

# INSIDE THE REPORT

## MISSION

1. Provide reliable and responsive services in ports, sustain development of communities and the environment, and be a model corporate agency of the government.
2. Establish a mutually beneficial, equitable, and fair relationship with partners and service providers.
3. Provide meaningful and gainful employment while creating a nurturing environment that promotes continuous learning and improvement.
4. Establish a world-class port operation that is globally competitive adding value to the country's image and reputation.

## VISION

By 2020, PPA shall have provided port services of global standards.

## MANDATE

To establish, develop, regulate, manage, and operate a rationalized national port system in support of trade and national development.

**EXCELLENCE**  
Professionalism,  
Efficiency

**CREATIVITY**  
Innovation,  
Adaptability

## CORE VALUES

**CUSTOMER SATISFACTION**  
Customer Focus

**RESPONSIBLE CITIZENSHIP**  
Sustainability,  
Accountability,  
Risk Management

**ETHICS**  
Integrity within  
moral bounds

**SINCERITY**  
Commitment to  
fulfill mandate

**TEAMWORK**  
Synergy of working  
together, Esprit de  
corps



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## ABOUT THE REPORT

Driven by its vision to provide excellence in port services and operations in 2018, the Philippine Ports Authority (PPA) has set its sights toward continuous and progressive development in port management and operations. PPA stands at the forefront of development initiatives primarily in upgrading its numerous infrastructure projects. Aligned with its initiatives toward green port developments, a step to balance economic growth and environmental sustainability,

the Authority remains confident of a very bright, stable, and progressive future. Steadfast on its goal to contribute to the growth of the country's port industry, PPA sets out to provide safer and more efficient services to Filipinos across the archipelago.

Continuing to shape a new course in port management and transportation in the Philippines, PPA marked its transformative journey through 2018 with an aptly titled Annual Report, "A New Look Towards Progress". The cover design highlights the fresh new image embodied by the PPA logo, juxtaposed with the country's leaders who have spearheaded new operations and innovations in the port industry. The PPA looks to the future inspired and driven to develop the country's full potential in global trade.

## A MESSAGE FROM THE GENERAL MANAGER

02



6.02%  
Year-on-Year Increase  
in Passenger Traffic

308.06%  
Increase in Cruise  
Passenger Headcount

13.93%  
Year-on-Year  
Increase in Revenue

13.27%  
Increase in  
Dividend Payment

PPA remains steadfast in providing support linkages in every region of the country and ensuring that its policies are abreast of industry trends and best practices.



For 2018, the Philippine Ports Authority (PPA) contributed an unprecedented Php9.4 billion in taxes and dividends to the national coffers, effectively underscoring its strong fiscal performance and sustained growth. Of the total amount, Php5.9 billion is attributed to taxes, more than half of aggregate levies remitted in the past decade; and, Php3.51 billion in cash dividends—the highest, to date. These milestones are clear proof of how well PPA performed in 2018 both financially and operationally, guided by its vision of providing port services of global standards by 2020, and in line with the Duterte administration's thrust towards a "Golden Age of Infrastructure" for the Philippines.

The Government's "Build, Build, Build" program continues to create an impetus for the national economy, which posted a 6.2% growth in 2018. Launched in 2017, the \$180 billion infrastructure plan is geared at



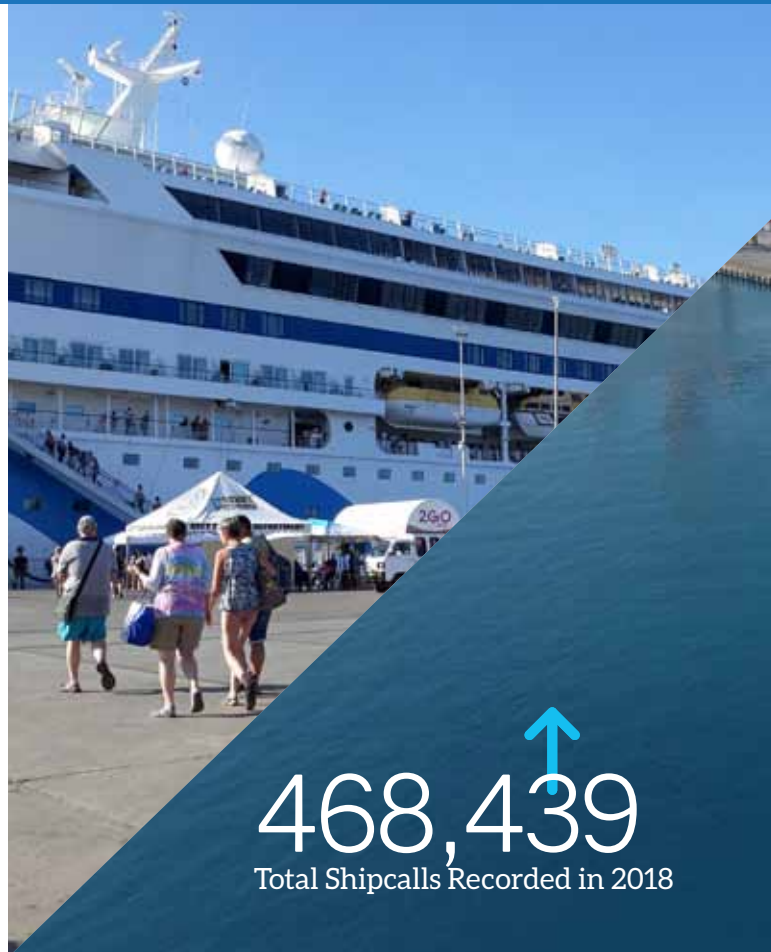


facilitating the nationwide flow of capital, goods, and people—consistent with the Master Plan on ASEAN Connectivity. For its part, PPA remains steadfast in providing support linkages in every region of the country and ensuring that its policies are abreast of industry trends and best practices.

Operational efficiency in 2018 is up from the previous year, marked by a considerable increase in vessels, cargo, and passengers that have passed through PPA ports. Total passenger traffic climbed 6.02% year-on-year, with cruise tourists increasing by 308.06%—highlighting the fact that interisland shipping continues to be a viable transportation option. Meanwhile, total cargo throughput inched forward by 2.92%, reaching 260.95 million metric tons (MMTs), as domestic cargo moved up 3.84% (3.89 MMTs) and foreign trade showed an improvement of 2.30% (3.50 MMTs). These robust figures translated to more revenue for PPA, totaling Php17.496 billion in 2018, which increased by 13.93% year-on-year.

A total of 468,439 shipcalls were recorded this year, a 4.33% (19,431 vessels) increase attributed to higher domestic vessel calls, which went up by 4.57% (19,994 vessels). Now more than ever, the Philippines is attracting larger foreign container vessels to fill their capacity. Moreover, sustained decongestion efforts, specifically at the Port of Manila, resulted in a lower yard utilization rate, from a high of 95% to a healthy 70%. Amid higher traffic, port efficiency is at its optimum.

In terms of infrastructure development and maintenance, PPA implemented 162 Locally Funded Projects (LFPs) in 2018—68 projects for Luzon ports, 34 for Visayas ports, and 60 for Mindanao ports—for which Php4.847 billion was allocated. Likewise, 198 repairs and maintenance (R&M) projects were completed and 108 were ongoing by yearend with a total approved budget of Php3.20 billion.



468,439  
Total Shipcalls Recorded in 2018

But beyond the physical improvements, ensuring global competitiveness has always been, and continues to be, PPA's key thrust. As of December 2018, the Ports of Palawan, Cagayan de Oro, General Santos, Davao, and Bicol were already IMS Certified; the Port of Ozamiz passed the 1st Surveillance Audit; and the Port of Zamboanga underwent 2nd Surveillance Audit. The IMS combines multiple management system standards, including ISO 9001:2015 QMS; ISO 14001:2015 Environmental Management System (EMS); and, ISO 18001 Occupational Health and Safety (OH&S). The measures adopted to step up PPA's "green port" initiatives have yielded positive results, with the Port of Cagayan de Oro bagging the 2018 Green Port Award System (GPAS) from the Asia-Pacific Economic Cooperation Port Services Network (APSN). PPA continues to move toward renewable energy sources in its operations at the Head Office and Port Management Offices (PMOs) across the country.



**Above:** The Port of Cagayan de Oro, one of the country's most bustling ports, services international cargo and passenger vessels routinely. The new Passenger Terminal Building (PTB) being constructed across the wharf is set to open in July 2019.



↑  
**162**  
 Locally-Funded  
 Projects (LFPs)  
 in 2018

**Above:** The newly constructed welcome marker has now become a tourist spot of sorts in Bohol.

PPA could not have achieved these milestones without its Board of Directors that ensures the success of its initiatives. Likewise, much is owed to the men and women of PPA for their dedication to duty. They are the driving force that make the Authority a key element in nation-building, one that is highly capable of addressing the needs of the Filipino people. To all of you, our sincere gratitude and congratulations for this year's accomplishments. *Mabuhay!*

  
**JAY DANIEL R. SANTIAGO**  
 General Manager



# BUILDING ON A LEGACY

# PHILIPPINE PORTS AUTHORITY UNVEILS NEW LOGO



Logos represent a brand, an image. When you see a logo, no matter where you are in the world, you know exactly what it stands for.



1974

1977

1999

2018

The PPA was created by virtue of Presidential Decree (P.D.) No. 505 in 1974.



The PPA's first logo appeared on its initial Annual Report, which was published in 1977, and was used until 1998.



The second PPA logo was launched during the Estrada administration in 1999 and was used until 2017.

The new PPA logo was launched in January 2018 by GM Jay Daniel R. Santiago. In attendance were the PPA Board Members, Management Team, and Division Heads.



In 2018, PPA unveiled its new logo - the third in its more than 43 years of existence. The new PPA logo was approved by the Office of the President through the National Historical Commission of the Philippines in December 2017, and was launched in January 2018.



PPA General Manager Jay Daniel R. Santiago said that the new logo embodies the vision of PPA, which is to provide port services of global standards encompassing the three major islands of the country. According to GM Santiago, the new logo underpins PPA's commitment to the highest standards in terms of vessel operators, cargo owners, port stakeholders, safety, environment, among others.

The new logo's sharp element is the **North Star** in Pantone Opaque Couche color which is a symbol not only of guidance and direction but also of stability and leadership. It denotes the Authority's firm stand in the achievement of its vision and mission. This element also stands for the letter "P" in the PPA/ Philippine Ports Authority while creating the image of a bollard.

The **Sun** symbolizes the economic improvement and progress of the country while the three waves stand for the waters of the three island groups – Luzon, Visayas, and Mindanao. It has always been the Government's thrust, through PPA, to ensure interconnectivity through port development.



Lastly, the **blue** and **red circle** within the star symbolizes the globe, depicting the PPA's vision of providing port services of global standards. The cargoes, on the other hand, represent one of the basic functions of PPA which is port operations.



LEADERS  
AND HEADS

08

BOARD OF DIRECTORS



- 1 **Arthur P. Tugade**  
Chairman  
Secretary, Department of  
Transportation
- 2 **Jay Daniel R. Santiago**  
Vice Chairman  
General Manager,  
Philippine Ports Authority
- 3 **Ernesto M. Pernia**  
Member  
Secretary, Socioeconomic  
Planning Director General,  
NEDA
- 4 **Carlos G. Dominguez III**  
Member  
Secretary, Department of Finance
- 5 **Mark A. Villar**  
Member  
Secretary, Department of  
Public Works and Highways
- 6 **Roy A. Cimatu**  
Member  
Secretary,  
Department of Environment  
and Natural Resources
- 7 **Ramon M. Lopez**  
Member  
Secretary,  
Department of Trade  
and Industry
- 8 **Narciso A. Vingson, Jr.**  
Member  
Officer-in-Charge,  
Maritime Industry Authority
- 9 **Philip S. Tuazon**  
Member  
Private Sector Representative
- 10 **Jasmin A. Pararuan**  
Corporate Board Secretary

## DIRECTORS' PROFILE

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### ARTHUR P. TUGADE

Chairman, PPA Board of Directors and Secretary, Department of Transportation

**Date of First Appointment/  
Assumption of Office**  
June 30, 2016

**Qualifications/Relevant Experience**  
Extensive background and experience in law, business, and service in the government and private sector

**Directorship in other agencies/companies**  
Director/Chairman in the attached agencies of DOTr

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### JAY DANIEL R. SANTIAGO

Vice-Chairman, PPA Board of Directors and PPA General Manager

**Date of First Appointment/  
Assumption of Office**  
July 1, 2016

**Qualifications/Relevant Experience**  
Extensive background and experience in law and government service

**Directorship in other agencies/companies**  
MARINA

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### ERNESTO M. PERNIA

Member, PPA Board of Directors and Secretary, National Economic and Development Authority

**Date of First Appointment/  
Assumption of Office**  
June 30, 2016

**Qualifications/Relevant Experience**  
Extensive background and experience in the academe, economics, and service in the government and private sector

**Directorship in other agencies/companies**  
Director/Chairman in the attached agencies of NEDA

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### CARLOS G. DOMINGUEZ III

Member, PPA Board of Directors and Secretary, Department of Finance

**Date of First Appointment/  
Assumption of Office**  
July 1, 2016

### Qualifications/Relevant Experience

Extensive background and experience in the government service and private sector

### Directorship in other agencies/companies

Director/Chairman in the attached agencies of DOF

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### MARK A. VILLAR

Member, PPA Board of Directors and Secretary, Department of Public Works and Highways

**Date of First Appointment/  
Assumption of Office**  
August 1, 2016

**Qualifications/Relevant Experience**  
Extensive background and experience in business and government service (legislative department)

**Directorship in other agencies/companies**  
Director/Chairman in the attached agencies of DPWH

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### ROYA. CIMATU

Member, PPA Board of Directors and Secretary, Department of Environment and Natural Resources

**Date of First Appointment/  
Assumption of Office**  
May 8, 2017

**Qualifications/Relevant Experience**  
Extensive background government service (military and special envoy)

**Directorship in other agencies/companies**  
Director/Chairman in the attached agencies of DENR

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### RAMON M. LOPEZ

Member, PPA Board of Directors and Secretary, Department of Trade and Industry

**Date of First Appointment/  
Assumption of Office**  
June 30, 2016

**Qualifications/Relevant Experience**  
Extensive background and experience in business and private sector

**Directorship in other agencies/companies**  
Director/Chairman in the attached agencies of DTI

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### NARCISO A. VINGSON, JR.

Member, PPA Board of Directors and Officer-in-Charge, Maritime Industry Authority (November 2018 to present)

**Date of First Appointment/  
Assumption of Office**  
November 2018

**Qualifications/Relevant Experience**  
Extensive background and experience in government service (naval service)

**Directorship in other agencies/companies**  
MARINA

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### PHILIP S. TUAZON

Member representing the Private Sector, PPA Board of Directors

**Date of First Appointment/  
Assumption of Office**  
April 2017

**Qualifications/Relevant Experience**  
Extensive background and experience in business and private sector

**Directorship in other agencies/companies**  
Philweb

## ALTERNATE BOARD MEMBERS



**FERNANDO JUAN C. PEREZ**  
Department of Transportation



**ALADIN A. ANCHETA**  
National Economic and Development  
Authority



**ABDULFATAK A. PANDAPATAN**  
Department of Public Works and  
Highways



**ROWEL S. BARBA**  
Department of Trade and Industry



**ANGELO TANINGCO**  
Department of Trade and Industry



**ANTONETTE C. TIONKO**  
Department of Finance



**ERNESTO D. ADOBO, JR.**  
Department of Environment  
and Natural Resources



## TECHNICAL WORKING GROUP



**FERNANDO JUAN C. PEREZ**  
Department of Transportation



**PRIMO ELVIN L. SIOSANA**  
Philippine Ports Authority



**CRISELLE S. SANTOS**  
National Economic and Development Authority



**ABDULFATAK A. PANDAPATAN**  
Department of Public Works  
and Highways



**REYNALDO D. LIGNES**  
Department of Trade and Industry



**JEFFERSON L. GOMEZ**  
Department of Finance



**NORLITO A. ENERAN**  
Department of Environment  
and Natural Resources



**NANETTE V. DINOPOL**  
Maritime Industry Authority



**MA. SUSANA B. GARCIA**  
Office of the Government  
Corporate Counsel



**EVANGELINE D. SALAZAR**  
Private Sector Representative

## EXECUTIVE OFFICERS



*Left to right:*

**ELMER NONNATUS A. CADANO**  
Assistant General Manager,  
Finance and Administration  
and concurrent Assistant to the  
General Manager for Special Concerns

