the OPERATOR shall conduct trainings for its employees and those employees of the AUTHORITY in line with the technology transfer and advancement.

Section 10.03 **Claims, Damages and Liabilities** – The OPERATOR shall hold the AUTHORITY free and harmless from any and all claims, damages, liabilities, actions, suits or causes of action which may be brought by any third party by reason of this Contract, including its implementation, on arising from its own actions or of any of its employees, agents and representatives, or due to the non-performance or non-observance of any law, statute, administrative or executive order or resolution, ordinance, or any of the covenant herein contained.

Section 10.04 **Claims Relating to Lands Subject of Expropriation Proceedings** – The AUTHORITY hereby warrants to the OPERATOR that the AUTHORITY has the right to grant the OPERATOR possession of the real property subject of this Contract and that the OPERATOR will have quiet possession of the same in pursuance of, and for the period set out in this Contract.

The AUTHORITY shall hold the OPERATOR free and harmless from any and all liabilities and claim for damages and/or suits relating to the lands subject of the expropriation cases or civil proceedings filed by or against the AUTHORITY including but not limited to the case before the Supreme Court, entitled "Philippine Ports Authority vs.

WITNESS BY:

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Authorized Representative

WITNESS BY:

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Chairperson, HO-BAC PTMC

PHILIPPINE PORTS AUTHORITY
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JAY DANIEL R. SANTIAGO
General Manager

Remedios Rosales-Bondoc, et al.”, docketed as G.R. No.173392 and all other related cases.

Section 10.05 **Non-Relinquishment or Non-Waiver of Rights** – The failure of the AUTHORITY to insist upon a strict performance of any of the terms, conditions and covenant hereof shall not be deemed a relinquishment or waiver of right or remedy that the AUTHORITY may have, nor shall it be construed as a waiver of any subsequent breach or default of the terms, conditions or covenants herein contained. No waiver by the AUTHORITY shall be deemed to have been made unless expressed in writing and signed by the AUTHORITY or its duly authorized representative.

Section 10.06 **Notices** – Any notice permitting or required to be served upon the OPERATOR may be served upon at the office address of the OPERATOR. If the OPERATOR shall give notice in writing to the AUTHORITY of any change in the office address, then in such event such notice shall be given to the OPERATOR at such substitute address. Any notice permitted or required to be served upon the AUTHORITY may be served upon it at the PPA Head Office Building, Bonifacio Drive, South Harbor, Port Area, Manila. If the AUTHORITY shall give notice in writing to the OPERATOR of any change in said address, then and in such event such notice shall be given to the AUTHORITY at such substitute address.

Section 10.07 **Mutual Trust** - In entering into this Contract, the parties recognize that it is impracticable to make provision for every contingency that may arise in the course of performance thereof. Accordingly, the parties hereby declare it to be the intention that this Contract shall operate between them with fairness and without detriment to the interest of either of them. If in the course of performance of this Contract, unfairness to or detriment to the interest of any party is disclosed or anticipated then the relevant party may send written notice of such unfairness or detriment to the other party, and within five (5) working days, the parties in good faith shall meet and use their best endeavors to agree upon such actions as may be necessary and equitable to remove the cause or causes of such unfairness or detriment.

If no such agreement is reached by the parties within fifteen (15) working days from the date a party sends to the other party a written request for an action to remove the cause of such unfairness (or such longer period as the parties may agree), the provisions of Article IX shall apply.

Section 10.08 **Force Majeure** – Neither party shall be responsible or liable to the other in any manner whatsoever for the destruction, damage, losses, injury, delay, or deviation from the Contract as a result of force majeure, such as but not limited to typhoon, conflagration, floods, fire, widespread epidemic or disease, earthquake, lightning and other similar natural calamities or events which could not be foreseen or which though foreseen, are inevitable, or those events caused by war, rebellion, terrorism, civil unrest or commotion, strikes, lockouts and industrial disputes not within the control of either party.

If either party is unable to comply with any of the conditions specified in this Contract due to force majeure, that party shall notify the other as soon as practicable but not later than ten (10) days after such occurrence. The latter party shall, within one (1) month after receipt of notice, inform the former of its concurrence of the existence of force majeure and the effect thereof on their contractual obligations and responsibilities.

In the event of a force majeure:

- a. The terms of this Contract shall be automatically extended without need of any act for a period equivalent to that during which there was force majeure

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REYMOND H. ALARCON
Authorized Representative

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Chairperson, HO-BAC PTMC

PHILIPPINE PORTS AUTHORITY
BY:

JAY DANIEL R. SANTIAGO
General Manager

preventing the OPERATOR from operating the concession area fully and generating revenue therefrom; and

b. The Fixed Fees shall be reduced in proportion to the period equivalent to that during which there was a force majeure and the OPERATOR was prevented from operating the concession area and generating revenue therefrom.

In any case, the party claiming the benefit of this provision shall exercise due diligence in complying with the provisions of the Contract and shall take appropriate means to minimize or remove the effects of force majeure and, within the shortest possible time, attempt to resume performance of the obligation affected by the event of force majeure.

Section 10.09 **Non-Relief From Liability** - Any suspension or cancellation of this Contract shall not relieve the OPERATOR of any liability that may already accrued prior to such suspension or cancellation.