**CONSTANTE T. FARIÑAS, JR.**  
Assistant General Manager,  
Engineering

**HECTOR E. MIOLE**  
Assistant General Manager,  
Operations

**JAY DANIEL R. SANTIAGO**  
General Manager

# DEPARTMENT MANAGERS

## OFFICE OF THE GENERAL MANAGER

Internal Audit

**VENICIUS V. VILLASEÑOR**

Legal Services

**MA. ASUNCION HIYASMIN H. DE LOS SANTOS**

Information and Communications Technology

**ELIZABETH C. FOLLOSCO** *(Until September 2018)*

**GERVACIO ALFREDO N. BALATBAT** *(Acting)*

Port Management Systems  
& Organization Development

**ADRIAN FERDINAND S. SUGAY** *(Until July 2018)*

**ELAINE L. PAREDES** *(Acting)*

Corporate Planning

**AMELIA M. AQUINO** *(Until April 2018)*

**ANGELINA A. LLOSE**

Special Assistant to the Corporate Head

**PRIMO ELVIN L. SIOSANA** *(Acting)*

## OPERATIONS OFFICE

Port Operations & Services

**LILIAN T. JAVIER**

Commercial Services

**JOSELITO O. SINOCRUZ**

PPA Training Institute

**MARJORIE R. ROLA** *(Until June 2018)*

**MARYGENE F. MONTENEGRO** *(Acting)*

Port Police

**LOVING F. FETALVERO, JR.** *(Acting until May 2018)*

**FROILAN U. CATURLA** *(Acting)*



## ENGINEERING SERVICES OFFICE

Port Construction & Maintenance

**CARLITO M. CASTILLO**

Dredging and Survey

**ROLANDO K. PEREZ**

Port Planning and Design

**REYNAND C. PARAFINA**

## FINANCE AND ADMINISTRATION OFFICE

Controllership

**VIRGINIA S. VALERO**

Treasury

**REMEDIOS D. VERCASI** *(Until May 2018)*

**PRIMO ELVIN L. SIOSANA** *(Acting)*

Human Resource Management

**MARK JON S. PALOMAR**

Administrative Services

**ANTONIO C. IGNACIO, JR.**



## PORT MANAGEMENT OFFICE (PMO) MANAGERS

### MANILA/NORTHERN LUZON PMOs

**PMO NCR SOUTH**  
Eligio P. Fortajada (*Acting*)

**PMO NCR NORTH**  
Rosenda G. Sumagaysay

**PMO NORTHERN LUZON**  
Marietta G. Odicla

**PMO BATAAN/AURORA**  
Froilan E. Abella<sup>†</sup>  
(*Acting until June 2018*)  
Loven S. Serran (*Acting*)

### SOUTHERN LUZON PMOs

**PMO BATANGAS**  
Leopoldo C. Bischocho, Jr.

**PMO BICOL**  
Fernando B. Claveria  
(*Until February 2018*)  
Fatima D. Reaso (*Acting*)

**PMO PALAWAN**  
Elvis R. Medalla

**PMO MINDORO**  
Arcidi S. Jumaani

**PMO MARINDUQUE/QUEZON**  
Marcelino D. Manafad, Jr.  
(*Until August 2018*)  
Francisquiel O. Mancile

**PMO MASBATE**  
Fernando B. Claveria  
(*Until April 2018*)  
Carolina S. Mendizabal (*Acting*)

### VISAYAS PMOs

**PMO NEGROS ORIENTAL/SIQUIJOR**  
Sarah R. Mijares

**PMO PANAY/GUIMARAS**  
Jose Cesario O. Bautista (*Until March 2018*)  
Eduardo P. Goles (*Acting*)

**PMO EASTERN LEYTE/SAMAR**  
Dominador D. Licayan (*Until March 2018*)  
Emiliano M. Esparaguera, Jr. (*Acting*)

**PMO NEGROS OCCIDENTAL/  
BACOLOD/BANAGO/ BREDCO**  
Bernard C. Calledo (*Acting*)

**PMO WESTERN LEYTE/BILIRAN**  
Manuel A. Boholano

**PMO BOHOL**  
James J. Gantalao

### NORTHERN MINDANAO PMOs

**PMO MISAMIS ORIENTAL/  
CAGAYAN DE ORO**  
Isidro V. Butaslac, Jr.

**PMO LANA O DEL NORTE/ILIGAN**  
Annie Lee F. Manese

**PMO AGUSAN**  
Carmelito Fabian C. Abitona  
(*Until July 2018*)  
Jose Maria M. Yares (*Acting*)

**PMO SURIGAO**  
Mildred J. Padilla

**PMO MISAMIS OCCIDENTAL/  
OZAMIZ**  
Noeme W. Calderon

### SOUTHERN MINDANAO PMOs

**PMO DAVAO**  
Analee G. Aguila

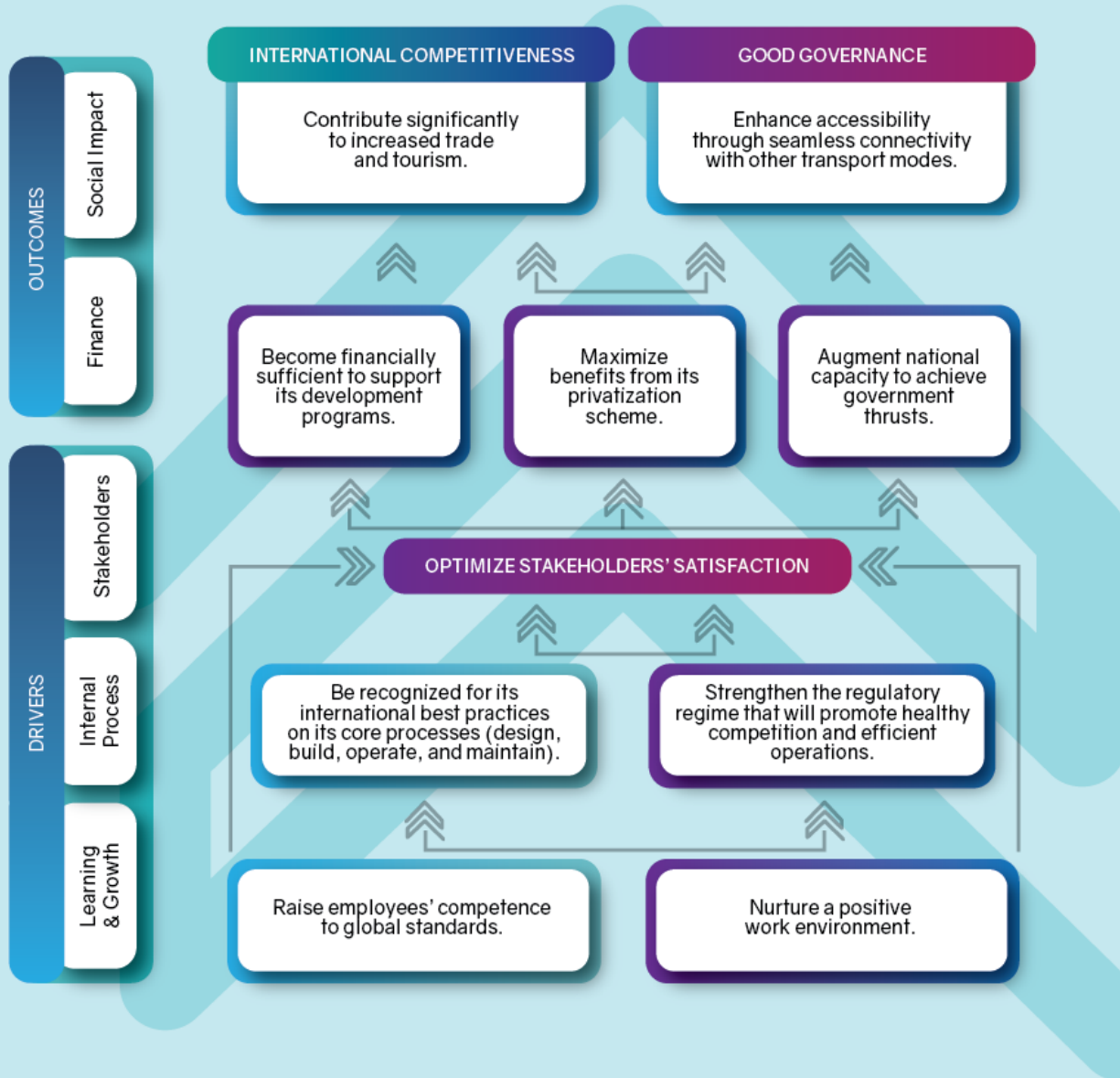
**PMO SOCSARGEN**  
Cesar M. Dataya

**PMO ZAMBOANGA DEL NORTE**  
Salvador L. Delina

**PMO ZAMBOANGA**  
Liberto C. Dela Rosa



# STRATEGY MAP

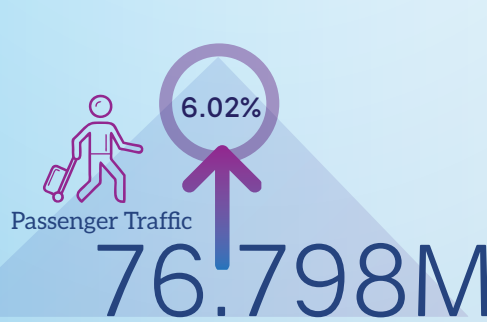
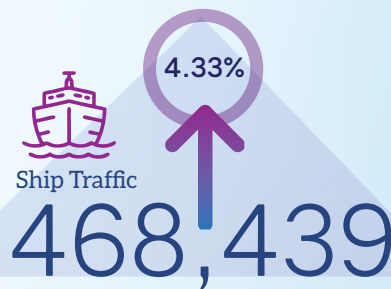
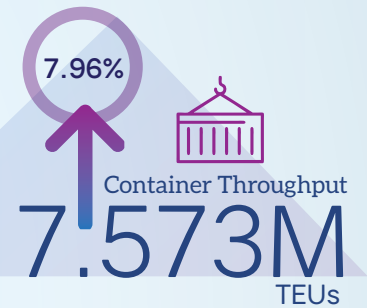
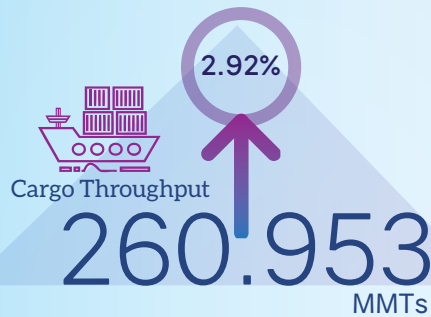


## CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENTS

As a leading GOCC, the PPA continues to work towards upholding the highest standards of corporate governance by simply being a responsible corporate citizen. This entails (i) developing and operating ports that cater to the needs of local and/or global clients in accordance with best practices and state-of-the-art technologies, (ii) promoting the growth of communities by linking them to the mainstream of economic activities, (iii) establishing fair and equitable business relationships which are beneficial to both port stakeholders and the government, and (iv) uplifting the lives of its employees by giving them a work environment that is conducive and offers opportunities for career advancement.

## 2018 PERFORMANCE SNAPSHOT

### Shipping and Trade Performance





## Physical Infrastructure Development & Maintenance

162

Completed Locally Funded Projects in 2018

PHP 4.847B  
Budget Allocation

198

Completed Repairs and Maintenance Projects in 2018

PHP 3.20B  
Budget Allocation

## Financial Performance Indicators

Total Revenue  
PHP 17.496B 13.93%

Expenses  
PHP 9.476B 8.79%

Net Income After Tax  
PHP 5.554B 24.15%

### Current Ratio

Measures the ability of the Authority to meet current obligations. Resultant ratio must be >1.

2.36:1 | 2018  
versus  
2.65:1 | 2017

This year's ratio decreased to 2.36 from last year's 2.65; meaning PPA has Php2.36 current assets to cover every Php1.00 current obligation.

### Return on Assets (ROA)

Indicates the degree of profits realized in relation to the amounts invested in assets. Resultant percentage must be >7%

22.96% | 2018  
versus  
21.34% | 2017

This year's ROA went up to 22.96% from last year's 21.34% due to the increase in net operating income.

### Port Operating Ratio

Measures the effectiveness of management in terms of keeping down costs in relation to revenue. Resultant ratio must be <70-75%

51.63% | 2018  
versus  
51.42% | 2017

This year's port operating ratio increased to 51.63% from last year's 51.42%.

### Debt to Equity Ratio

In compliance with PD 857, total indebtedness of the PPA in principal amount on local and foreign currency shall not at any time exceed the net worth of the PPA at the relevant time. Resultant ratio must be <1.

0.091:1 | 2018  
versus  
0.090:1 | 2017

This year's ratio of 0.091:1 is safely within the required limit.

# THE YEAR IN REVIEW

## 2018 FEATURE STORIES

PHILIPPINE  
PORTS  
AUTHORITY



PPA unveils  
its new logo



Cruise tourism initiatives  
pay off as arrivals jumped  
more than a hundredfold



PPA invests, capacitates  
outsourced personnel as  
it opened entry-level positions  
to all qualified applicants



PPA sets sight on infrastructure  
build-up as it marks its  
44th Founding Anniversary



Manila South Harbor  
handles the largest cruise  
ship that docked  
in the Philippines

PPA heads towards  
full QMS, IMS  
compliance



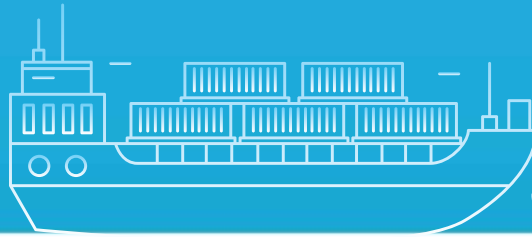
Port of Cagayan de Oro  
hailed as one of the  
GPAS Winners 2018



9% ↑



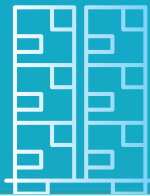
PPA steps up infrastructure upgrades as port revenues jump 9% in the first quarter



PPA embarks on massive computerization and automation efforts



PPA upbeat over prospects brought about by new MICT post-panamax cranes

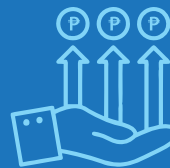


Manila port operators donate safety and communication equipment to MMDA





# IMPACT ON THE PHILIPPINE ECONOMY



PPA affirms to sustain its momentum and remain committed to facilitating the movement of goods and people that support the country's economic growth.

*The Port of Tagbilaran sees an increase in traffic as more light vessels undergo last-minute servicing.*

The number of islands in the Philippines varies depending on whether it is high tide or low tide, although it is safe to say that the country has about 7,641 islands scattered across its 120,000 square miles land area.

As an archipelagic country, ports play an important role in the daily lives of the Filipinos. Ports in the Philippines function as important gateways of international and local trade. As such, these are regarded as major accelerators of economic development, especially in this age of globalization.

And indeed, the country's seaports play a vital role in improving the Philippine economy. In 2018, seaports under the Authority handled over 261 MMTs of goods – an undeniable proof of their contribution to economic growth. The Philippines remained one of the best performing economies in the region because of strong domestic consumption even if the country's gross domestic product (GDP) in the third quarter of 2018 slowed down. The considerable increase in vessels, cargo, and passengers that passed through PPA ports contributed to ensuring that our economy remains afloat.

Vessel calls (shipcalls) totaled 468,439 in 2018, an increase of 4.39% or 19,431 vessels compared to the traffic registered in 2017. Improved vessel traffic was due to the increase in domestic shipcalls (4.57% or 19,994 vessels), countering the decrease in foreign vessel calls of 4.71% or 563 vessels.

Total cargo increased by 2.92% in 2018, which is equivalent to 7.39 MMTs. Of the total recorded throughput, more than half were foreign cargo. However, the total traffic improvement was also backed up by domestic cargo volume.

Domestic cargo, in particular, grew by 3.84% or 3.89 MMTs due to robust local demand attributed to enhanced



**Above:** A port worker stacking bulk cargoes of agri-feeds at the Port of Puerto Princesa storage warehouse compound.

business climate. Container volume also increased by 7.96% (558,552 twenty-foot equivalent units or TEUs), signaling an upbeat shipping and trade atmosphere in 2018.

Apart from cargoes, PPA ports also move people safely and reliably. Total passenger traffic in 2018 increased by 6.02% or 4.36 million passengers, primarily due to the continued trust and reliance of the sea-travelling public on Roll on-Roll off (Ro-Ro) vessels, fast crafts, and motorized boats.



**Above:** The M/S Insignia dropped anchor at the Port of Puerto Princesa from its port of call in Indonesia. The maiden call at the Port brought around 600 guests and 400 crew members.

The public's favorable response to the government's domestic eco-tourism programs that encourage leisure inter-island Ro-Ro travel to eco-tourism sites also contributed to the increase in passenger traffic.

Cruise tourism, in particular, contributed to the rise of passenger traffic, posting 308.06 % or 340,524 passengers increase in 2018 compared to 2017.

These are but a few examples to show how ports under the Authority continue to be one of the primary components of the general transportation sector, and the Philippines' vital link to the global economic system.

PPA affirms to sustain its momentum and remain committed to facilitating the movement of goods and people that support the country's economic growth.

**Below:** Port workers securing the berthing ropes of incoming vessels at the Port of Bohol.





## FEATURE

# CRUISE TOURISM INITIATIVES PAY OFF AS ARRIVALS JUMP MORE THAN 250-FOLD



There was a time when tourists' only option to go around the Philippines is by air. Since then, times have changed. For this current generation of travelers, it's not just about reaching the destination, but savoring the experience of the journey.

**Above:** Germany-based international cruise ship M/S Europa docking at the Port of Tagbilaran from Papua New Guinea, bringing in 324 tourists to the province.

In line with tourists' evolving mindset, cruise ship travelers have significantly increased these past few years, and the country greatly benefitted from this. Philippine cruise ship arrivals posted unprecedented figures in the last 12 months, capped by the docking of the largest cruise ship at the Manila's South Harbor.

Last June 2018, MS Ovation of the Seas arrived at the Manila South Harbor, which is by far heavier and longer by 17,336 gross tons and 12.65 meters, respectively, compared to other ships. M/S Ovation of the Seas is operated by Royal Caribbean International.

In the same month, the Manila South Harbor – managed and operated by Asian Terminals, Inc. (ATI) – also registered the biggest number of cruise ships docked at the ports namely, Superstar Virgo of Star Cruises, Costa Atlantica of Costa Cruises, Amsterdam of Holland America Lines, and Silver Shadow of Silversea Cruises.

According to PPA General Manager Jay Daniel R. Santiago, this trend shows that the Philippines is more than ready to handle the demands of the international cruise ship industry.

“This also underscores the hold of the Philippines as the newest cruise shipping destination within the Asia-Pacific region,” Santiago said.

He added that the continuous hike in cruise ship arrivals is a testament to the effective initiatives put into place by different government agencies like PPA, Department of Tourism (DOT), and Department of Transportation (DOTr), among others.

To sustain this initiative, PPA is carrying out several infrastructure projects in key areas to support the booming cruise industry. The ports of Davao, Bohol, Boracay, Cebu, Metro Manila, Puerto Princesa, Subic, and Zamboanga are being eyed as potential international hub for cruise liners. It has also lined up various port programs for the development of cruise terminals, which include the Ports of Puerto Princesa, Currimao in Ilocos Norte, and Catagbacan in Bohol Province.

Indeed, there is no doubt that cruise ship arrivals will greatly contribute to the continued success of the Philippine ports.

24

# BUILDING WORLD-CLASS PORTS



Through its consistent and sustained efforts, PPA hopes to further create economic and social value with its port infrastructure, and achieve international standards in port facilities.



*Recognized as one of Mindanao's major gateways, the Port of Cagayan de Oro is well-equipped to service bulk parcels, and containerized and Ro-Ro shipments.*

As an organization, PPA aspires to provide a world-class port system, be known for innovation and sustainable practices, and operate openly and responsibly with skilled people and stakeholders.



**Above:** Also known as the "Tagbilaran City Tourist Pier," the Port of Tagbilaran is the main port of entry for travelers to and from Bohol. It also serves more than 5,000 passengers daily, and caters to international and local cargoes coming in from Cagayan de Oro, Iligan, Zamboanga de Norte, Dipolog and Dumaguete.

Consistent with President Duterte's "Build, Build, Build" development agenda, and with the Authority's vision of providing globally competitive port services, a significant portion of the corporate operating budget was allocated to port infrastructure facilities construction, and repairs and maintenance. This is to ensure the uninterrupted operation and service delivery in the ports towards improving the capacity, service standards, and efficiency of the country's maritime gateways.

In 2018, PPA implemented 162 carry-over and new projects nationwide. Of these locally funded projects (LFPs), 68 projects were for Luzon ports, 34 projects for Visayas ports, and 60 for Mindanao ports. A total of Php4.847 billion were allocated to all these projects.

To ensure that serviceable water depths are maintained for the safe navigation of large vessels calling at the ports, PPA allocated Php750 million for the removal of 1.373 million cubic meters (m<sup>3</sup>) of silts at various piers and harbors nationwide.

A total of 1,321,935.79 m<sup>3</sup> of silts were removed at the following ports:

- North Harbor (Entrance Channel)
- Puerto Princesa (Palawan)
- Guiuan (Eastern Leyte)
- Currimao (Ilocos Norte)
- Abra de Ilog (Occidental Mindoro)
- Calatagan, Bauan, and Nasugbu (Batangas)
- Pio Duran and Tabaco (Albay)



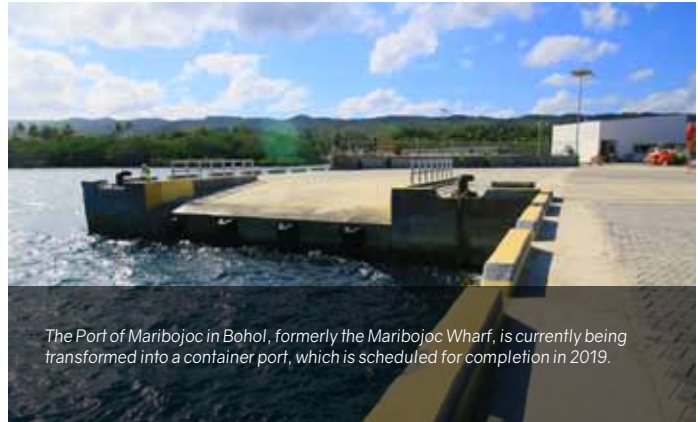
Php  
3.20B

budget allocated for  
repairs and maintenance  
(R&M) projects

A premier port in the CARAGA Region, the Port of Surigao is PMO Surigao's base port, servicing passengers and cargoes from Southern Leyte, Agusan Del Sur and Del Norte.



The Port of Cagayan de Oro initiated the construction of the six-lane electronic gate complex in October 2017. The new facility includes toll booths, a 24-hr security system, and weighbridges for cargoes.



The Port of Maribojoc in Bohol, formerly the Maribojoc Wharf, is currently being transformed into a container port, which is scheduled for completion in 2019.



**Above:** Port of Tagbilaran's newest addition to its complex, the Port Integrated Clearing Office (PICO).

- Castilla and Bulan (Sorsogon)
- Jose Panganiban (Camarines Norte)
- Virac (Catanduanes)
- Ormoc and Guadalupe (Southern Leyte)
- Ozamiz, Capinpin, Surigao, Masao (Butuan), Dapitan, Iligan, and Cagayan de Oro

Routine and preventive maintenance of port facilities and structures are constantly being undertaken to ensure that these are kept at safe and serviceable condition at all times. PPA provided Php3.20 billion for repairs & maintenance (R&M) projects this year. As of yearend, 198 repair projects were completed while 108 were ongoing.

Through these consistent and sustained efforts, PPA hopes to further create economic and social value with its port infrastructure, and achieve international standards in port facilities.

# FEATURE

## PPA UPBEAT OVER PROSPECTS BROUGHT ABOUT BY NEW MICT POST-PANAMAX CRANES

The biggest and largest crane in the country with a capacity of up to

# 14,000

TEUs

PPA General Manager Jay Daniel R. Santiago said the arrival of a pair of Neo-Panamax and Post-Panamax quay cranes to be used at the country's biggest container terminal, the Manila International Container Terminal (MICT), will boost its capability and guarantee a congestion-free international container terminal.

"This is by far the biggest and largest crane that any port in the Philippines has. This enables the port to handle ships with a capacity of up to 14,000 twenty-foot equivalent units (TEUs). We expect other ports to follow suit as we continue to drive towards our vision of a globally competitive port by 2020," Santiago said.

The new quay cranes were manufactured by Shanghai Zhenhua Heavy Industry Co., Ltd. (ZPMC). The quay cranes are part of ICTSI's \$80 million capital equipment program for MICT. The pair of Neo-Panamax cranes and the Post-Panamax crane will be positioned at Berths 6 and 5, respectively.

Upon full commissioning, MICT customers can expect quayside productivity gains, translating to shorter port stays.

With the new acquisitions, the MICT now has a total of 16 quay cranes, the largest fleet in the country.



# 16

total quay cranes acquired by MICT

**Above:** With the acquisition of the new set of quay cranes, the MICT is now able to address the increasing demand and volume of larger vessels.



# BUSINESS STRATEGY



PPA will continue to serve the country's sea transportation services in the most efficient and sustainable way and, in the same vein, provide more opportunities for the Authority and its stakeholders.

*Known as the main entry point to Siargao, the Port of Dapa serves as a docking area for ferries. In 2018, it processed 16,234 MTs of cargo—a 112% increase from 2017.*

PPA recognizes that partnerships between the private sector and the government play a vital role in the promotion of safe, reliable, and responsive port services to the public.

PPA works hand in hand with the private sector in port delivery services through continuing delegation of cargo handling and other ancillary services as well as operation of ports and facilities. The Authority also continuously reviews and updates its policies, rules and regulations on port tariff, private port operations, port privatization, and marketing and promotion of ports to ensure that these are responsive and relevant to the needs of the times.

# 25

Applications for Certificate of Registration (CRO) and Permit to Operate (PTO)

# 4

Clearances to Develop



**Above:** The Port of Dapa is a Terminal Management Office (TMO) managed by PMO Surigao. Facilities include two Ro-Ro ramps, a marshaling yard, secured cargo shed, and an open storage area.

## Operation and Development of Private Ports

The PPA's partners, private service providers, developers, and operators perform a crucial role in efficiently and effectively managing the country's terminals and facilities to ensure uninterrupted operation in the ports. In turn, PPA diligently fulfills its regulatory oversight functions over privatized port assets and facilities, including the supervision of their construction and operations.

In 2018, the Authority approved 25 applications for Certificate of Registration (COR) and Permit to Operate (PTO) private ports nationwide. It also issued four Clearances to Develop private ports to three non-commercial private ports and one commercial private port.





*As part of the PPA port expansion program, the container yard at the Port of Puerto Princesa is now able to meet the surge in demand for cargo handling and storage.*

### Real Estate Management

To encourage private sector participation in providing complementary port services, the PPA leases out available areas in the ports to private entities. This not only optimizes the use of the ports but also generates additional revenue for the Authority.

In January 2018, PPA entered into a five-year lease contract with Terminal Facilities and Services Corporation (TEFASCO) for the use of a portion of land in the Port of Sasa in Davao. A total of 512 Permits to Occupy (PTOc) were also issued to various lessees nationwide.

### Cargo Handling Operations

PPA also delegates the provision of cargo handling services to private partners. In 2018, bidding for cargo handling operators (CHOs) was deferred pending the implementation of the new terminal management



*Classified as a Class A general cargo port, the Port of Cagayan de Oro handles a wide array of goods and products which include agricultural/farm products, bottled products, canned goods, alcohol, industrial gases, and even petrochemicals.*

# 512

Permits to Occupy  
were issued to  
various lessees  
nationwide

Port Terminal Management  
Regulatory Framework  
Administrative Order No.

03-2016

16

Ports, where operators failed to maintain required performance, were taken over with the aid of the Regulatory Framework.

Administrative Order No.

02-2018

prescribed a standard and uniform formula utilized in cargo handling tariff adjustment.



*At the Port of Tagbilaran loading bay, workers secure bags of agricultural feeds to ensure safe and efficient handling of bulk parcels for distribution within Tagbilaran and to nearby provinces.*

operation policy – PPA Administrative Order (A.O.) No. 03-2016 or the Port Terminal Management Regulatory Framework. However, to ensure uninterrupted cargo handling services in the ports, all CHOs with expired or expiring cargo handling contracts were granted hold over authority to enable continuance in operations. Moreover, the Authority created special take-over units for 16 ports where the operator failed to maintain the required performance standards under their cargo handling services contract.

Once fully implemented, PPA A.O. No. 03-2016 will foster higher efficiency and productivity in port operations through greater private sector participation and consistency in the procedures and requirements for the award of port terminal management contracts under the different identified modalities of private sector involvement.

### Port Tariff

PPA also issued A.O. No. 02-2018 last February 2018 to prescribe a standard and uniform formula as well as the procedures involved in cargo handling (CH) tariff adjustment.

The revised methodology and formula for cargo handling tariff adjustment were aimed at updating the existing port tariff system management and administration of the Authority in line with recent developments in port operations, services, and development programs. The revised tariff system also intends to adopt a real-time assessment of tariff adjustment, ensure transparency and comprehensive deliberation of tariff adjustment applications, and define the roles as well as encourage the active participation of port users and other government agencies concerned.





**Above:** A Port Operations Specialist oversees day-to-day port activities at the Port of Cagayan De Oro, maintaining the highest standards in port operations.



**Above:** One of the many navigational safety aids newly acquired and strategically located near the Port of Maribojoc.

### Harbor Pilot Appointment

PPA mandates pilotage services in various identified ports for the efficient and orderly administration of the harbor, as well as for the safer maneuvering of vessels and protection of port facilities.

Harbor pilots and Pilots' Associations are under the direct supervision and control of PPA. The Authority is responsible for the governance over pilotage services, the conduct of pilots, and regulation on pilotage fees in the ports.

Thirteen (13) regular appointments and seventeen (17) probationary appointments for harbor pilots at various pilotage districts were issued by the Authority during the year. A total of 113 positions have been filled up as of yearend to comply with A.O. No. 01-95, pushing up the total number of authorized harbor pilot positions to 182.

### Privatization of Existing Passenger Terminal Buildings (PTBs)

Bidding for Passenger Terminal Building (PTB) operators has likewise been deferred during the year in accordance with A.O. No. 03-2016 or the Port Terminal Management Regulatory Framework. However, a one-year Permit to Operate was issued to Moriones Port Services and Trading, Inc. to manage and operate the PTB in the Port of Lucena.

### Strategizing for the Future

PPA will continue to serve the country's sea transportation services in the most efficient and sustainable way, and provide more opportunities for the Authority and its stakeholders.

**Below:** The newly-renovated PTB in the Port of Lucena



## FEATURE

# PPA EMBARKS ON MASSIVE COMPUTERIZATION, AUTOMATION EFFORTS



The newly-installed Interactive Digital Whiteboard (IDB), is used in a berthing meeting at the Port of Cagayan de Oro. The 86-inch flat touch screen was made operational on October 26, 2018, making the PMO the first to use this technology.

The PPA is migrating to a fully automated, modernized and mobile operations in its bid to transform the Authority into a more responsive government organization to the demands of global trade.

PPA General Manager Jay Daniel R. Santiago said the state-owned agency procured at least a thousand brand new IBM ThinkPad laptop units to replace all its desktop computers for more mobility and environment-friendly energy consumption. He added that all serviceable desktop computers will be transferred to PPA's Port Management Offices (PMOs) and Terminal Management Offices (TMOs) guaranteeing a one-computer is to one-employee ratio for the Authority.

"This computerization effort is all aimed at modernizing the entire PPA operations system that will translate to efficiency and effectivity at ports. Aside from the computers, we are also in

the process of installing modern scanners in all ports with high concentration of passengers to ensure safety and security of the public," Santiago explained.

The Authority is completing its electronic e-payment system in all the 115 PPA-controlled ports nationwide and eventually to full e-commerce migration before the end of the current administration.

The current PPA administration, when it took over the Authority in July of 2016, is continuously working to transform the PPA into a more dynamic, transparent, and service-oriented GOCC through reduced permitting process and documentation. It is also infusing a culture of safety in port operations and value-added port services, leading to the further convenience of passengers, as well as better efficiency and productivity for cargo operations.



## NURTURING A CULTURE OF EXCELLENCE



PPA is deeply committed to improving the quality of ports so that they are able to provide services to both local and global clients.



The continued growth of the Philippine economy also buoyed the performance of PPA in 2018. Growing consumer demand is indicated by the increase in port calls and cargoes, combined with the increase in passenger traffic, drove the Authority's progress this year.

### 2018 Port Users' Annual Satisfaction Survey (PASS) Results

In 2018, PPA achieved an improved survey score on Port Users' Annual Satisfaction Survey (PASS), which recorded an overall rating of 4.02, compared to 3.97 in 2017. Of the 3,293 survey respondents—composed of passengers, shipping companies, and concessionaires—82% expressed their satisfaction with services and infrastructure provided by PPA. The annual survey serves as a regular service quality assessment to measure how the Authority relates with its stakeholders, and a feedback mechanism for continual improvement.

Among the various service delivery aspects assessed in the survey, the highest rating was on Integrity with 4.30 and 4.33 mean scores from passengers and shipping line representatives, respectively, while concessionaires regarded Facilities worthy of the highest rating of 4.60. The commitment to preserve the Authority's integrity in all aspects of operations and services is in line with the Duterte administration's mandate of an honest government and stamping out corruption in all government agencies.

Similar to the previous years, PPA engaged the services of the Development Academy of the Philippines (DAP) for this year's round of the survey, which covered 10 selected base ports, namely, North Harbor, Lucena, Batangas, Calapan, Iloilo, Tagbilaran, Ormoc, Ozamiz, Cagayan de Oro, and Surigao. The survey ran from October 14, 2018 to November 30, 2018.

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

The Authority also continues to undertake measures to enhance its port security and safety policies in compliance with the International Ship and Port Facility Security

(ISPS) Code. Based on the latest inventory conducted by the PPA, 106 ports have already been declared compliant by the Office of Transport Security (OTS) with the requirements of the ISPS Code.

The ISPS Code is an essential part of the Authority's general security policies designed to establish an international framework involving governments, port



**Above:** PMO personnel oversee different areas within the Port of Tagbilaran with the aid of newly acquired high-definition CCTV cameras to further increase both safety and security across the port.



**Above:** PMO Cagayan de Oro Port Police personnel continue to uphold international standards in port safety, aided by a new vehicle to effectively patrol and monitor activities within the premises.

authorities, and shipping and port industries to detect security threats and undertake preventive measures against security incidents affecting ships or port facilities used in international trade.



**Above:** Port Police personnel perform security checks using the newly installed Baggage X-Ray Machine in the PTB of Puerto Princesa Port.

### Automatic Identification System (AIS)

To enhance maritime safety and security, PPA included in its strategic initiatives for this year the installation of Automatic Identification System (AIS) in 26 ports nationwide. The AIS, which is a component of marine navigation was installed at the following ports:

- Sasa
- Lucena
- Marinduque
- Tagbilaran
- Tubigon
- Tapal
- Jagna
- Talibon
- Catagbaca
- Ubay
- Maribojoc
- Jetafe
- Currimao
- Salomague
- Ozamiz
- Jimenez
- Plaridel
- Dumaguete
- Tandayag
- Larena
- Siquijor
- Dumangas
- Iloilo
- Mati
- Malalag
- General Santos

### Compliance with Global Standards on Port Safety

The PPA remains compliant with international requirements for safety and security. To this end, key measures are being undertaken such as investing in x-ray machines and walk-through detectors with the same high quality standards used by the airline sector. The port police has likewise been equipped with upgraded training, security equipment and police patrol vehicles. These initiatives have been taken in our efforts to be at par with other port Authorities in the region in terms of port safety and security.



## FEATURE

# MANILA PORT OPERATORS DONATE SAFETY, COMMUNICATION EQUIPMENT TO MMDA

Manila port operators International Container Terminal Services, Inc. (ICTSI) and Asian Terminals, Inc. (ATI) donated at least P20 million worth of safety and communication equipment to the Metro Manila Development Authority (MMDA).

The various equipment were donated to help the MMDA improve the traffic flow in the metro particularly container trucks plying the roads using the Terminal Appointment Booking System or TABS. The donation was made possible through the help of the PPA.

These include 500 pieces of handheld radios and its accessories, 500 pieces of body cameras, and 1,500 pieces of lighted baton. The equipment are expected to be provided to MMDA personnel who are assigned along the truck routes like Roxas Blvd., C-5, Bonifacio Drive, Finance Road, among others.

Among those who attended the turnover ceremonies were PPA General Manager Jay Daniel R. Santiago, PPA NCR-South Port Manager Francisquiel O. Mancile, and PPA Executive Assistant for Communications Asuncion B. Flores. For ICTSI, present were Ishmael Marohom, Government Affairs Manager, Filipina Laurena, Deputy Executive Director-ICTSI Foundation, Dra. Patty Licup, Training Head-ICTSI Foundation, and Jimmy Go, Operations Manager-Gates Operations. Representative from ATI were Ian Baking, Assistant Vice President, Jun Balita, Government Relations Manager, and Dominador Antonio Bustamante, Corporate Communications Manager.

Receiving the donation for MMDA were Chairman Danilo Lim and General Manager Jojo Garcia (3rd and 4th from left) at the MMDA Headquarters.



**Above:** MMDA Chairman Danilo Lim and General Manager Jojo Garcia (3rd and 4th from left) receiving a donation from PPA General Manager Jay Daniel R. Santiago (6th from the right) at the MMDA Headquarters.

## CORPORATE GOVERNANCE



PPA shall continue to improve its operating efficiency to accommodate the growing demands and requirements of stakeholders in the maritime sector as it continually undertakes efforts to transform the organization into a model corporate entity.

This year's growth is the result of teamwork. What makes PPA ports successful is its entire team – from its Board of Directors and the General Manager, to its Management and staff, and partners and service providers working towards the same direction.

Every day, the Authority works with a growing group of like-minded people. The number of alliances focused on a shared vision is growing steadily, which boosts confidence. The unceasing commitment of the organization with its competent, motivated, and loyal staff is the foundation of a sustainable and robust future for the Authority.

In line with keeping the port operations at optimum levels, the Board, together with the PPA Management, ensure the continuing commitment to provide the highest standard of corporate governance practices.

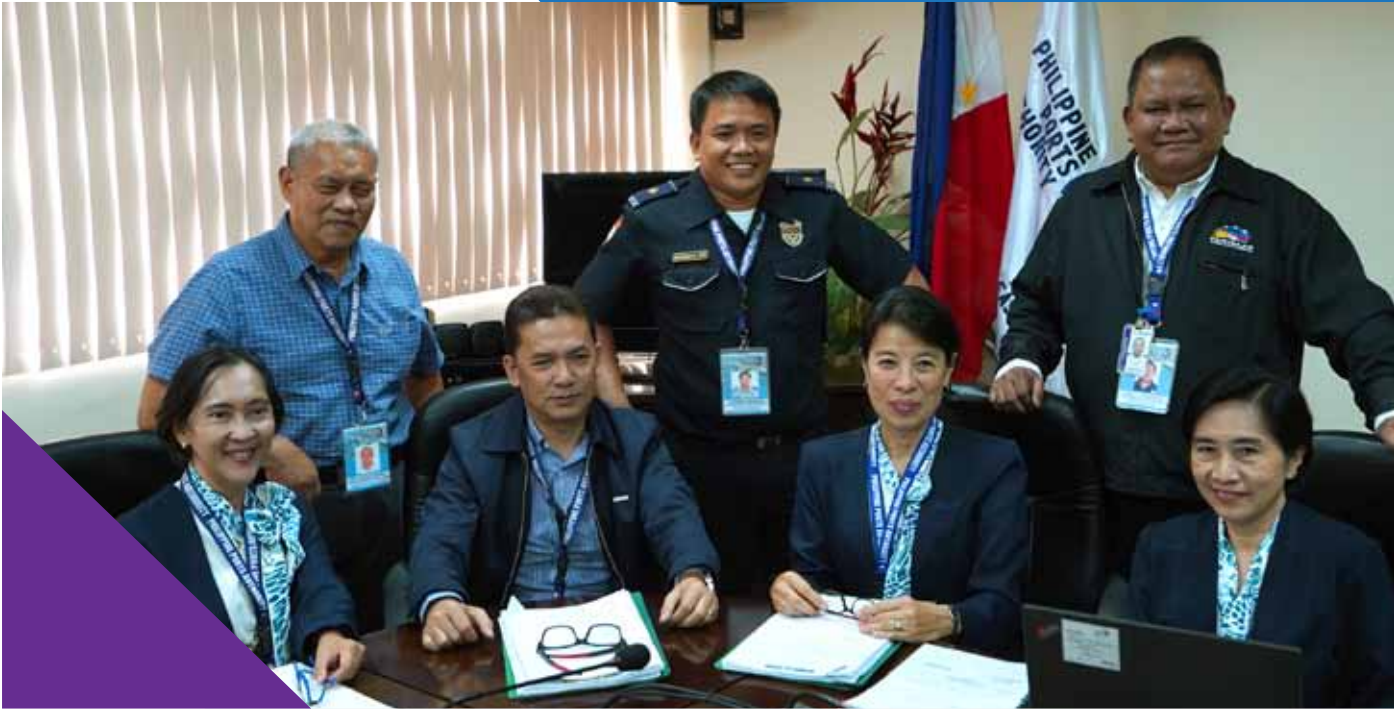


**Above:** Port Manager Marieta G. Odicia (at the head of the table) conducts a Senior Staff meeting to ensure the smooth flow of operations within the Port of Currimao.

The Authority is under the stewardship of the Board of Directors comprised of nine members who are responsible for corporate governance and policy decision-making. The Board also provides guidance and supervision over PPA's policy formulation and strategic direction, ensuring sustained growth and development.

The Authority is determined to continuously comply with the provisions of the Code of Corporate Governance for Government-Owned or -Controlled Corporations (GOCCs) and other relevant issuances by the Governance Commission for GOCCs (GCG). Among the relevant guidelines and policies implemented were the Manual of





Above: Division Heads of the Port of Tacloban gathered for their regular senior staff meeting.



Corporate Governance, Code of Conduct and Ethical Standards, Whistle Blowing Policy, No Gift Policy, and Information and Communication Technology Security Policy. The organization has, likewise, pursued its Freedom of Information (FOI) rules as mandated by Executive Order (E.O.) No. 2 of President Duterte to enhance the public's access to information.

**Integrated Management System (IMS) Certification**

The Integrated Management System (IMS) combines multiple management system standards which include ISO 9001:2015 Quality Management System (QMS), ISO 14001:2015 Environmental Management System (EMS); and, ISO 18001 Occupational Health and Safety (OH&S). These systems are developed, implemented, and maintained via one system with processes that cover the requirements of each standard. This year,

PPA programmed the completion of IMS Certification of five ports, namely, Palawan, Cagayan de Oro, General Santos, Davao, and Bicol, as well as the conduct of 1st and 2nd Surveillance Audits for the Ports of Ozamiz and Zamboanga, respectively.

As of December 2018, the Ports of Palawan, Cagayan de Oro, General Santos, Davao, and Bicol were already IMS Certified. Moreover, the Port of Ozamiz passed the 1st Surveillance Audit conducted in November and was recommended for 2nd Surveillance Audit, while the Port of Zamboanga underwent 2nd Surveillance Audit on December 10, 2018.

### ISO 9001:2015 Quality Management System (QMS) Certification

Pursuant to E.O. No. 605, PPA adopted the ISO 9001:2015 Quality Management System (QMS) in order to improve performance and service delivery, and promote efficient port operations.

On October 15, 2018, PPA Head Office, as well as 16 Port Management Offices (PMOs)–North Harbor, South Harbor, Lamao, Tagbilaran, Lucena, San Fernando, Tacloban, Dumaguete, Ormoc, Calapan, Nasipit, Surigao, Cotabato, Dapitan, Pulupandan, and Iligan– were certified as conforming to ISO 9001:2015 QMS by Certification International, Phils. (CIP), the Certification Body commissioned for the project.



**Above:** Regular Management Committee meetings and employee workshops are held to address concerns about daily operations and analyze system changes, among others. Clockwise from top left: monthly meeting at PMO Surigao facilitated by Port Manager Mildred J. Padilla; Port Manager Elizalde M. Ulson in a candid discussion with other Division Managers; PMO Bohol employees undergoing a workshop on Gender and Development (GAD); and, a Terminal Management coordination meeting at the Port of Bohol.





Awards and accolades of PMO Palawan are motivating factors to strive harder in providing better port services to its stakeholders and customers.



Above: The newly constructed Port Police building in the Port of Dapitan is equipped with surveillance room and newly-installed high-definition CCTV cameras for security monitoring within the port premises.



Above: Port of Tagbilaran Port Police officers monitor the surrounding area to ensure the safety and security of tourists/passengers disembarking from the M/S Europa for their scheduled day tour around the island.

In addition, the Ports of Batangas and Iloilo passed the 1st surveillance audit, while the Port of General Santos passed the 2nd surveillance audit conducted in 2018.

PPA shall continue to improve its operating efficiency to accommodate the growing demands and requirements of stakeholders in the maritime sector as it continually undertakes efforts to transform the organization into a model corporate entity.

Below: PMO Surigao employees underwent an external audit of Quality Management System (QMS) on the facilitation of the Vessel Entrance and Clearance (VEC) procedures within the port.





## FEATURE

# PHILIPPINE PORTS AUTHORITY HEADS TOWARDS FULL QMS, IMS COMPLIANCE



*The integrated aerial view of the Port of Tagbilaran showcasing concurrent port operations.*

The PPA recently announced that it is now compliant with the requirements of ISO Standards on Quality Management System (QMS) and presently working on the full compliance on ISO standards on Integrated Management System (IMS).

The ongoing initiatives are in conformity with E.O. No. 605 s. 2007, which requires all government institutions to implement quality government management programs in all its core processes.

“It has always been the PPA’s goal to make the Authority a model government organization as far as ease of doing business and performance efficiency are concerned,” PPA General Manager Jay Daniel R. Santiago said.