Section 10.10 **Separability Clause** – Each paragraph, part, term and/or provision of this Contract shall be considered severable, and if, for any reason, any paragraph, part, term and/or provision herein is determined to be invalid or contrary to, in conflict with, any existing or future law or regulation, such shall not impair the operation of or affect the remaining portions, sections, parts, terms, and/or provisions of this Contract, and the latter shall continue to be given in full force and effect and bind the Parties hereto; and said invalid sections, parts, terms, and/or provisions shall be deemed not part of this Contract.

Section 10.11 **Special Warranty** - The OPERATOR hereby warrants that it has not given or promised any gift or consideration to any official of the AUTHORITY or the Government in order to obtain this Contract, and that the execution of this Contract shall not result directly or indirectly in a violation of the Anti-Graft and Corrupt Practices.

ARTICLE XI

ENTIRE AGREEMENT, AMENDMENTS AND SUPPLEMENTS

Section 11.01 **Entire Agreement, Amendments and Supplements** – This Contract contains the entire agreement and understanding between the AUTHORITY and the OPERATOR as to the subject matter thereof and merges and supersedes all prior agreements, commitments, representations, writings and discussions between them except as to the commitments and representations made by the OPERATOR in its Bid Proposal for which the OPERATOR continues and remains to be bound. This Contract may not be changed, modified or supplemented in any way except by an instrument in writing executed by both the OPERATOR and the AUTHORITY and duly approved by the PPA Board of Directors.

ARTICLE XII

VISITORIAL POWERS

Section 12.01 **Visitorial Powers** – The OPERATOR shall make available, at all times during office hours and upon prior reasonable notice, for inspection, examination and audit by the duly authorized personnel of the AUTHORITY and the Commission on Audit its books of accounts, billings, payroll and records pertinent to this Contract.

WITNESS BY:

DANIEL T. REYES

MEGA LIFTERS CARGO HANDLING, CORP.
BY:

REYMOND H. ALARCON
Authorized Representative

WITNESS BY:

MARK JON S. PALOMAR
Chairperson, HQ/BAC PTMC

PHILIPPINE PORTS AUTHORITY
BY:

JAY DANIEL R. SANTIAGO
General Manager

Section 13.01 **Effectivity and Term** – This Contract shall become effective on the date specified in the Notice to Proceed to be issued by the AUTHORITY and shall remain in full force and effect for a period of FIFTEEN (15) years unless sooner modified, cancelled, or terminated in accordance with the pertinent provisions herein provided.

Six (6) months prior to the expiration of the Agreement, the AUTHORITY shall initiate the procurement of a new agreement. The new agreement shall be awarded prior to the expiration of the existing agreement.

IN WITNESS WHEREOF, the parties have hereunto, acting through their representatives and duly authorized for the purpose, have caused this Contract to be signed in their respective names as of the day, year and at the place first above-written.

PHILIPPINE PORTS AUTHORITY

TIN No: 000-352-232-000

By:


JAY DANIEL R. SANTIAGO
General Manager


MEGA LIFTERS CARGO HANDLING, CORP.,

TIN No: 009-660-932-0000

By:


REYMOND H. ALARCON
Authorized Representative

SIGNED IN THE PRESENCE OF:


MARK JON S. PALOMAR
Chairperson, HO-BAC-PTMC


DANIEL T. REYES
Witness

ACKNOWLEDGMENT

REPUBLIC OF THE PHILLIPINES)
CITY/MUNICIPALITY OF CITY OF MANILA) S.S.

BEFORE ME, a Notary Public for and in the City of CITY OF MANILA, Philippines, this
DEC 02 2022 day of DEC 02 2022, 2022, personally appeared the following:

NAME	CTC NO.	DATE	PLACE
Jay Daniel R. Santiago	PPA ID No. 00102016		
Reymond H. Alarcon			

known to me and to me known to be the same persons who executed the foregoing instrument as:

POSITION	COMPANY	CTC NO.	DATE	PLACE
General Manager	PHILIPPINE PORTS AUTHORITY	00367765	2-02-2021	Manila
Authorized Representative	MEGA LIFTERS CARGO HANDLING, CORP.			

and they acknowledged to me that the same is their own free act and deed as well as the free and voluntary act of the corporation they represent.

The foregoing instrument is a Contract for the Port Terminal Management of the Port of Pagadian consisting of eighteen (18) pages, including this page on which this acknowledgment is written, signed by the parties and their instrumental witnesses on each and every page hereof.

IN WITNESS WHEREOF, I have hereunto affixed my hand and notarial seal on these presents at the place and on the date first above written.

Doc. No. 236;
Page No. 18;
Book No. XVI;
Series of 2022

NOTARY PUBLIC
ATTY. IMELDA A. PANIA
Notary Public extended per BP 395 Until Dec. 31, 2022
PTR No. 0097339, Jan. 03, 2022
IBP Lifetime Member No. 08305, Roll No. 52614
MCLE No. VI-0029369, Nov. 11, 2019 Until 2022
Commission No. 2019-082
1091, N. Lopez St., Ermita, Manila
0995 041 4978