“Once these processes are completed, the PPA will become stronger than ever in terms of ease of doing business and a model government entity,” Santiago added.

Currently, seven ports have adopted QMS and two ports are implementing IMS in their operations.

The IMS covers three international standards namely: ISO 9001:2015 (Quality); ISO 14001:2015 (Environment) and, OHSAS 18001:2007 (Occupational Safety and Health).

# SUSTAINABILITY, ENVIRONMENT, AND PEOPLE



PPA believes that promoting a culture of responsible business is fundamental to long-term success and to being acknowledged as a world-class operator of ports.

*Above: While preserving the surrounding mangrove forest, the Port of Bataraza in Buliluyan, Palawan is undergoing rehabilitation and expansion of its facilities the project aims to accommodate vessels sailing the trade route between Palawan and Kudat Port, Malaysia, thereby positioning the port as a gateway to the East ASEAN Growth Area (EAGA).*

At the PPA, sustainability, environment, and people are integral parts of realizing its core strategic priorities. The objectives for business and corporate social responsibility strategies are the same – to generate sustainable value over the long term.



Above: PMO Bohol employees organized a community outreach program with the theme "Connecting to Bohol Islands Through Brigada Eskwela"

### Caring for the Port Community

The development of the port community is integral to PPA's mandate and, as such, is addressed in earnest through its corporate social responsibility initiatives—with emphasis on socio-economic projects impacting the communities where it operates. Throughout the year, PPA implemented a number of programs and activities, primarily through its Gender and Development (GAD) component, recognizing various gender issues within the port premises. Mechanisms to deter incidences like



Above: A Seminar-Workshop on "Gender-Based Violence for PWDs, Shipping Line Agents, and Other Port Users" was conducted on October 8-9, 2018 under the facilitation of PMO Surigao.



**Below:** The "Malasakit Help Desk" project is spearheaded by the DOTr and its attached agencies. The one-stop assistance center caters to passengers' various seaport-related inquiries and concerns, including transportation, terminal fee refunds, and medical assistance. The help desks are now accessible in different seaports across the country.



human trafficking have been put in place, but the work continues on bridging the gaps: the GAD Focal Point System (GFPS) is not fully functional; there is a lack of an established Sex-Disaggregated Database (SDD); and, a low-level of awareness on and appreciation of GAD is observed among the PPA populace.

To this end, PPA provided appropriate interventions, including the conduct of seminars on violence against women and children (VAWC) and needs-analysis sessions for the development of a "ladderized" training module.



**Above:** Expansion of Passenger Terminal Building (PTB) at the Port of Dapitan.



**Left:** Passengers /tourists at the Port of Dapa during the Holy Week rush.



**Above:** By July 2019, the country's biggest passenger terminal will open its doors. The new PTB at the Port of Cagayan de Oro will showcase modern port facilities, including x-ray scanning machines, walk-through metal detectors, among others. The PTB complex will soon be able to cater to over 3,000 passengers daily.

The Authority actively participated in and organized activities in support of the annual National Women's Month celebration. To advance GAD initiatives, new Passenger Terminal and Administration building designs were introduced, which include gender-sensitive facilities such as childcare stations. Meanwhile, routine repairs and maintenance of existing amenities were also undertaken.



**Above:** Personnel from the Tacloban base port inspect the reading materials for the newly-opened Day Care Center for the children of PMO employees.



**Above:** The new logo signage of the PPA, which was launched early 2018, is now emblazoned on the facade of the Administration Building of PMO Bohol.



### Community-Based Employment Program

The Authority provided temporary or immediate employment to around 1,600 individuals nationwide in line with the Department of Labor and Employment's (DOLE) Community-Based Employment Program (CBEP). The initiative, also known as Kabuhayan Program, enjoined various government agencies, including Government-Owned or -Controlled Corporations (GOCCs) which aims to provide employment to skilled, semi-skilled, and low-skilled workers through government undertakings such as infrastructure development projects in the communities where our ports and facilities are situated.

1,600  
workers were provided  
with employment  
by the PPA

Top left and bottom right: Workers welding fabricated hardware to strengthen structures at the Port of Currimao.





## Presidential Decree 1152 or the Philippine Environment Code



Maintaining the cleanliness and good working condition of its facilities is one of the top priorities of the Tacloban Baseport.



At the Port of Dapa, adhering to sustainable practices in day-to-day operations is key to the preservation of natural resources surrounding the port complex.

PPA believes that promoting a culture of responsible business is fundamental to its long-term success and to being acknowledged as a world-class operator of ports.

### Shore Reception Facility (SRF)

Environment and climate initiatives are at the forefront of the international port community as well as of various port cooperation organizations in promoting the institutionalization of green ports.

To be on a par with the international port stakeholders, PPA complies with the MARPOL 73/78, the primary international marine environmental convention that mandates the prevention of pollution from ships brought about by dumping, oil, and exhaust pollution or accidental causes. Locally, the Authority conforms with Presidential Decree (P.D.) No. 1152 or the Philippine Environment Code.

In August 2018, the contract between PPA and Golden Dragon International Terminals, Inc. (GDITI) for the “Establishment and Operation of Shore Reception and Treatment Facilities for Ships’ Wastes” has expired. PPA then issued A.O. No. 08-2018 or the “Interim Guidelines

on the Issuance of Permit to Operate for Shore Reception Facility (SRF) Waste Disposal Service-Provider”. As of yearend, 19 PMOs successfully acquired SRF service-providers.

Moreover, PPA regularly submits to the Supreme Court its Quarterly Monitoring and Progress Report of the activities undertaken for the clean up of Manila Bay pursuant to Sections 2 and 6c of E.O. 513 and the International Convention for the Prevention of Pollution from Ships.



**Right:** The Assistant General Manager for Finance and Administration Elmer Nonnatus A. Cadano (standing) as he engages employees in a briefing at PMO Bohol together with the Assistant General Manager for Engineering Constante T. Fariñas, Jr. (seated in front)

**Below:** Port Manager Isidro V. Butaslac, Jr. leads the regular session with PMO Division Managers to discuss affairs regarding daily port operations as well as internal matters concerning employee relations and activities.



**Above:** PMO Bohol conducts regular workshops for its employees on Gender and Development (GAD).



**Above:** The team behind PMO Surigao with Port Manager Mildred J. Padilla (front and center).

## Training and Development

Consistent with its mission to provide meaningful and gainful employment, PPA continues to implement manpower development programs geared toward the professional and career growth of its people. Throughout 2018, a total of 3,640 employees benefited from the training-and skills-enhancement initiatives that were successfully undertaken by the Authority, of which 2,736 participated in the PPA in-house training programs while

890 attended various local training programs conducted by oversight agencies and partnered organizations.

In building a highly skilled and competent workforce, PPA likewise afforded scholarship programs and specialized training courses to its qualified personnel. A total of 12 foreign and two local scholarships were awarded last year, in partnership with various sponsoring institutions.





**Above:** Port Manager Arcidi S. Jumaani together with the senior staff members of PMO Zamboanga del Norte. (Photo captured in 2019)

## Awards and Distinctions

PPA was recognized by the Asia-Pacific Economic Cooperation (APEC) port industry as the Port of Cagayan de Oro was declared as one of the winners in the 2018 Green Port Award System (GPAS) held in Singapore on November 15, 2018. The Port of Batangas also bagged the same award in 2017.

Aside from GPAS, PPA's entry "Philippine Ports Authority – Port Management Office of Misamis Oriental/ Cagayan de Oro (PMO MOC): Fostering a Green Culture for Port Operations and Management" was chosen and recognized by the Development Academy of the

Philippines (DAP) in the 2018 Government Best Practice Recognition (GBPR) held in Richmond Hotel, Ortigas Center, Pasig City on December 18, 2018.

The entry made it to the top five best practices, besting other entries from various government agencies.

The GBPR is an initiative of the DAP to promote higher quality standards in government service by recognizing successful and validated best practices among public sector organizations.



**GPAS**  
Winner for 2018:  
Port of Cagayan de Oro

The ISO 9001:2008-certified Port of Cagayan de Oro was recognized by the Partnerships in Environmental Management for the Seas of East Asia (PEMSEA) for implementing the Port Safety, Health and Environmental Management System (PSHEMS). It is also compliant to the International Ship and Port Facility Security (ISPS) Code. (Source: <https://maritimereview.ph/2018/11/16/the-port-of-cagayan-de-oro/>)



## Competency-Based Human Resource System

PPA has designed a Competency Management and Succession Development Plan to ensure that all positions are up to standards and filled in accordance with the required competencies. The Plan primarily aims to (1) establish a competency framework for the Authority, including the creation of a Competency Dictionary; (2) identify competency gaps and provide interventions to close or minimize them; and, (3) establish a Talent Pool of qualified employees to serve as a reservoir for key and critical positions.

To this end, a technical working group (TWG) was created to design a Competency-based Human Resource System. The first course of the six-module Competency Modelling and Profiling training program was conducted in August 2018. Meanwhile, the second and third courses—Development of Competency-based Qualification Standards (QS) and Job Descriptions (JD), and Competency Assessment—were completed in October 2018. The last training session on Integration of Competencies in the HR System will be on January 16-18, 2019.

## Global Networks and Partnerships

Moving towards the vision of being globally competitive, PPA is continuously cultivating cooperative relations and linkages with the international maritime community. The Authority's membership in international organizations, including the International Maritime Organization (IMO), Asia-Pacific Economic Cooperation (APEC), ASEAN Ports Association (APA), and APEC Port Services Network (APSN), reflects its commitment to the growth of the industry. The PPA is also an active member of the International Association of Ports and Harbors (IAPH), Permanent International Association of Navigation Congresses (PIANC), and the Brunei-Indonesia-Malaysia-Philippines East Asia Growth Association (BIMP-EAGA).

In their capacity as authorized representatives, PPA officials attended 19 technical meetings and congresses in 2018:

- 45th APEC Transportation Working Group (TWG) Meeting in Seoul, South Korea on April 23-24, 2018;
- PIANC Annual and 34th PIANC World Congress in Panama on May 05-11, 2018;
- IAPH 2018 World Ports in Baku, Azerbaijan on May 08-11, 2018;
- 90th Meeting of ASEAN Coordinating Committee on Services (CCS 90) and Related Meetings in Singapore on May 21-26, 2018;
- 42nd Session of the Facilitation Committee (FAL) in London, United Kingdom on June 05-08, 2018;
- 4th Maritime Silk Road Port International Cooperation Forum in Shanghai, China on June 13-14, 2018;
- 68th IMO Technical Cooperation Committee in London, United Kingdom on June 18-20, 2018;
- 36th ASEAN Maritime Transport Working Group (MTWG) Meeting & 12th ASEAN-China Maritime Consultation in Singapore on August 13-16, 2018;
- 39th ASEAN Ports Association (APA) Working Committee Meeting in Brunei Darussalam on September 04-05, 2018;
- East Asia Ports Cooperation Forum in Qingdao, China on September 06-07, 2018;
- 46th APEC Transportation Working Group in Peru on October 15-17, 2018;
- 80th Council Meeting of PIANC in Seville, Spain on October 17-19, 2018;
- 73rd Session of Marine Environment Protection Committee in London, United Kingdom on October 22-26, 2018;
- APSN Port Connectivity Forum and 11th Council Meeting in Singapore on November 13-16, 2018;
- UNESCAP 5th Session of the Committee on Transport in Thailand on November 19-22, 2018;
- Asia Ports Business Forum in Kobe, Japan on November 26-27, 2018;
- 44th ASEAN Ports Association (APA) Meeting in Singapore on November 27-28, 2018;
- 1st ASEAN-Japan Regional Meeting on the Guidelines for Safety Measure with Ships Routing in the ASEAN Region in Tokyo, Japan on December 05-07, 2018; and,
- 16th ASEAN-Japan Port Technology Group (PTG) Meeting and Seminar on Maintenance of Navigational Channel in Phnom Penh, Cambodia on December 20-21, 2018.

Moving forward, the Authority will continue to tap on these events as an avenue for the resolution of issues crucial to port management and operations. Best practices gleaned from such engagements enrich the PPA's competency to improve efficiency and productivity, and to promote environmental sustainability.

## FEATURE

# PORT OF CAGAYAN DE ORO HAILED AS ONE OF THE GPAS WINNERS IN 2018

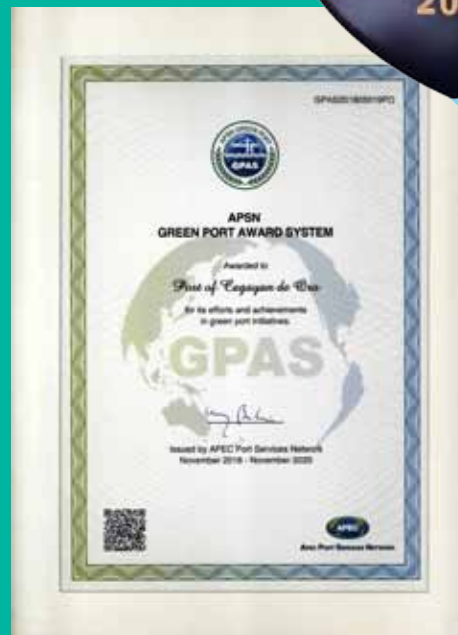


Above: Port Manager Isidro V. Butaslac, Jr. (center) receiving the Certificate of Recognition, the APSN Green Port badge, for the Port of Cagayan de Oro at the Green Port Award System (GPAS) awarding ceremony in Singapore held in November 2018.

The Port of Cagayan de Oro was recognized as one of the APSN GPAS winners for 2018, besting other candidate ports from the 18 member economies of the Asia-Pacific Economic Cooperation (APEC).

The GPAS, launched in 2016, is an evaluation system for ports from the various APEC member economies that are implementing programs for environmental sustainability in their port operations for at least 2 years. It serves as a platform for best practices sharing among APEC ports, enhance environmental awareness in the Asia-Pacific region, and promote innovations for green growth.

The port's operations and practices are anchored towards conservation of energy, noise reduction, protection and preservation of the water, land, and air; and, promotion of environmental awareness among the stewards of nature—the people.



# PORT STATISTICS

## COMPARATIVE SHIPCALLS AT PORTS NATIONWIDE

AT BERTH AND ANCHORAGE

2018 vs 2017

PMO	SHIPCALLS					
	2018			2017		
	Total	Domestic	Foreign	Total	Domestic	Foreign
<b>MANILA/NORTHERN LUZON</b>	<b>20,857</b>	<b>16,229</b>	<b>4,628</b>	<b>21,578</b>	<b>16,361</b>	<b>5,217</b>
NCR North	7,541	7,172	369	7,588	7,161	427
NCR South	4,304	2,662	1,642	4,650	2,788	1,862
- M.I.C.T.	1,697	18	1,679	1,934	0	1,934
Bataan/Aurora	6,628	5,951	677	6,641	5,949	692
Northern Luzon	687	426	261	765	463	302
<b>SOUTHERN LUZON</b>	<b>134,794</b>	<b>132,454</b>	<b>2,340</b>	<b>128,302</b>	<b>126,170</b>	<b>2,132</b>
Batangas	48,231	46,403	1,828	47,324	45,645	1,679
Mindoro	33,569	33,567	2	31,733	31,733	0
Bicol	23,304	23,226	78	22,170	22,108	62
Palawan	10,783	10,449	334	9,864	9,552	312
Marinduque/Quezon	11,968	11,873	95	11,421	11,346	75
Masbate	6,939	6,936	3	5,790	5,786	4
<b>VISAYAS</b>	<b>185,486</b>	<b>184,638</b>	<b>848</b>	<b>180,807</b>	<b>179,870</b>	<b>937</b>
Negros Oriental/Siquijor	43,968	43,908	60	44,727	44,662	65
Panay/Guimaras	34,040	33,719	321	31,579	31,235	344
Western Leyte/Biliran	17,419	17,290	129	18,798	18,633	165
Negros Occidental/Bacolod/ Banago/BREDCO	36,631	36,466	165	35,915	35,715	200
Eastern Leyte/Samar	20,739	20,635	104	18,215	18,132	83
Bohol	32,689	32,620	69	31,573	31,493	80
<b>NORTHERN MINDANAO</b>	<b>70,333</b>	<b>69,234</b>	<b>1,099</b>	<b>66,039</b>	<b>64,863</b>	<b>1,176</b>
Misamis Oriental/Cagayan de Oro	16,197	15,888	309	17,007	16,735	272
Lanao del Norte/Iligan	17,832	17,721	111	16,293	16,180	113
Agusan	1,386	1,330	56	1,420	1,301	119
Misamis Occidental/Ozamiz	17,845	17,794	51	16,239	16,184	55
Surigao	17,073	16,501	572	15,080	14,463	617
<b>SOUTHERN MINDANAO</b>	<b>56,969</b>	<b>54,493</b>	<b>2,476</b>	<b>52,282</b>	<b>49,790</b>	<b>2,492</b>
Zamboanga del Norte	4,688	4,651	37	4,446	4,406	40
Davao	32,944	31,006	1,938	32,379	30,455	1,924
SOCSARGEN	2,020	1,622	398	1,615	1,161	454
Zamboanga	17,317	17,214	103	13,842	13,768	74
<b>TOTAL</b>	<b>468,439</b>	<b>457,048</b>	<b>11,391</b>	<b>449,008</b>	<b>437,054</b>	<b>11,954</b>

Note:

(1) Values may not add up due to rounding off.

(2) In 2018, PMO Cotabato was downgraded to a TMO and is now under the jurisdiction of PMO SOCSARGEN (per PPA Memorandum Order No. 08-2018).



## COMPARATIVE CARGO THROUGHPUT AT PORTS NATIONWIDE BY PMO

### AT BERTH AND ANCHORAGE

2018 vs 2017

PMO	CARGO THROUGHPUT - in metric tons (m.t.)					
	2018			2017		
	Total	Domestic	Foreign	Total	Domestic	Foreign
<b>MANILA/NORTHERN LUZON</b>	<b>107,602,864</b>	<b>40,531,134</b>	<b>67,071,730</b>	<b>101,379,799</b>	<b>39,293,094</b>	<b>62,086,705</b>
NCR North	38,194,538	32,391,580	5,802,958	37,089,464	31,243,987	5,845,477
NCR South	9,500,078	1,401,418	8,098,660	8,553,787	1,605,262	6,948,525
- M.I.C.T.	25,915,134	9,251	25,905,883	23,849,391	0	23,849,391
Bataan/Aurora	26,162,242	6,260,297	19,901,944	24,065,814	6,105,306	17,960,508
Northern Luzon	7,830,871	468,587	7,362,284	7,821,343	338,539	7,482,803
<b>SOUTHERN LUZON</b>	<b>43,451,316</b>	<b>16,416,693</b>	<b>27,034,623</b>	<b>40,610,892</b>	<b>16,223,484</b>	<b>24,387,408</b>
Batangas	26,677,294	10,555,471	16,121,823	25,251,367	10,682,308	14,569,060
Mindoro	627,809	619,209	8,600	550,170	550,170	0
Bicol	2,608,862	2,033,413	575,450	2,314,546	1,950,266	364,281
Palawan	7,334,950	2,342,490	4,992,460	7,329,175	2,202,695	5,126,481
Marinduque/Quezon	5,607,758	276,035	5,331,723	4,732,207	425,825	4,306,382
Masbate	594,642	590,075	4,568	433,426	412,222	21,204
<b>VISAYAS</b>	<b>34,932,842</b>	<b>22,581,127</b>	<b>12,351,715</b>	<b>35,794,643</b>	<b>21,667,033</b>	<b>14,127,610</b>
Negros Oriental/Siquijor	2,153,348	1,645,296	508,052	2,564,457	2,017,116	547,341
Panay/Guimaras	12,791,746	5,205,058	7,586,688	13,587,012	5,034,325	8,552,687
Western Leyte/Biliran	4,429,692	3,090,065	1,339,628	4,434,317	2,559,143	1,875,174
Negros Occidental/Bacolod/ Banago/BREDCO	7,517,319	6,505,089	1,012,229	7,617,349	6,394,525	1,222,825
Eastern Leyte/Samar	2,327,454	1,959,467	367,987	2,194,931	1,937,250	257,682
Bohol	5,713,283	4,176,152	1,537,131	5,396,576	3,724,675	1,671,901
<b>NORTHERN MINDANAO</b>	<b>46,968,389</b>	<b>14,082,889</b>	<b>32,885,500</b>	<b>50,583,319</b>	<b>12,926,257</b>	<b>37,657,062</b>
Misamis Oriental/ Cagayan de Oro	10,855,205	7,918,817	2,936,387	9,498,407	7,238,875	2,259,531
Lanao del Norte/Iligan	2,934,117	1,387,763	1,546,354	2,615,134	1,333,621	1,281,513
Agusan	4,590,556	1,699,489	2,891,067	7,627,130	1,603,051	6,024,079
Misamis Occidental/Ozamiz	1,505,533	1,300,960	204,573	1,414,395	1,201,018	213,376
Surigao	27,082,978	1,775,859	25,307,119	29,428,254	1,549,691	27,878,562
<b>SOUTHERN MINDANAO</b>	<b>27,998,061</b>	<b>11,778,337</b>	<b>16,219,724</b>	<b>25,191,863</b>	<b>11,386,735</b>	<b>13,805,128</b>
Zamboanga del Norte	1,142,683	870,205	272,478	1,057,832	827,204	230,628
Davao	18,488,488	5,641,077	12,847,411	16,329,533	5,527,109	10,802,424
SOCSARGEN	4,865,698	2,256,646	2,609,052	4,782,104	2,226,117	2,555,987
Zamboanga	3,501,192	3,010,409	490,783	3,022,394	2,806,305	216,089
<b>TOTAL</b>	<b>260,953,472</b>	<b>105,390,180</b>	<b>155,563,292</b>	<b>253,560,516</b>	<b>101,496,604</b>	<b>152,063,912</b>

## Note:

(1) Values may not add up due to rounding off.

(2) In 2018, PMO Cotabato was downgraded to a TMO and is now under the jurisdiction of PMO SOCSARGEN (per PPA Memorandum Order No. 08-2018).

## COMPARATIVE PASSENGER TRAFFIC AT PORTS NATIONWIDE BY PMO

### AT BERTH AND ANCHORAGE

2018 vs 2017

PMO	PASSENGER TRAFFIC							
	2018				2017			
	Total	Disembarked	Embarked	Cruise Ship	Total	Disembarked	Embarked	Cruise Ship
<b>MANILA/NORTHERN LUZON</b>	<b>1,494,212</b>	<b>586,187</b>	<b>569,981</b>	<b>338,044</b>	<b>1,380,911</b>	<b>657,613</b>	<b>652,817</b>	<b>70,481</b>
NCR North	1,053,093	535,087	518,006	0	1,263,491	633,837	629,654	0
NCR South	325,210	0	0	325,210	58,807	0	0	58,807
- M.I.C.T.	0	0	0	0	0	0	0	0
Bataan/Aurora	63,965	31,545	32,420	0	3,728	2,090	1,638	0
Northern Luzon	51,944	19,555	19,555	12,834	54,885	21,686	21,525	11,674
<b>SOUTHERN LUZON</b>	<b>24,627,101</b>	<b>12,781,612</b>	<b>11,816,358</b>	<b>29,131</b>	<b>23,927,718</b>	<b>12,463,821</b>	<b>11,449,257</b>	<b>14,640</b>
Batangas	7,811,400	4,231,285	3,576,873	3,242	7,933,814	4,364,635	3,568,354	825
Mindoro	7,836,878	4,116,369	3,720,509	0	8,013,683	4,071,620	3,942,063	0
Bicol	4,884,397	2,366,705	2,517,446	246	4,468,170	2,218,576	2,249,594	0
Palawan	924,855	459,271	439,941	25,643	732,390	367,969	350,606	13,815
Marinduque/Quezon	1,935,946	964,378	971,568	0	1,761,208	904,272	856,936	0
Masbate	1,233,625	643,604	590,021	0	1,018,453	536,749	481,704	0
<b>VISAYAS</b>	<b>29,413,791</b>	<b>15,023,820</b>	<b>14,306,639</b>	<b>83,332</b>	<b>26,719,339</b>	<b>13,768,143</b>	<b>12,925,879</b>	<b>25,317</b>
Negros Oriental/Siquijor	5,784,630	3,029,627	2,755,003	0	5,099,601	2,639,732	2,459,869	0
Panay/Guimaras	4,657,523	2,248,381	2,326,370	82,772	4,371,740	2,180,732	2,166,698	24,310
Western Leyte/Biliran	3,190,460	1,620,971	1,569,489	0	3,048,973	1,598,302	1,450,671	0
Negros Occidental/ Bacolod/Banago/ BREDCO	5,495,705	2,868,815	2,626,890	0	5,243,986	2,731,519	2,512,467	0
Eastern Leyte/Samar	3,627,912	2,023,566	1,604,190	156	3,409,817	1,856,499	1,553,318	0
Bohol	6,657,561	3,232,460	3,424,697	404	5,545,222	2,761,359	2,782,856	1,007
<b>NORTHERN MINDANAO</b>	<b>12,772,109</b>	<b>6,572,010</b>	<b>6,199,543</b>	<b>556</b>	<b>12,448,949</b>	<b>6,348,728</b>	<b>6,100,120</b>	<b>101</b>
Misamis Oriental/ Cagayan de Oro	2,913,497	1,469,540	1,443,801	156	2,660,320	1,354,162	1,306,057	101
Lanao del Norte/Iligan	3,097,920	1,641,858	1,456,062	0	3,251,304	1,694,347	1,556,957	0
Agusan	372,178	180,981	191,197	0	364,309	180,003	184,306	0
Misamis Occidental/ Ozamiz	3,574,027	1,811,090	1,762,937	0	3,854,976	1,924,523	1,930,453	0
Surigao	2,814,487	1,468,541	1,345,546	400	2,318,040	1,195,693	1,122,347	0
<b>SOUTHERN MINDANAO</b>	<b>8,490,962</b>	<b>4,333,785</b>	<b>4,157,177</b>	<b>0</b>	<b>7,961,692</b>	<b>3,988,910</b>	<b>3,972,782</b>	<b>0</b>
Zamboanga del Norte	1,168,049	640,769	527,280	0	1,016,484	549,365	467,119	0
Davao	2,129,454	1,067,285	1,062,169	0	2,113,993	1,049,649	1,064,344	0
SOCSARGEN	37,492	19,199	18,293	0	0	0	0	0
Zamboanga	5,155,967	2,606,532	2,549,435	0	4,831,215	2,389,896	2,441,319	0
<b>TOTAL</b>	<b>76,798,175</b>	<b>39,297,414</b>	<b>37,049,698</b>	<b>451,063</b>	<b>72,438,609</b>	<b>37,227,215</b>	<b>35,100,855</b>	<b>110,539</b>

Note:

(1) Values may not add up due to rounding off.

(2) In 2018, PMO Cotabato was downgraded to a TMO and is now under the jurisdiction of PMO SOCSARGEN (per PPA Memorandum Order No. 08-2018).

## COMPARATIVE CONTAINER THROUGHPUT AT PORTS NATIONWIDE BY PMO

### AT BERTH AND ANCHORAGE

2018 vs 2017

PMO	CONTAINER TRAFFIC - in TEUs					
	2018			2017		
	Total	Domestic	Foreign	Total	Domestic	Foreign
<b>MANILA/NORTHERN LUZON</b>	<b>5,085,139</b>	<b>1,507,252</b>	<b>3,577,887</b>	<b>4,810,887</b>	<b>1,425,426</b>	<b>3,385,462</b>
NCR North	1,505,085	1,505,085	0	1,423,961	1,423,961	0
NCR South	1,204,426	0	1,204,426	1,107,619	0	1,107,619
- M.I.C.T.	2,374,290	829	2,373,461	2,277,843	0	2,277,843
Bataan/Aurora	1,070	1,070	0	1,025	1,025	0
Northern Luzon	268	268	0	440	440	0
<b>SOUTHERN LUZON</b>	<b>417,333</b>	<b>168,697</b>	<b>248,637</b>	<b>291,307</b>	<b>93,991</b>	<b>197,316</b>
Batangas	323,135	74,498	248,637	241,607	44,291	197,316
Mindoro	156	156	0	0	0	0
Bicol	8,626	8,626	0	4,809	4,809	0
Palawan	80,051	80,051	0	44,891	44,891	0
Marinduque/Quezon	0	0	0	0	0	0
Masbate	5,366	5,366	0	0	0	0
<b>VISAYAS</b>	<b>484,792</b>	<b>484,792</b>	<b>0</b>	<b>437,477</b>	<b>437,439</b>	<b>38</b>
Negros Oriental/Siquijor	42,857	42,857	0	35,769	35,769	0
Panay/Guimaras	183,877	183,877	0	178,797	178,797	0
Western Leyte/Biliran	6,495	6,495	0	3,485	3,485	0
Negros Occidental/Bacolod/ Banago/BREDCO	158,446	158,446	0	151,755	151,717	38
Eastern Leyte/Samar	54,943	54,943	0	34,416	34,416	0
Bohol	38,174	38,174	0	33,257	33,257	0
<b>NORTHERN MINDANAO</b>	<b>403,095</b>	<b>402,300</b>	<b>795</b>	<b>375,902</b>	<b>375,453</b>	<b>449</b>
Misamis Oriental/ Cagayan de Oro	285,563	285,563	0	267,486	267,486	0
Lanao del Norte/Iligan	13,509	12,714	795	13,611	13,162	449
Agusan	54,568	54,568	0	50,875	50,875	0
Misamis Occidental/Ozamiz	43,994	43,994	0	39,171	39,171	0
Surigao	5,462	5,462	0	4,759	4,759	0
<b>SOUTHERN MINDANAO</b>	<b>1,182,364</b>	<b>523,698</b>	<b>658,666</b>	<b>1,098,597</b>	<b>508,265</b>	<b>590,333</b>
Zamboanga del Norte	15,360	15,360	0	15,353	15,353	0
Davao	839,027	287,176	551,851	769,339	281,431	487,908
SOCSARGEN	224,784	117,968	106,815	217,572	115,147	102,425
Zamboanga	103,195	103,195	0	96,334	96,334	0
<b>TOTAL</b>	<b>7,572,722</b>	<b>3,086,738</b>	<b>4,485,985</b>	<b>7,014,170</b>	<b>2,840,573</b>	<b>4,173,597</b>

- Note:
- (1) Values may not add up due to rounding off.
  - (2) Transshipment is included in foreign container traffic (in TEUs).
  - (3) In 2018, PMO Cotabato was downgraded to a TMO and is now under the jurisdiction of PMO SOCSARGEN (per PPA Memorandum Order No. 08-2018).

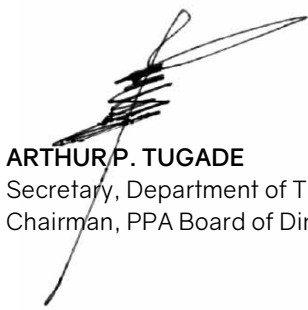


# FINANCIAL STATEMENTS

## STATEMENT OF MANagements RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Philippine Ports Authority** is responsible for the preparation of the financial statements as at December 31, 2018, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriated accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.



**ARTHUR P. TUGADE**

Secretary, Department of Transportation  
Chairman, PPA Board of Directors



**JAY DANIEL R. SANTIAGO**

PPA General Manager  
OIC - Office of the AGM for  
Finance and Administration

# INDEPENDENT AUDITOR'S REPORT



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

## THE BOARD OF DIRECTORS

Philippine Ports Authority  
 Bonifacio Drive, Port Area, Manila

## Report on Audit of the Financial Statements

### *Qualified Opinion*

We have audited the financial statements of the Philippine ports Authority (PPA), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Bases for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects the financial position of the PPA as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

### *Bases for Qualified Opinion*

The correctness, existence and completeness of the Property, Plant and Equipment (PPE) accounts booked in the amount of P116.006 billion cannot be ascertained due to the incomplete physical inventory resulting in the non-submission of the Annual Inventory Report as required; absence of certificate of titles to support ownership of land in the amount of P57.845 billion; and net understand in the PPE account in the amount of P699.85 million due to various observation noted in the recording of transaction affecting the PPE account.

Other Receivables accounts dormant for more than five years in the amount of P281.863 million were uncertain due to absence of source documents to substantiate them.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of PPA in accordance with the Code of Ethics for Government Auditors (Code of Ethics) together with ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide bases for our opinion.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the PPA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the PPA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the PPA's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PPA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast material significant doubt on the PPA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditor's report. However, future events or conditions may cause the PPA to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a matter that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **Report on the Supplementary Information Required under BIR Revenue Regulations 15-2010**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees paid or accrued during the taxable year described in Note 34 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

#### **COMMISSION ON AUDIT**

By:

  
**EMILIA D. MALONZO**  
State Auditor IV  
OIC-Supervising Auditor

June 4, 2019



## STATEMENTS OF FINANCIAL POSITION

### AS AT DECEMBER 31, 2018 AND 2017

	NOTE	2018	2017
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	6	6,862,603,650	6,290,800,510
Financial Assets	7	1,370,978,828	1,103,986,886
Other Investments	8	3,943,887,175	6,008,815,738
Receivables	9	2,589,555,421	2,270,459,714
Inventories	10	75,443,941	65,751,705
Other Current Assets	11	2,060,337,703	1,904,730,001
<b>Total Current Assets</b>		<b><u>16,902,806,718</u></b>	<b><u>17,644,544,554</u></b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	12	116,005,815,822	112,988,999,876
Intangible Assets	13	1,309,018	141,126,352
Other Non-Current Assets	14	452,047,141	820,654,295
<b>Total Non-Current Assets</b>		<b><u>116,459,171,981</u></b>	<b><u>113,950,780,523</u></b>
<b>Total Assets</b>		<b><u>133,361,978,699</u></b>	<b><u>131,595,325,077</u></b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	15	4,122,573,377	3,652,634,976
Inter-Agency Payables	16	634,287,557	895,500,112
Trust Liabilities	17	1,318,378,426	1,050,453,735
Deferred Credits/Unearned Income	18	797,866,129	857,490,206
Provisions	19	226,979,566	132,047,489
Other Payables	20	57,363,456	81,401,022
<b>Total Current Liabilities</b>		<b><u>7,157,448,511</u></b>	<b><u>6,669,527,540</u></b>
<b>Non-Current Liabilities</b>			
Financial Liabilities	15	3,350,370,518	3,549,825,936
Deferred Credits/Unearned Income	18	7,129,455	10,054,258
Provisions	19	169,949,281	270,220,935
Deferred Tax Liabilities	21	6,650,302	6,916,206
<b>Total Non-Current Liabilities</b>		<b><u>3,534,099,556</u></b>	<b><u>3,837,017,335</u></b>
<b>Total Liabilities</b>		<b><u>10,691,548,067</u></b>	<b><u>10,506,544,875</u></b>
<b>EQUITY</b>			
Government Equity	22	6,461,024,285	6,446,573,670
Revaluation Surplus	23	78,776,529,529	78,786,879,445
Retained Earnings/(Deficit)	24	37,432,876,818	35,855,327,087
<b>Total Equity</b>		<b><u>122,670,430,632</u></b>	<b><u>121,088,780,202</u></b>
<b>Total Liabilities and Equity</b>		<b><u>133,361,978,699</u></b>	<b><u>131,595,325,077</u></b>

## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>NOTE</u>	<u>2018</u>	<u>As Restated 2017</u>
<b>Income</b>			
Service and Business Income	25	17,463,041,194	15,328,450,201
Gains	26	6,860,058	189,176
Other Non-Operating Income	27	26,083,450	27,537,017
<b>Total Income</b>		<b><u>17,495,984,702</u></b>	<b><u>15,356,176,394</u></b>
<b>Expenses</b>			
Personnel Services	28	(1,512,572,338)	(1,333,978,622)
Maintenance and Other Operating Expenses	29	(4,560,077,731)	(3,557,496,889)
Financial Expenses	30	(176,138,688)	(160,240,866)
Non-Cash Expenses	31	(3,227,467,059)	(3,659,101,283)
<b>Total Expenses</b>		<b><u>(9,476,255,816)</u></b>	<b><u>(8,710,817,660)</u></b>
<b>Profit Before Tax</b>		<b><u>8,019,728,886</u></b>	<b><u>6,645,358,734</u></b>
Income Tax Expenses	32	(2,465,897,729)	(2,171,895,688)
<b>Profit After Tax</b>		<b><u>5,553,831,157</u></b>	<b><u>4,473,463,046</u></b>
<b>Net Income</b>		<b><u>5,553,831,157</u></b>	<b><u>4,473,463,046</u></b>
<b>Comprehensive Income</b>		<b><u>5,553,831,157</u></b>	<b><u>4,473,463,046</u></b>

## STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Revaluation Surplus	Retained Earnings/ (Deficit)	Government Equity	TOTAL
<b>BALANCE AT JANUARY 1, 2017</b>	<b>72,547,651,741</b>	<b>32,940,499,744</b>	<b>6,378,988,354</b>	<b>111,867,139,839</b>
<b>CHANGES IN EQUITY FOR 2017</b>				
Add/(Deduct):				
Comprehensive Income for the year	0	4,473,463,046	0	4,473,463,046
Dividends	0	(1,956,428,807)	0	(1,956,428,807)
Other Adjustments	6,239,227,704	397,793,104	67,585,316	6,704,606,124
<b>BALANCE AT DECEMBER 31, 2017</b>	<b>78,786,879,445</b>	<b>35,855,327,087</b>	<b>6,446,573,670</b>	<b>121,088,780,202</b>
<b>CHANGES IN EQUITY FOR 2018</b>				
Add/(Deduct):				
Comprehensive Income for the year	0	5,553,831,157	0	5,553,831,157
Dividends	0	(3,103,323,128)	0	(3,103,323,128)
Other Adjustments	(10,349,916)	(872,958,298)	14,450,615	(868,857,599)
<b>BALANCE AT DECEMBER 31, 2018</b>	<b>78,776,529,529</b>	<b>37,432,876,818</b>	<b>6,461,024,285</b>	<b>122,670,430,632</b>



## STATEMENTS OF CASH FLOWS

### FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Collection of Income/Revenue	16,893,483,609	15,182,310,357
Trust Receipts	3,401,677,922	3,365,247,547
Collection of Receivables	60,445,463	39,820,440
Other Receipts	2,832,829,272	4,945,828,392
<b>Total Cash Inflows</b>	<b>23,188,436,266</b>	<b>23,533,206,736</b>
<b>Cash Outflows</b>		
Payment of Expenses	(8,305,836,767)	(8,551,448,949)
Prepayments	(2,897,851,570)	(3,795,988,290)
Release of Intra-Agency Fund Transfers	(611,447,996)	(477,177,216)
Mandatory Deductions	(405,892,052)	(424,846,248)
Refund of Deposits	(4,399,304)	(954,461)
Release of Inter-Agency Fund Transfers	(1,513,893)	(338,914)
Grant of Cash Advances	(413,391)	(2,680,944)
Other Disbursements	(1,652,940,421)	(1,295,467,072)
<b>Total Cash Outflows</b>	<b>(13,880,295,394)</b>	<b>(14,548,902,094)</b>
<b>Net Cash Provided by/(Used in) Operating Activities</b>	<b>9,308,140,872</b>	<b>8,984,304,642</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Proceeds from Matured Investments/Redemption of Long-Term Investments/Return on Investments	3,712,067,907	0
<b>Total Cash Inflows</b>	<b>3,712,067,907</b>	<b>0</b>
<b>Cash Outflows</b>		
Purchase/Construction of Property, Plant and Equipment	(6,056,839,285)	(4,239,324,093)
Purchase of Investments	(2,855,488,776)	(1,598,804,647)
<b>Total Cash Outflows</b>	<b>(8,912,328,061)</b>	<b>(5,838,128,740)</b>
<b>Net Cash Provided/(Used In) Investing Activities</b>	<b>(5,200,260,154)</b>	<b>(5,838,128,740)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Cash Outflows</b>		
Payment of Cash Dividends	(3,103,323,128)	(1,956,428,807)
Payment of Long-Term Liabilities	(433,244,792)	(418,786,414)
<b>Total Cash Outflows</b>	<b>(3,536,567,920)</b>	<b>(2,375,215,221)</b>
<b>Net Cash Provided/(Used In) Financing Activities</b>	<b>(3,536,567,920)</b>	<b>(2,375,215,221)</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>571,312,798</b>	<b>770,960,681</b>
Effects of Exchange Rate Changes on Cash and Cash Equivalents	490,342	24,009
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b>6,290,800,510</b>	<b>5,519,815,820</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>6,862,603,650</b>	<b>6,290,800,510</b>

# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

## 1. CORPORATE INFORMATION

The Philippine Ports Authority (PPA) is a government-owned and controlled corporation originally created under Presidential Decree (PD) No. 505 dated July 11, 1974 which was revised by substitution on December 23, 1975 by PD 857. The latter expanded the concept of port administration not only to focus on revenue collection, harbor maintenance, and cargo handling but also placed emphasis on the role of ports as key to spurring regional growth.

Subsequent amendments under Executive Order (EO) No. 513 dated November 16, 1978, EO No. 546 dated July 23, 1979 and Letter of Instruction (LOI) No. 1005-A dated April 11, 1980 further enhanced PPA's corporate powers to be more responsive in attaining optimum port utilization, development and operation. In EO No. 159 dated April 13, 1987, the corporate autonomy was reverted to the PPA to ensure the rapid development of port or the port system directly under it and authority was granted to execute port projects under its port program.

PPA as a government-owned and controlled corporation (GOCC) is attached to the Department of Transportation (DOTr) for policy and program coordination. Its corporate powers are vested in a Board of Directors chaired by the Secretary of the DOTr. The other eight members of the Board are (i) PPA General Manager as Vice-Chairperson; and (ii) DPWH, DTI, DOF, and DENR Secretaries, NEDA Director-General, MARINA Administrator and one private sector representative as members.

With the passage of RA 101491, GOCC Governance Act of 2011, PPA was included among the corporations whose performances are monitored and evaluated by the Governance Commission for GOCC (GCG). On November 3, 2015, GCG classified PPA as Category "A" GOCC based on its assets and revenues for the past three years. In conformity with the Revised PPA Manual of Good Governance approved by GCG, the PPA Board, aside from the Executive Committee is further assisted by the following committees: (1) Audit Committee and Risk Management Committee, (2) Governance Committee, (3) Nomination and Remuneration Committee, and (4) Finance Committee. The Information Technology Committee, Project/Technical Committee, and Legal Committee were dissolved per Board Resolution No. 2747.

The PPA Rationalization Plan (RP) approved by GCG under GCG Memorandum Order No. 2014-10 provided for the same composition of top management headed by a General Manager and three Assistant General Managers, namely: AGM for Engineering Services, AGM for Operations, and AGM for Finance, Legal and Administrative Services. Except for the abolition of the five district offices, the organizational structure for Head Office and Field Offices were retained. Under the Head Office executive offices are 16 departments. The number of field offices was reduced from 26 Port Management Offices (PMOs) to 25 PMOs and the Terminal Management Offices (TMO) increased from 82 TMOs to 83 TMOs due to the downgrading of PMO Cotabato to a Terminal Management Office under PMO Socargen per PPA Memorandum Order No. 07-2018 dated May 23, 2018.

## 2. HIGHLIGHTS OF CY 2018 ACCOMPLISHMENTS

### 2.1. Physical Infrastructure Development and Maintenance

#### 2.1.1. Locally Funded Projects (LFP)

A total of 162 LFP were implemented as of year-end which includes carry-over and new projects nationwide - 68 projects are for Luzon ports, 34 projects for Visayas ports, and 60 for Mindanao ports. As of December 2018, status of PPA LFPs is as follows: 40 fully completed; 49 on-going; seven suspended; 22 under procurement; and 44 projects under DE/POW.

#### 2.1.2. Dredging Operations

As of December 31, 2018, a total of 1,321,935.79 cubic meters of silts were removed at the following ports and harbors:

- Port of North Harbor (Entrance Channel);
- Port of Puerto Princesa;
- Port of Guian (Eastern Leyte);
- Port of Currimao (Ilocos Norte);
- Port of Abra de Ilog (Occidental Mindoro);
- Port of Nasugbu;
- Port of Ormoc;
- Port of Guadalupe (Southern Leyte);
- Port of Ozamiz;
- Port of Capinpin;
- Port of Calatagan;
- Port of Bauan;
- Port of Surigao;
- Port of Masao (Butuan);
- Port of Dapitan;
- Port of Iligan;
- Port of Cagayan de Oro;
- Port of Pio Duran (Albay);
- Port of Cashilla (Sorsogon);
- Port of Bulan (Sorsogon);
- Port of Virac (Catanduanes);
- Port of Tabaco (Albay); and
- Port of Jose Panganiban (Camarines Norte)

### 2.1.3. Repair and Maintenance Program

Total approved budget for the year amounts to P3.20 billion.

As of December 31, 2018, a total of 198 projects have already been completed, 108 are ongoing, and 18 have not yet been started. Budget utilized as of December is placed at P2.363 billion which is 73.85 percent of the total amount earmarked for CY 2018 R&M projects.

### 2.2 Status of Plans/Programs/Activities/Strategies Enrolled with Governance Commission for GOCCs (GCG) for CY 2018

Various strategic initiatives based on the Authority's Vision, Mission, and Strategy Map were programmed and enrolled with the Governance Commission for GOCCs (GCG) for implementation this year. Status of these commitments is as follows:

#### 2.2.1. Installation of Additional Ro-Ro Ramps (Based on Ro-Ro Network) and Construction of Passenger Terminal Building at the Port of Balatero

In view of enhancing accessibility and connectivity, nine (9) Ro-Ro Ramps were programmed to be completed this year at various ports nationwide. Composed of (1-2) Ozamiz; (3) Alegria; (4-5) Matnog; (6) Tagbilaran; (7) Tacloban; and (8-9) Abra de Ilog.

As of year-end, a total of five (5) ramps were completed, one each for the Ports of Culasi, Balatero, Tagbilaran, Tacloban and Alegria. In Addition, the construction of Passenger Terminal Building (PTB) for the Port of Balatero was also completed in March 2018.

#### 2.2.2. Ports with Integrated Management System (IMS) Certificate

The Integrated Management System (IMS) combines multiple management system standards which include ISO 9001:2015 QMS; ISO 14001:2015 Environment Management System (EMS); and ISO 18001 Occupational Health and Safety (OH&S). These Systems are developed, implemented, and maintained via one system with processes that cover the requirements of each standard.

This year, PPA programmed the completion of IMS certification of five (5) ports, namely, Palawan, Cagayan de Oro, General Santos, Davao, and Bicol as well as the conduct of 1st and 2nd Surveillance Audits for the Ports of Ozamiz and Zamboanga, respectively.

As of December 2018, the Ports of Palawan, Cagayan de Oro, General Santos, Davao, and Bicol were already IMS Certified. Moreover, the Port of Ozamiz passed the 1st Surveillance Audit conducted in November and is recommended for 2nd Surveillance Audit, while the Port of Zamboanga underwent 2nd Surveillance Audit on December 10, 2018.

#### 2.2.3. Ports with Certificate of Compliance with ISO 9001:2015 Quality Management System (QMS)

Pursuant to Executive Order (EO) No. 605, PPA adopted the ISO 9001:2015 Quality Management System (QMS) in order to improve the Agency's performance and service delivery for efficient port operations.

On October 15, 2018, the PPA Head Office, as well as 16 Port Management Offices (PMOs), were certified as conforming to ISO 9001:2015 QMS by Certification International, Phils (CIP), the certification body commissioned by PPA for the project.

In addition, PPA programmed the conduct of Surveillance Audits for the Ports of Batangas and Iloilo (1st Surveillance Audit); and General Santos (2nd Surveillance Audit).

As at year-end, the Ports of Batangas and Iloilo passed the 1st Surveillance Audit and were recommended for the 2nd Surveillance Audit. Likewise, the Port of General Santos passed the Surveillance Audit (Stage 2) conducted in October.

#### 2.2.4 Installation of Automatic Identification System (AIS)

To enhance maritime safety and security, PPA included in its strategic initiatives for this year the installation of Automatic Identification System (AIS) at 26 Ports nationwide.

As of December 2018, AIS were installed to the following ports, namely: Sasa, Lucena, Marinduque, Tagbilaran, Tapal, Jagna, Talibon, Catagbacan, Ubay, Maribojoc, Jetafe, Currimao, Salomague, Ozamiz, Jimenez, Plaridel, Dumaguete, Tandayag, Larena, Siquijor, Dumangas, Iloilo, Mafi, Malalag, and General Santos.

#### 2.2.5 Competency-Based Human Resource System

The Authority plans to design a Competency Management and Succession Development Plan for all positions with required competency standards which aims to (1) establish a competency framework for the Authority, including the creation of a competency dictionary, (2) identify competency gaps and provide interventions to close or minimize competency gaps, and (3) establish a talent pool of qualified employees who will serve as reservoir of talent fit for the Authority's key and critical positions, among others.

PPA created a Technical Working Group (TWG) to design a Competency-Based Human Resource System. In addition, select officers underwent a capacity-building program. The first course, i.e. Competency Modeling and Profiling, of the six-module training program was already conducted on October 3-5, and October 29-30, 2018, respectively. The last training session, i.e. Integration of Competencies in the HR System, will be conducted on January 16-18, 2019.

### 2.3. Human Resource

The GCG approved RAT-Plan provided for 3,151 plantilla positions, composed of 647 positions for Head Office and 2,504 for the Field Offices.

As of year-end, personnel count stood at 1,883. Out of this number, 401 personnel are assigned for Head Office while the remaining 1,482 are at the Field Offices. Outsourced personnel of PPA for technical and administrative positions as of December 2018 totaled 1,359 where 322 are assigned at the Head Office while 1,037 are designated at Field Offices.

The Authority is still completing the filling-up of vacant positions nationwide based on the GCG approved Rationalization Plan.

## 3. MAJOR CONTRACTS / SERVICE CONCESSION ARRANGEMENTS

The following highlights of the terms and conditions of major contracts entered into by PPA are reiterated as part of yearly disclosures in accordance with the provision of SIC 29, Service Concession Arrangements. The terms and conditions of major contracts remained the same. Information on accomplishments for 2018 pertaining to their development commitment, if any, are updated:

### A. Contracts involving Port of Manila

#### 1) Contract for the Development, Management, Operation and Maintenance of Manila North Harbor

The exclusive development, management, operation and maintenance of North Harbor comprising of Pier 2 up to Slipway, including Isla Puting Bato was awarded to Manila North Harbour Port Incorporated (MNHPI) under a 25-year contract on November 18, 2009.

Highlights of the terms of the contract and accomplishments:

- a. MNHPI as the contractor shall provide and undertake the domestic terminal services at North Harbor which shall include cargo handling services, passenger terminal management, parking services, berth management, storage management, water distribution, security services and ancillary services.

PPA-PMO NCR North, on the other hand, continues to collect charges such as Port Dues, Dockage Fees, Usage Fees, Wharfage Dues, VTMS Fees and management fees which are recognized as PPA revenues.

- b. The following financial considerations to be paid to PPA:

- Fixed Fee of P6.819 billion to be remitted in accordance with the set schedule for a period of 25 years starting in 2010 up to 2034, payable in advance not later than the 5th day of the 1st month of every quarter without need of demand.
- Reimbursement of past service benefits advanced by PPA in the amount of P20.60 million per year for a period of five years or a total of P103 million. The last payment of P20.60 million has been remitted by MNHPI on April 2018.

- c. Assets constructed by the operator shall be turned over to the PPA at the end of the contract.

The PPA Board of Directors approved, in its Board Resolution No. 2254 dated June 2, 2011 the MNHPI development plan, "Manila North Harbor Modernization Project" (MNHMP). Its estimated project cost is P14.80 billion to be implemented during the contract period from 2010 to 2034.

Based on the MNHPI Modernization Project Quarterly Report of the Manila North Harbor as of December 31, 2018, a total of P11.412 billion had been invested in various development initiatives since 2010 broken down as follows:

PLAN/PROJECT DESCRIPTION	Total Investment as of December 31, 2018
1. Infrastructure and Port Development	5,825,652,886
2. Cargo Handling Equipment	5,321,611,372
3. Safety and Security	70,846,867
4. Information and Technology	194,025,698
<b>Total</b>	<b>11,412,136,823</b>

Net book value of PPA constructed assets turned over for use and management by MNHPI under the contract is P556.603 million as of December 31, 2018.

#### 2. Contract for the Management and Operation of South Harbor, Port of Manila

The latest contract entered into with Asian Terminals, Inc. (ATI) for the management and operation of South Harbor was the Third Supplemental Contract executed on October 19, 2007 which extended the contract term up to May 18, 2038. The 3rd Supplement covers areas/services under the (i) Lease Agreement of January 15, 1997 covering certain areas of South Harbor intended for use as international and domestic storage areas; and (ii) the Second Supplement which expanded the scope of services of the contractor to include the management of domestic terminal facilities.

In consideration of the "Extended Term", ATI remitted to the PPA on May 19, 2013 a lump sum fee of P282.0 million. In addition, the following financial considerations shall also be paid to PPA:

- From international containerized cargo handling operations, Fixed Fee of USD9 million and Variable Fee of 20 percent of gross revenue.

Fixed fees are payable quarterly in advance not later than the 5th day of the first month of every quarter. Variable fees, on the other hand, are payable quarterly in arrears not later than the 5th day of the first month of every quarter (on or before January 5, April 5, July 5, and October 5 of every year).

The contract provides that US dollar-denominated fees shall be paid in Philippine pesos using the Philippine Dealing System USD = Php closing rate of the last trading day prior to payment date.

- From international and domestic cargo storage operation, Fixed fee of P55 million; Variable Fee of 30 percent of annual gross storage revenues from international cargo storage operation in excess of P273 million whether collected or uncollected; and Variable fee of 10 percent of the annual gross storage revenues from domestic cargo storage operations, whether collected or uncollected.

From domestic cargo handling operations, government share of 10 percent of gross revenues.

Adjunct Fee in case actual international container volume throughput exceeds 1,900,000 Twenty Equivalent Units (TEUs). The fee is payable on or before January 31 of the year following the calendar year in which the required cargo throughput has been exceeded.

From international non-containerized cargo operations, government share of 14 percent of gross stevedoring revenues and government share of 20 percent of gross arrastre revenues.

Likewise, the contract provides for investment commitment from ATI. Among its highlights are:

- ATI shall implement the projects for rehabilitation, development and expansion of the South Harbor facilities in accordance with the Investment Plan, as may, from time to time be revised or updated pursuant to the Third Supplement. Summary of Investments to be implemented from the Year 2009 to 2022 are as follows:

Source of Revenue	Infrastructure	Equipment	IT	Total
	In Million US Dollar (\$)			
International Containers	126.685	123.075	8.987	258.747
International Gen. Cargo	6.473	1.930	0.362	8.765
Domestic Cargo	17.061	15.180	0.706	32.947
<b>Total</b>	<b>150.219</b>	<b>140.185</b>	<b>10.055</b>	<b>300.459</b>

- Investment of P120 million for additional works and other costs related to the construction of the PPA Head Office building.

As of December 2018, actual value of investments or costs of implemented projects by ATI in aggregate amounts is USD143.85 million, composed of infrastructure projects of USD60.85 million; Information Technology of USD14.478 million; and acquisition of port equipment of USD68.52 million.

The net book value of PPA constructed assets as of December 31, 2018 at South Harbor turned over for the management and operation by ATI is USD59.230 million.

#### 3. Contract for the Management, Operation and Development of Manila International Container Terminal (MICT)

In 1988, the PPA entered into an agreement with the International Container Terminal Services, Inc. (ICTSI) for the management, operation and development of the Manila International Container Terminal (MICT) at the Port of Manila, subject to the direct control and supervision of the PPA. It provides for the remittance of Fixed Fee and Variable Fee from its gross income which shall include all income generated by the Contractor from the MICT from every source and on every account except interest income, whether collected or not, to include but not limited to Harbor Dues, Berthing Fees, Wharfage, Cargo Handling Revenues, Crane Fees, Stripping/Stuffing Charges and all other revenues from Ancillary Services.



A renewal of the agreement was made on April 20, 2005 which provides for an extension of the contract period for another 25 years reckoned from May 19, 2013 up to the expiration of 'Extended Term' on May 18, 2038.

Part of the financial consideration was the lump sum fee of P670 million remitted to PPA on May 20, 2013. Additional investment of not less than USD125 million for the construction and development of new port facilities was also provided in the contract.

Aside from the abovementioned financial consideration, the contract provides for the following fees under the 'Extended Term':

- Fixed Fee of USD600 million payable in 100 quarterly installments, to be paid in advance not later than the 5th day of the first month of every quarter without need of demand;
- Variable fee of 20 percent of the gross revenue earned at the MICT;

Variable fee for unattained transshipment volume payable within the 1st month of the succeeding year. The committed transshipment volume is pegged at 260,000 TEUs;

Adjunct Fee in excess of 2.55 million TEUs; and

Remittance of 10 percent of its gross income derived from domestic operation, billed/unbilled or collected/uncollected, due not later than the 5th day of every month (for prior month income). This is based on the 2007 Supplemental Contract executed, relative to the contract signed on May 19, 1988 and renewed in April 2005, granting the contractor the authority to provide arrastre, stevedoring and other related cargo handling services to domestic vessels and cargoes at MICT.

On June 23, 2010, a Supplemental Contract to the May 19, 1988 contract was signed and was confirmed in Board Resolution No. 2213. It amended Annex C of the 2005 MICT Renewal Agreement which provided for USD126.823 million as additional Port Development Program Civil Works and Equipment from the Year 2005 to 2012. From the above estimated cost of investment commitment from ICTSI, the actual value of completed port development is USD 216.23 million.

For the 2013 to 2037 Port Development Commitment provided in Annex E of the contract, the actual cost of investment was recorded at USD89.66 million as of December 31, 2018 from the total estimated amount of USD146.38 million. Part of this commitment is the construction of Berth 7 which is expected to be completed in October 2020.

As of December 31, 2018, net book value of PPA constructed assets turned over for use under the original management contract with ICTSI is P18.69 billion which includes the value of land and various port development projects and equipment turned-over to PPA in 2013.

#### B. Port of Batangas

##### 4. Long-Term Contract for the Operations of Cargo Handling Services and Fastcraft Passenger Terminal Phase I

The contract was awarded to ATI on October 20, 2005 effective for a period of ten years. It authorized the contractor to manage, operate, and provide cargo handling services at the Port of Batangas, Phase I including the newly constructed General Cargo Berth and passenger services at the Fastcraft Terminal Building (PTB 3).

A contract extension and renewal was executed with material conditions that the contractor commits to develop, finance and construct the required development within the specified timelines. The contract extension became effective and commence on October 1, 2015 to expire on September 30, 2025. The period for the revised per PPA Board Resolution No. 2744 that provided for the revised expiration date to October 1, 2025.

Following are the financial obligations of the contractor under the new contract:

- Annual Fixed Fee in the total amount of P1.252 billion payable for a period of 10 years and summarized as follows:

Contract Year	% Escalation	Fixed Fee Amount
Year 1	none	112,700,000
2	none	112,700,000
3	none	112,700,000
4	5%	118,335,000
5	4%	123,068,400
6	3%	126,760,452
7	3%	130,563,266
8	3%	134,480,164
9	3%	138,514,568
10	3%	142,670,005
<b>Total</b>		<b>1,252,491,855</b>

- Annual Volume-Triggered Government Share in the amount equivalent to:

- Ten percent (10%) of the Gross Income for handling and servicing all types of domestic cargoes and those derived from passenger terminal fees, in excess of the Defined Threshold Volume; and

- Twenty percent (20%) of the Gross Income for handling and servicing all types of foreign cargoes, in excess of the Defined Threshold Volume.

The Defined Threshold Volumes of the various types of cargoes and services shall be as follows:

Cargo Type / Port Traffic	Annual Volume Threshold
1. Non-Containerized Cargo (MT)	
Domestic	400,000
Foreign	100,000
2. RORO Cargoes Units	
Domestic (RRTS)	240,000
Foreign (CBUs)	115,000
Domestic (CBUs)	4,000
3. Domestic Containerized Cargo (TEUs)	35,000
4. Passengers (Outbound)	3,000,000

The Annual Fixed Fees and Volume Triggered Government share are exclusive of Value-Added Tax (VAT).

##### 5. Management, Operation, Maintenance, Development and Promotion of Container Terminal "A-1", Phase II

The contract for the management, operation, maintenance, development and operation of Container Terminal "A-1", Phase II was awarded to ATI on March 25, 2010 for a period of 25 years. In addition, PPA Board Resolution No. 2745 provides that the contract may be extended for an additional term from 2036 to 2045.

In consideration, the following shall be remitted by ATI exclusive of VAT:

- Annual Fixed Fee in US dollars totaling USD125.46 million for 25 years.
- Annual Variable Fee equivalent to the yearly percentage share multiplied by the projected gross income in Philippine peso or the committed yearly percentage share multiplied by the contractor's actual gross income in Philippine peso, whichever is higher.

The Annual Fixed and Variable Fees shall be remitted in Philippine Peso using the closing reference rate of Bangko Sentral ng Pilipinas on the last trading day prior to payment date.

The net book value of assets constructed by PPA which is under the operation and management of ATI at Port of Batangas is P1.646 billion as of December 31, 2018.

#### C. Port of Davao

##### 6. Construction, Management and Operation of Reefer Rack

Davao Integrated Port and Stevedoring Services Corporation (DIPSSCOR) was awarded on April 23, 2010 the contract to construct, manage and operate the additional reefer rack structure/facility with at least 144 reefer outlets at the Sasa Wharf, Port of Davao. The contract was effective for a period of ten years renewable for another ten years.

The contract provided for the remittance of government share exclusive of VAT equivalent to ten percent of the gross income on the operation of the reefer facilities, whether billed/unbilled and collected/uncollected not later than the 5th day of every month for prior month's income.

The reefer facilities constructed by PPA which was turned over to DIPSSCOR under the contract has a net book value of P7.259 million as of December 31, 2018.

#### 4. DEPARTMENT OF TRANSPORTATION (DOTr) TOURISM AND SOCIAL REFORM RELATED PROJECTS IMPLEMENTED BY PPA

With regards to the Memorandum of Agreement for the Bidding and Implementation of the Construction of DOTr CY 2015 Tourism and Social Reform-Related Ports, PPA successfully bid out 41 port projects mainly to promote Tourism and Economic Development Agenda of the Government. Of the total 41 port projects for implementation by PPA, 26 projects were successfully completed, 13 projects are still on-going, and the remaining 2 projects were just recently funded by DOTr. As of December 31, 2018, the total amount transferred by DOTr to PPA amounted to P989.36 million, total expenditure is accounted at P634.52 million, with a remaining balance of P354.84 million.

On September 15, 2017, another Memorandum of Agreement was signed between DOTr and PPA which provides for the Bidding and Implementation of the Construction of DOTr CY 2016-2017 Tourism and Social Reform-Related Ports. As of December 31, 2018, the total amount transferred by DOTr to PPA amounted to P286.58 million; total expenditure is accounted at P634.52 million, with a remaining balance of P279.11 million for the year.

In 2018, two Supplemental Agreements to the Memorandum of Agreement Executed on September 15, 2017 were issued. Both supplemental agreements cover the Procurement and Implementation of the Construction of DOTr CY 2018 Tourism and Social Reform-Related Ports. As of December 2018, no fund transfer has been received from DOTr pertaining to the implementation of these projects.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

COA Circular 2015-003 classified Government Corporations into Government Business Enterprise (GBE) and Non-GBE for the purpose of determining the applicable Financial Reporting Framework and the prescribed guidelines in the preparation of their Financial Statements. It prescribed the mandatory adoption of the PFRS by all GBEs. PPA was classified as a GBE.

### 5.1 Basis of Preparation

The accompanying financial statements were prepared using the historical cost convention and accrual basis of accounting except for fixed assets that were revalued in 2016 and those assets for disposal that were adjusted to their net realizable value.

The books and reports generated thru the Accounting and Financial Management System (AFMS), a sub-system of the PPA Computerized System were used as basis in the preparation of the financial report. AFMS uses only a single book of accounts in recording the financial transactions of Operating Units (OU) consisting of Head Office and PMOs. Clearing accounts, default accounts, use of automated entries through the "Due To/Due From" accounts and assignment of codes for each OU allow the generation of financial reports for Head Office, for each PMO, consolidated report on PMOs and consolidated PPA report.

Forms and reports as well as the schedules of the different accounts generated thru the AFMS were developed using Oracle software and were customized to be compliant with the requirements of the National Government Accounting System (NGAS). Revisions of the forms to conform with the 2017 COA issuance was already requested from the ICTD. The Consolidated Financial Statements include the financial transactions of the Head Office and PMOs.

The system-generated Trial Balance which is already compliant with the Revised Chart of Accounts (RCA) prescribed in COA Circular Nos. 2015-010 and 2016-006 dated December 1, 2015 and December 29, 2016, respectively, was used in the preparation of financial statements. The formats prescribed in COA Circular No. 2017-004 were also observed in the preparation of the required financial statements for GOCC classified as GBE. Each PMO was provided with the template for the purpose of converting AFMS generated reports to COA prescribed reports.

The system is currently undergoing revisions to incorporate the changes in account code and titles as well as the forms generated by the system as provided for in COA Circular No. 2017-004. Likewise, the Budget Module was also revised and has been presented to the end-users for implementation in 2019.

### 5.2 Statement of Compliance

The financial statements were prepared in conformity with applicable provisions of the following Philippine Accounting Standards (PAS) and Philippine Financial Reporting Standards (PFRS) consistent with previous year's financial reports:

PAS 1	<i>Presentation of Financial Statements</i>
PAS 2	<i>Inventories</i>
PAS 7	<i>Cash Flow Statement</i>
PAS 10	<i>Events After the Balance Sheet Date</i>
PAS 16	<i>Property, Plant and Equipment</i>
PAS 18	<i>Revenue</i>
PAS 19	<i>Employee Benefits</i>
PAS 21	<i>Effects of Changes in Foreign Exchange Rates</i>
PAS 23	<i>Borrowing Cost</i>
PAS 36	<i>Impairment of Assets</i>
PAS 37	<i>Provisions, Contingent Liabilities &amp; Contingent Assets</i>
PAS 38	<i>Intangible Assets</i>
PFRS 1	<i>First Time Adoption of PFRS</i>
PFRS 5	<i>Non-Current Assets Held for Sale and Discontinued Operations</i>
SIC 29	<i>Service Concession Arrangements</i>

Transactions or business arrangements not falling under any of the existing PAS and PFRS were disclosed in the Notes to Financial Statements. All other accounting standards, financial reporting standards and financial interpretations issued by the Philippine Interpretation Committee are deemed not applicable in accounting for the transactions of the PPA as a GOCC.

There are no transactions or cases in 2017 that would warrant the application of PAS 8 on Accounting Policies, Changes in Accounting Estimates and Errors; and PAS 20, Accounting for Government Grants and Disclosure of Government Assistance.

### 5.3 Presentation of Financial Statement

The complete set financial statements composed of (i) Statement of Financial Position, (ii) Statement of Comprehensive Income, (iii) Statement of Cash Flows, (iv) Statement of Changes in Equity, and (v) Notes to Financial Statements required in PAS 1, Presentation of Financial Statements and in the recently issued COA Circular No. 2017-004 were prepared to fairly present PPA's financial transactions as a going concern entity (corporation).

The accounts required to be presented in the face of the Statement of Financial Position and Statement of Comprehensive Income conforms to the applicable provisions of the PFRS 1 – First Time Adoption of PFRS. The financial statements were prepared using the accrual principle except for the Statement of Cash Flow. Comparative information and aggregation of each material class of items are presented separately consistent with prior years' presentation. Each material class of similar items is presented separately in the financial statements while dissimilar items whose amounts are considered immaterial were aggregated. Offsetting is permitted to those allowed under PFRS.

The reporting period covers the one-year operation of the agency from January to December 2018 consistent with prior years' period. Additional disclosures are presented/provided, were necessary.

#### Assets

The major categories used were Current and Non-Current Assets. "Restricted Cash" is presented under Non-Current Assets as in the prior years.

#### Investments

Investments in the form of Treasury Bonds, Treasury Bills and Land Bank of the Philippines (LBP) – issued bonds are valued at cost including withholding taxes.

#### Accounts Receivables

Receivables composed of trade and non-trade accounts are valued at face amount less the corresponding allowances set up for impairment arising from non-collection or any anticipated adjustments which, in the normal course of events, will reduce the amount of receivable from the debtor to estimated realizable values.

#### Inventories

Inventories, except spare parts for PPA dredgers, are valued at cost, net of Value-Added Tax (VAT), using the moving average method of costing.

Value of PPA Dredger Spare Parts, already reclassified in 2011 to Non-Current Assets, is presented at their net realizable value based on the appraisal report of an independent appraiser.

#### Intangible Assets

Cost includes only the development cost. Research cost, pre-operating costs, training and other administrative costs were not recognized as part of the intangible asset. With the continuing changes in information technology, the asset is accounted as a finite asset with a life of five years.

#### Liability

Accounts are classified as Current or Non-Current Liabilities. The portion of long-term loans payable due for settlement within the next 12 months after the financial reporting date is presented as Current Liability.

#### Foreign Currency

The financial statements are presented in Philippine currency. Foreign-currency denominated depository accounts and loan balances have been revalued and translated into Philippine currency based on exchange rate as of reporting date, December 31, 2018.

## 5.4 Recognition, Derecognition and Reclassification of Assets and Liabilities

#### Inventories

Supplies and materials for stock whether purchased and/or received as donations are recorded under the appropriate inventory accounts following the perpetual inventory method. In conformity with COA Circular 2016-006 dated December 29, 2016 and PPA Finance Memo Order 01-2016, semi-expendable items with estimated useful life of more than a year but below the capitalization threshold of P15,000 are considered part of the inventory upon acquisition.

Item issued/consumed during the year are treated as expense, charged to profit or loss for the period. The moving average costing method is used in computing amount to be recognized as expense for the period.

There is no change in the recognized net realizable value of dredger spare parts. Consistent with the provision of PAS 2 on Inventories, the value of spare parts for dredgers was already written-down to their net realizable value in CY 2011. As provided for in the standard, the practice of writing down inventories below cost to their net realizable value is consistent with the view that assets should not be carried in excess of amounts expected to be realized from its sale or use. Further, the criteria on the recognition as an expense of the amount written-down on inventories to net realizable value and losses in the period of the write-down or loss was also applied. With Management's intention to dispose of the asset, the value of spare parts inventory was reclassified to 'Other Assets' at net realizable value.

The practice of recognizing as expense for the period when accountable forms are issued/released to PMOs was already discontinued in 2012. The physical transfer of the accountable forms from Head Office to receiving PMO is recognized as transfer of the value of the inventory from the HO Inventory account to PMO Inventory account. Expense is recognized upon issuance of the accountable forms to collecting officers and cashiers.

#### Property and Equipment

Property and equipment of the PPA are carried in the books at appraised value except for additions in between the periods of appraisal which are recorded at acquisition cost, net of VAT.

Appraisal is conducted once every five years pursuant to COA Resolution No. 89-17. In the past, any increase or decrease in value of the asset resulting from appraisal activities is recorded as direct adjustments to Revaluation Surplus account. Recognition of gain or loss as provided for in PAS 16 was not observed. When assets are dropped from the books such as retirement, disposal, demolition, etc., the recognized revaluation surplus is closed to Retained Earnings account.

In 2013, the Revaluation Capital account was analyzed as an initial step towards complying with COA recommendations agreed during the exit conference. An adjustment on the revaluation account was made to include only the corresponding revaluation surplus for all remaining assets as reflected in the 2011 appraisal report. In the absence of any recognized gain or loss from prior years' appraisals, the adjustments to the Revaluation Capital were closed to Retained Earnings.

The latest appraisal activity of PPA assets was conducted in 2016. The following provisions of PAS 16 were applied in recording the result of the asset appraisal:

- For Initial Revaluation

An increase in the value of Fixed Asset due to Appraisal shall be adjusted through the Revaluation Surplus account.

A decrease in value of Fixed Assets due to Appraisal shall be directly charged to the result of operations in the Profit and Loss (P&L) Statement.

- For Subsequent Revaluation

The increase shall be recognized as revaluation gain to the extent that it reverses a revaluation decrease of the same asset previously recognized in the P&L and any excess should be charged to Revaluation Surplus.

A decrease shall be debited to the extent of existing balance of Revaluation Surplus in respect of that same class of asset, any excess should be charged to revaluation loss in the P&L.

Upon retirement, disposal, demolition, or when the appraised asset is permanently impaired, the cost of the asset, appraisal increments and related accumulated depreciation are dropped from the books and any resulting gain or loss is recognized on the difference of the net proceeds and net realizable value for the period.

Depreciation starts when the asset is placed in service and ends when the asset is derecognized or disposed. Depreciation is computed based on the acquisition cost or appraised value of the property, net of 10 percent residual value, using the straight-line method over the estimated useful life of the assets in accordance with PPA Memorandum Circular No. 37-2005 issued in conformity with COA Circular No. 2004-003.

The costs of on-going projects, Locally-Funded Projects, are based on actual physical accomplishment reported by the Engineering Office. Upon completion of the project, the administrative and engineering expenses (miscellaneous overhead) are prorated to the different completed assets based on the percentage of each asset's actual cost over the total project cost.

All subsequent costs for the repairs and maintenance of different port facilities are recognized as expense or for major repairs that extends the economic life of the assets, capitalized for the period, whichever is appropriate.

Buildings/structures constructed and equipment acquired by operators/contractors under approved development or investment plans as provided for in the management contracts are not included as assets of the Authority. Such properties shall only be recognized in the books of the Authority when these assets are turned over to PPA at the expiration of the contract on an "as is" basis.

Unserviceable assets and those identified for disposal are derecognized and reclassified to "Other Non-Current Assets". The difference between the net book value and the residual value is recorded as a loss for the period. The difference between the actual amount received from the disposal/sale of the asset, and the carrying value or residual value shall be recognized as gain or loss on disposal for the period.

#### Impairment of Assets

For an asset which has not yet been subject to appraisal and whose recoverable amount is less than the asset's carrying value, the recorded cost is reduced to their recoverable value and the difference is charged to current period as impairment loss.

#### Intangible Assets

The cost for the development of the PPA Computerized System was initially recognized under the account "Construction in Progress" (CIP). With its completion, the CIP account was closed and intangible asset was recognized considering the economic benefit that PPA will gain from the use of the system. Only the development costs paid to the system developer and integrator were recognized as intangible asset. All other expenses such as training, travelling, fuel, meetings, cabling and other related expenses of administrative in nature that should have been recognized as expense when incurred were excluded and closed to Retained Earnings. Provision for amortization is recognized for a period of five years starting from 2014. The last amortization of which is recorded this year, 2018.

All expenses for the continuing enhancement and improvement of PPA Computerized System are recognized as expense for the period.

#### Liability

The obligation to pay is recognized only when goods were actually received and services rendered or based on physical accomplishment for contracts covering delivery of services and infrastructure projects. PPA Finance Memorandum Order 01-2016 dated December 02, 2016 was issued amending the AFMS Manual to include an accrual for the value of physically accomplished portion of infrastructure projects at the end of the year.

#### Borrowing Costs

The benchmark treatment provided in PAS 23 was applied in recognizing borrowing cost as expense in the period of incurrence.

### 5.5. Recognition of Income and Expense

#### Revenue

The Authority uses the accrual method of accounting wherein income and expenses are recognized as they are earned or incurred regardless of when cash is received or paid. This is also applied for those covered by contracts.

In providing services to the public, PPA entered into various management contracts which convey to an operator for a specified period the right to provide services that give the public access to ports, passenger terminal facilities and various port facilities constructed by the government. In return, the operator remits fees to the Authority in accordance with the terms of the contracts.

#### Foreign Exchange Transactions

Transactions in foreign denominated tariff rates are receipted and recorded using the exchange rate in effect at the date of the transaction. PPA Administrative Order No. 05-2017 dated May 12, 2017 amended Memorandum Circular No. 16 dated October 6, 2006 which now adopted the use of daily Foreign Currency Exchange Rate (FCER) prescribed by the Bangko Sentral ng Pilipinas (BSP) in determining the peso value of the dollar-denominated port charges due to PPA instead of the 15-day average BSP guiding rates prevailing at the time of issuance of the invoice.

For fees/financial considerations provided in contracts with cargo handling operators that are in foreign currency, the specified bases in the conversion of the foreign currency into peso as provided for in the agreements.

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

- For loans identified with completed projects, and those used to acquire invoiced assets, the gain or loss is recognized in current year's income/loss.
- For loans related to assets still under construction, the foreign exchange difference is capitalized and included in the carrying amount of the Fixed Asset-In Process account.

For 2018, all infrastructure projects were financed out of the corporate fund. Hence, there are no transactions requiring application of these provisions.

- For other foreign currency transactions, i.e. deposits in foreign currency, the gain or loss in foreign exchange fluctuation is recognized in the income or loss for the current period similar to item a) above.

#### Income Tax

Consistent with last year's tax return, depreciation expense was claimed as deduction in the computation of corporate income tax. The option to apply investment in fixed assets or capital expenditures as special deduction or tax credit allowed under PD 857 was stopped starting 2017 in accordance with BIR ruling on the matter.

Pursuant to Section 27(E) of the 1997 National Internal Revenue Code, as amended, the prescribed Minimum Corporate Income Tax (MCIT), which is equivalent to two percent of gross income, is paid if higher than Regular Corporate Income Tax (RCIT).

#### Provision for Impairment Loss

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

PPA Finance Memorandum Order No. 02-2009 dated April 22, 2009 prescribes the rates on provisions for impairment loss, as follows:

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

### 5.6. Other Disclosures

#### Contingent Assets

In compliance with the provisions of PAS 37 – Provisions, Contingent Liabilities and Contingent Assets, Contingent Assets and its contra account Contingent Surplus were excluded in the preparation of the financial statements. The account, however, is maintained in the books during the year as a means to monitor the accounts.



## Events after Balance Sheet Date

- Non-adjusting event after the reporting date requiring disclosure is the payment of dividend to the national government equivalent to 50 percent of PPA's net income after tax plus/minus authorized additions/deductibles based on the corporate income tax returns duly filed with the Bureau of Internal Revenue (BIR) or authorized agent banks. The Revised Implementing Rules and Regulations on GOCC Dividend Law issued by DOF intended to promote fiscal discipline among GOCCs and improve National Government cash management was applied in the computation of dividend.

**6. CASH AND CASH EQUIVALENTS**

The breakdown of this account is as follows:

Particulars	2018	2017
Cash in bank		
Philippine National Bank	58,995,307	93,372,529
Philippine Veterans Bank	3,153,234,762	2,589,697,850
Land Bank of the Philippines	2,925,089,430	3,525,261,319
Development Bank of the Philippines	631,668,369	2,874,402
Total Cash in Bank	<b>6,768,987,868</b>	<b>6,211,206,100</b>
Cash with Collecting Officers	93,615,782	79,594,410
<b>Total</b>	<b>6,862,603,650</b>	<b>6,290,800,510</b>

Cash and Cash equivalents comprises cash on hand and in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. The significant increase in DBP account is mainly attributable to the fund transfers from the Department of Transportation for the implementation of Tourism and Social Reform-Related Port Projects as per Board Resolution No. 2430 which were previously recorded as Restricted Fund.

**7. FINANCIAL ASSETS**

Financial assets include the Investments in Treasury Bills with maturity dates of 91 days and above and Treasury Bonds acquired at a premium with holding period of 2,506 days and interest rates of five percent (5%) that will mature on April 26, 2019 both from the Land Bank of the Philippines.

Particulars	2018	2017
Treasury Bills	1,270,970,626	1,003,953,228
Treasury Bonds	100,008,202	100,033,658
<b>Total</b>	<b>1,370,978,828</b>	<b>1,103,986,886</b>

**8. OTHER INVESTMENTS**

Other investments represent investments in time deposits with various maturity dates of more than 180 days with the Land Bank of the Philippines and Philippine Veterans Bank. These funds are earmarked to finance various infrastructure projects and for the value of accrued leave credits and retirement benefits of PPA personnel.

Particulars	2018	2017
Time Deposits	3,943,737,175	6,008,665,738
Other Investments/MS	150,000	150,000
<b>Total</b>	<b>3,943,887,175</b>	<b>6,008,815,738</b>

**9. RECEIVABLES**

This account includes the following:

Particulars	2018	2017
Receivables Accounts		
Accounts Receivable	2,601,748,932	1,991,767,763
Notes Receivable	7,515,151	21,855,286
Interests Receivables	35,453,267	36,784,310
Total Receivables	<b>2,644,717,350</b>	<b>2,050,407,359</b>
Less: Allowance for Impairment	(198,165,245)	(200,625,240)
Receivables, Net	<b>2,446,552,105</b>	<b>1,849,782,119</b>
Inter-Agency Receivables	36,045,209	260,058,207
Intra-Agency Receivables	46,602,422	19,012,013
Other Receivables		
Receivables – Disallowances/Charges	4,902,108	4,336,815
Due from officers and employees	40,609,616	101,777,204
Other Receivables	120,173,684	146,716,577
Total Other Receivables	<b>165,685,408</b>	<b>252,830,596</b>
Less: Allowance for Impairment	(105,329,723)	(111,223,221)
Other Receivables, Net	<b>60,355,685</b>	<b>141,607,375</b>
<b>Total</b>	<b>2,589,555,421</b>	<b>2,270,459,714</b>

Computation of Allowance for Bad Debts for Receivables – Trade is in accordance with PPA Finance Memorandum Order No. 02-2009 dated April 22, 2009. The breakdown is as follows:

No. of Days Past Due	Rate	Accounts Receivable	Provision
Not Yet Due	0%	2,264,473,378	0
1-30 days	5%	1,837,280	91,864
31-90 days	10%	1,863,772	186,377
91-180 days	20%	4,746,752	949,350
181-365 days	40%	1,794,979	717,992
Over 365 days	60%	327,032,770	196,219,662
			<b>198,165,245</b>

**9.1 Accounts Receivable**

Accounts Receivable refers to the amount due from port users/customers arising from trading or business transactions that are expected to be collected within the allowable credit period. Increase in the Accounts Receivable of Southern Luzon Cluster pertains to uncollected fixed and variable fees of PMO Batangas from ATI for the last quarter of 2018.

**9.2 Notes Receivable**

Notes receivable represents the realizable value of promissory notes issued by port users to cover the assessments of their restructured accounts, payable within specified repayment period. Decrease in this account is due to payments received by PMOs Eastern Leyte and Agusan on the restricted accounts of Philharbor Ferries & Port Services Inc. and Carlos A. Gothong Lines, Inc., respectively.

**9.3 Interests Receivables**

Interests Receivable comprises the accrued interest receivable earned from Investments in Time Deposits (Special Savings Deposit/Premium/High Yield from the Philippine Veterans Bank and Land Bank of the Philippines) and Treasury Bills and Treasury Bonds issued by the Bureau of the Treasury.

**9.4 Inter-Agency Receivables**

Inter-Agency Receivables covers the amounts due from various departments, bureaus, government owned-controlled corporations and local government units. The following comprises this account:

- PMO NCR North - remaining balance of advance payment made by the PPA thru to the National Housing Authority (NHA) amounting to P34.82 million from the original amount of P123.11 million for the relocation and resettlement of Informal Settler Families (ISFs) affected by the development of North Harbor's Project Area.
- For Head Office – the decrease for the year is mainly due to the closing of Due from GOCC account of Head Office which pertains to the amount transferred to PITC for the Procurement of Baggage X-Ray Machines and Walk-through Metal Detectors. The balance of P50.74 million from the said transfer was received in May 2018.

**9.5 Intra-Agency Receivables**

Inter-Agency Receivables cover the net income of Special Take-Over Units (STUs) recorded under Due from Operating Units that are due for remittance to the PMOs of the PPA. The significant increase is attributed to the creation of STU-Surigao Port Services.

**9.6 Other Receivables**

Other Receivables includes:

**9.6.1. Receivables – Disallowance/Charges**

Receivables – Disallowance/Charges covers the amount of disallowance/ charges in audit due from PPA officers and employees and private individuals/entities which have become final and executory.

**9.6.2. Due from Officers & Employees**

Due from officers and employees includes the balance of calamity, hospitalization and medical loans granted to PPA officers and employees, and other amounts outstanding and due from PPA officers and employees.

**9.6.3. Other Receivables**

Other Receivables includes the amount of P89.14 million which represents long outstanding accounts receivable of PMO NCR North from various clients and lessees pertaining to port charges, rentals, water and electricity consumptions.

**10. INVENTORIES**

This account consists of the following:

Particulars	2018	2017
Accountable Forms, Plates and Stickers Inventory	45,398,140	41,960,203
Office Supplies Inventory	16,971,972	10,407,446
Construction Materials Inventory	2,168,167	2,890,570
Semi-Expendable Furniture, Fixtures and Books	1,451,332	510,229
Semi-Expendable Machinery and Equipment	972,864	2,637,175
Other Supplies and Materials Inventory	8,481,466	7,346,082
<b>Total</b>	<b>75,443,941</b>	<b>65,751,705</b>

**11. OTHER CURRENT ASSETS**

This account includes advances made to officers and employees, prepayments and deposits.

Particulars	2018	2017
<b>Advances</b>		
Advances to Special Disbursing Officer	2,561,775	2,114,128
Advances to Officers and Employees	548,715	1,082,971
Advances for Operating Expenses	500,000	0
<b>Total Advances</b>	<b>3,610,490</b>	<b>3,197,099</b>
<b>Prepayments</b>		
Advances to Contractors	1,064,947,392	1,050,906,279
Input Tax	471,872,572	393,697,254
Withholding Tax at Source	249,496,467	218,488,378
Creditable Input Tax	241,855,595	185,157,980
Prepaid Insurance	3,547,128	11,798,847
Other Prepayments	475,180	676,450
Prepaid rent	348,262	480,000
<b>Total Prepayments</b>	<b>2,032,542,596</b>	<b>1,861,205,188</b>
<b>Deposits</b>		
Guaranty Deposits	10,737,290	6,521,403
Other Deposits	13,447,327	33,806,311
<b>Total Deposits</b>	<b>24,184,617</b>	<b>40,327,714</b>
<b>Total</b>	<b>2,060,337,703</b>	<b>1,904,730,001</b>

Advances to Special Disbursing Officer represent the amount granted to the Authority's accountable officers and employees for special purpose/time-bound undertakings to be liquidated within a specified period.

Advances to Officer and Employees covers the amount advanced to officers and employees for official foreign and local travel.

Advances for Operating Expenses pertains to the amount granted to an accountable officer for the initial working capital fund of Special Take-Over Unit (STU) based on Special Order issued for the purpose.

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

Input Tax represents amount of input value-added tax paid by the Authority for goods and services purchased from VAT registered entities.

Withholding Tax at Source consists of the amounts of expanded or creditable withholding taxes deducted by port users from wharfage and rental of real property and other port facilities. Section 76 of the National Internal Revenue Code allows cash refund of the amount withheld or the use of the covering tax credit certificates against future tax liabilities.

Creditable Input Tax pertains to net output VAT payment for the 4th quarter of 2018 to be offset as tax credit upon remittance of VAT payable to BIR on January 25, 2019.

Prepaid Insurance includes payment of insurance premiums for insurable government properties and fidelity bond premiums.

Other prepayments pertain to feasibility studies, NSFD grants and other prepaid expenses.

Prepaid Rent is the amount advanced/deposited for lease/rentals of property, plant and equipment used in government operations.

Guaranty Deposits it consolidates the amount deposited made to contractors/suppliers to guarantee compliance with terms of an agreement such as deposit on containers, service enterprise guaranty deposits and other guaranty deposits.

Other Deposits advance payments made for expenses which remained unconsumed/ unutilized at the end of the accounting period. This account mainly pertains to the purchase of goods and service thru the Procurement Service of DBM

**12. PROPERTY, PLANT AND EQUIPMENT**

This account is composed of the fixed assets presented in the Schedule (in thousands).

The balance of Construction in Progress account corresponds to the physical value of accomplishment of on-going projects based on percentage of completion as reported by the Engineering Office as of December 31, 2018.

Part of this account are various fixed assets recorded in the books of PMOs NCR South, NCR North, Batangas, and Davao that are currently being managed by private operators/contractors under existing management contracts with PPA.

	Land & Land Improvements	Infrastructure Assets & Building & Other Structures	Machinery & Equipment	Transporting Equipment	Furniture, Fixtures & Book	Service Concession Asset	Construction in Process	TOTAL
<b>At December 31, 2017 (In Thousands)</b>								
Cost	60,858,099	43,518,283	3,363,477	310,147	99,030	35,329,674	4,837,302	148,316,012
Accumulated Depreciation	(108,344)	(19,091,302)	(2,257,091)	(109,848)	(46,022)	(13,714,405)	0	(35,327,012)
<b>NET BOOK VALUE</b>	<b>60,749,755</b>	<b>24,426,981</b>	<b>1,106,386</b>	<b>200,299</b>	<b>53,008</b>	<b>21,615,269</b>	<b>4,837,302</b>	<b>112,989,000</b>
<b>YEAR ENDING BALANCES, December 31, 2018</b>								
Opening Book Value	60,749,755	24,426,981	1,106,386	200,299	53,008	21,615,269	4,837,302	112,989,000
Additions	1,640	2,697	377,287	3,058	9,801	0	4,288,031	4,682,514
Completed/ Transferred	617,764	3,314,468	7,670	20,029	20	0	(3,960,500)	(549)
Disposed/ Retired/Adjustment	56,208	1,992,002	(99,667)	6,178	(14,414)	39,943	(284,711)	1,695,540
Depreciation	(13,363)	(1,801,037)	(300,005)	(35,243)	(5,641)	(657,360)	0	(2,812,649)
Adjustment on Depreciation	101,574	(737,259)	115,354	2,034	7,042	(36,785)	0	(548,040)
<b>Closing Net Book Value</b>	<b>61,533,578</b>	<b>27,197,852</b>	<b>1,207,025</b>	<b>196,355</b>	<b>49,816</b>	<b>20,961,067</b>	<b>4,880,122</b>	<b>116,005,816</b>
<b>At December 31, 2018</b>								
Cost	61,533,710	48,827,450	3,648,767	339,412	94,436	35,369,618	4,880,122	154,693,515
Accumulated Depreciation	(20,132)	(21,629,598)	(2,441,742)	(143,057)	(44,620)	(14,408,550)	0	(38,687,699)
<b>NET BOOK VALUE</b>	<b>61,513,578</b>	<b>27,197,852</b>	<b>1,207,025</b>	<b>196,355</b>	<b>49,816</b>	<b>20,961,068</b>	<b>4,880,122</b>	<b>116,005,816</b>

### 13. INTANGIBLE ASSETS

The remaining balance of this account pertains to the cost of Hydrographic Survey Software and AutoCAD Software used in dredging operations.

### 14. OTHER NON-CURRENT ASSETS

The breakdown of this account is as follows:

Particulars	2018	2017
Restricted Fund	20,790,560	389,260,385
Other Assets		
Deposits with the BTr	18,748,154	18,748,154
Receivable from the PNR	18,000,000	18,000,000
Non-Operating Assets	531,812,220	532,536,759
Total Other Assets	<b>568,560,374</b>	<b>569,284,913</b>
Less: Allowance for Impairment	(137,303,793)	(137,891,003)
Net Other Assets	<b>431,256,581</b>	<b>431,393,910</b>
Total	<b>452,047,141</b>	<b>820,654,295</b>

Restricted Fund pertains to the funds held in escrow either at Land Bank of the Philippines, Development Bank of the Philippines and Philippine Veterans Bank. Part of the funds was earmarked for the settlement of claims for NLRC SCREB Case No. VI-05-50142-06. The significant decrease is mainly attributable to the balance of the fund transfer from the Department of Transportation for the implementation of Tourism and Social Reform-Related Port Projects as per Board Resolution No. 2430. The balance of which was reclassified to DBP Current Account.

Bank / Specific Purpose	2018	2017
LBP Time Deposit – NLRC case	17,978,198	17,800,679
DBP Savings – Reclassified Account per AOM No. 2007-013 dated March 16, 2007	1,625,631	1,624,313
DBP Current – Reclassified Account per AOM No. 2007-013 dated March 16, 2007	263,838	255,668
DBP Savings – Real Estate Case vs. City of Iloilo	516,272	515,246
PVB Time Deposit – Bond for Civil Case No. 3917 at MTCC Br. San Fernando City	406,621	403,144
DBP Current – PPA Special DOTC Tourism and Social Reform Fund and Financial Assistance	0	368,661,335
Total	<b>20,790,560</b>	<b>389,260,385</b>

Deposits with the BTr account pertains to the balance of the Special Account kept with the BTr in pursuant to the requirements of PD 1234. Collections remitted, as well as reimbursements of PPA advances for project expenditures financed by foreign loans, are deposited to this account through the then Central Bank of the Philippines. The account is similarly covered with request for write off in the PPA books since it is inactive for several years and is no longer found in the books of the BTr. The use of this account was discontinued with the issuance of Executive Order No.159.

Receivable from the PNR account pertains to the balance of a P20 million loan that was granted to the Philippine National Railways (PNR) for the rehabilitation of existing railways from the Manila International Container Terminal (MICT) in Port Area, Manila to the Food Terminal, Inc. (FTI) in Taguig, Metro Manila. The outstanding balance of P18 million remained unsettled despite series of negotiations with the PNR. Thus, officials of PPA-Legal Services Department and the Office of the Government Corporate Counsel (OGCC) decided to submit the case for arbitration before the OGCC/DOJ. The account is provided with a 100 percent allowance as provision of un-collectability.

### 15.2 Bills/Bonds/Loans Payable

The amount of P462.70 million represents maturing obligations on long-term debts or the principal amortization on foreign loans due for repayment on the following year whereas the amount of P3,350.37 million refers to the long-term portion of outstanding foreign loans of the Authority as presented on the table below on the next page:

Loan Amount	Interest Rate %	No. of Years & Maturity Date	Loan Amount	Outstanding Balance		
				In Foreign Currency	In Philippine Peso	
					2018	2017
JBIC-PH-P84	3.00	20.5 Jan. 2018	61,381,669	1,497,000	0	662,123
JBIC-PH-P91	3.00	20.5 Jan. 2018	169,158,544	4,124,000	0	1,824,045
JBIC-PH-P122	2.70	20.5 June 2021	5,497,049,624	938,511,000	318,490,412	415,103,415
JBIC-PH-P172	2.30	20.5 Mar. 2027	502,889,141	233,016,000	99,052,649	103,062,977
JBIC-PH-P187	2.20	20.0 Sept. 2028	13,529,000,000	7,125,426,000	3,077,536,266	3,151,575,920
JBIC-PH-P187A	2.20	31.0 Sept. 2038	¥ 1,026,000,000	¥ 702,786,000	317,993,932	310,842,248
TOTAL FOREIGN LOANS OUTSTANDING *					<b>P 3,813,073,259*</b>	<b>3,983,070,728</b>
Less: Current Portion reported under Current Liability					(462,702,741)	(433,244,792)
Long-Term Portion/Non-Current Liability					<b>P 3,350,370,518</b>	<b>3,549,825,936</b>

\*Equivalent to USD72.321 million @ P52.724 per USD1.00

### 15.3 Tax Refunds Payable

The amount of P1.390 million and P1.146 million for 2018 and 2017 respectively, represents the amount refundable to officers and employees for excess amount of income tax paid/withheld.

Non-Operating Assets is composed of:

- P120.38 million – costs of projects implemented by the Department of Public Works and Highways (DPWH) through the issuance of cash advances to its accountable officers amounting to P109.58 million and another P10.80 million issued in 1977 which have remained unsettled to date. The accounts are subject of numerous communications between PPA, DPWH and Commission on Audit (COA) and of previous request to the COA for closure/derecognition in the books with pertinent documents resubmitted in August 2010.
- P373.93 million – carrying values of serviceable assets which are no longer used in port operations and unserviceable assets awaiting disposal.
- P36.71 million – net realizable value of dredging spare parts inventory based on the appraisal report of an independent appraiser.
- P0.79 million – old/unused terminal fee tickets and official receipts returned to Head Office from PMO Ozamiz

### 15. FINANCIAL LIABILITIES

This account consists of the Authority's short-term obligations incurred for procurement of goods and services from private suppliers and employees arising from the conduct of business or operation, broken down as follows:

Particulars	2018	2017
Payables	3,658,480,261	3,218,244,655
Bills/Bonds/Loans Payable	462,702,741	433,244,792
Tax Refunds Payable	1,390,375	1,145,529
Total	<b>4,122,573,377</b>	<b>3,652,634,976</b>

#### 15.1 Payables

This account is composed of the following:

Particulars	2018	2017
Accounts Payables	3,577,904,347	3,106,210,543
Due to Officers and Employees	60,311,003	91,126,345
Interest Payable	20,260,371	20,833,136
Insurance Premium Payable	4,540	74,631
Total	<b>3,658,480,261</b>	<b>3,218,244,655</b>

Accounts Payables are obligations incurred in the procurement of goods and services from private suppliers and entities arising from the conduct of business operations. Part of this account are recorded liabilities arising from the decision of the Supreme Court on PPA vs. Acosta, et al Civil Case No. 5447, expropriation case of property for Batangas Port Development Project Phase II, corresponding to the additional cost of lots and interest due from 2001 to 2011.

Due to Officers and Employees consists of liabilities set-up for the payment of services rendered by employees i.e., salaries, overtime, bonuses and incentives, allowances, reimbursement of official expenses, and other claims due to PPA personnel.

Interest Payable pertains to the amount of interests due for payment on loans acquired from various creditors.

Insurance Premium Payable amount of premium due to insurance companies.



**16. INTER-AGENCY PAYABLES**

This account is comprised of inter-agency payables involving the mandatory deductions withheld from salaries of personnel that are due for remittance in payment of taxes, employees' insurance premium contributions, and loan amortizations. Also included are liabilities for advances made to other government agencies for specific purposes.

Particulars	2018	2017
Income Tax Payable	501,893,925	771,230,812
Due to BIR	128,188,073	117,091,331
Due to other Government Corporations	2,683,858	3,715,015
Due to GSIS	776,964	2,438,546
Due to Pag-IBIG	232,022	559,355
Due to LGUs	279,560	209,718
Due to NGAs	177,653	177,653
Due to PhilHealth	55,502	77,682
<b>Total</b>	<b>634,287,557</b>	<b>895,500,112</b>

The Income Tax Payable account represents set up for additional income tax due for CY 2018 amounting to P501.89 million (refer to Note 32).

**17. TRUST LIABILITIES**

This account represents deposits to PPA by various contractors and suppliers, and retention fees withheld from suppliers and contractors to guaranty the performance and delivery of contracted goods and services, refundable taxes to PPA personnel and deductions on salaries of personnel for employee associations and Employees' Cooperative.

Particulars	2018	2017
Guaranty/Security Deposit Payables	321,590,623	307,085,006
Customers' Deposits Payable	285,776,893	279,451,033
Trust Liability – DOTr	680,755,318	436,515,910
Trust Liabilities – Others	30,255,592	27,401,786
<b>Total</b>	<b>1,318,378,426</b>	<b>1,050,453,735</b>

Guaranty/Security Deposit Payable consist mainly of retention fees withheld from suppliers and contractors to guaranty the performance and delivery of contracted goods and services

Customers' Deposit Payables are deposits other than those required to guaranty the performance of contracts. These are payments received in advance to be applied for future port or rental charges to be incurred.

Trust Liability – DOTr pertains to the fund transferred by DOTr to PPA for the implementation of Tourism and Social Related Port projects.

Trust Liabilities – Others represents deductions on salaries of personnel for remittance to Pantalan, Employees' Cooperatives/Associations and other funds.

**18. DEFERRED CREDITS/UNEARNED INCOME**

This account includes the amount of income received before it is earned or realized such as Output VAT on income earned that is due for remittance to the Bureau of Internal Revenue, and amounts received in advance on leased property.

Particulars	2018	2017
Output VAT	753,833,628	641,759,275
Other Deferred Credits	51,161,956	225,785,189
<b>Total</b>	<b>804,995,584</b>	<b>867,544,464</b>
Current Portion	797,866,129	857,490,206
Non-Current Portion	7,129,455	10,054,258

**19. PROVISIONS**

This account represents the amount earmarked to cover the present money value of retirement gratuity of PPA personnel qualified to retire under Republic Act (RA) 1616, wherein the Agency is mandated to pay lump sum amount to the retirees, including the present money value of accumulated leave credits of personnel based on their basic salaries as of reporting date.

Particulars	2018	2017
Balance as of January 1	402,268,424	360,638,881
Add: Accumulated Leave Credits	87,248,468	90,062,680
Less: Payment of Retirement Gratuity and Terminal Leave Benefit during the year	(82,124,458)	(46,004,406)
Retirement Gratuity	(10,463,587)	(2,428,731)
<b>Total Retirement Payable, December 31</b>	<b>396,928,847</b>	<b>402,268,424</b>
Less: Current portion	(226,979,566)	(132,047,489)
<b>Retirement Payable – Non-Current Portion</b>	<b>169,949,281</b>	<b>270,220,935</b>

**20. OTHER PAYABLES**

This account covers all payable due for payment/remittance not falling under any of the specific liability accounts.

**21. DEFERRED TAX LIABILITIES**

This account pertains to deferred tax liability account for the final tax from interest income earned or realized by the Authority from its investments/placements.

**22. GOVERNMENT EQUITY**

Executive Order No. 513, amending PD 857, increased the authorized capital of the Authority from P3 billion to P5 billion.

Government Contribution to the Authority as initial paid up capital consisted of:

- The value of assets (including port facilities, quays, wharves, and equipment) and such other property, movable and immovable contributed or transferred by the Government and its agencies valued at the date of contribution or transfer after deducting the loans and other liabilities of the Authority.
- The initial cash appropriation of P2.0 million out of the funds of the National Treasury and further sums, including working capital contributed by the National Government.

**23. REVALUATION SURPLUS**

This account corresponds to the cumulative amounts of appraisal increments determined by independent appraisers hired by the Authority in the conduct of appraisal of its Fixed Assets, once every five years. The latest appraisal was conducted in June of 2016 and adjustments were effected in 2017 and 2018.

Particulars	2018	2017
Beginning Balance	78,786,879,445	72,547,651,741
Other Adjustments	(10,349,916)	6,239,227,704
<b>Total</b>	<b>78,776,529,529</b>	<b>78,786,879,445</b>

**24. RETAINED EARNINGS/(DEFICIT)**

This account represents the recorded cumulative net profit/loss of the PPA from the start of its operation, dividends paid to the BTr, prior period adjustments, effect of change in accounting policy and other capital adjustments.

Pursuant to Section 5 of Republic Act 7656 dated November 9, 1993, the Authority declares and remits fifty percent (50%) of its annual earnings as dividends to the National Government. Dividend payment is a post year-end event that only requires disclosure. The Authority's dividends due to the national government for CY 2018 is tentatively computed at P2,929.28 million based on unaudited financial figures.

The remaining income after dividend and tax payments are closed to this account and automatically appropriated to port development projects pursuant to the provisions of EO 159.

**25. SERVICE AND BUSINESS INCOME**

The Authority derives its revenues from seaport system fees under various tariff items, service concession revenue and other income from ancillary services provided by PPA.

Particulars	2018	2017
Service Income	541,558,543	483,531,586
Business Income		
Seaport System Fees		
Share in Arrastre/Stevedoring Income	8,019,667,558	7,257,674,612
Wharfage Dues	3,663,168,909	3,190,121,224
Storage Charges	1,562,359,600	1,032,354,702
Dockage Fee	1,469,740,167	1,390,038,705
Port Dues	880,273,195	827,105,529
Port Usage Fees	475,079,845	453,942,826
Pilotage	71,735,137	68,494,876
Vessel Traffic Management Service Fee	20,398,037	19,534,586
Lay-Up Fees	1,266,604	1,358,699
<b>Total Seaport System Fees</b>	<b>16,163,689,052</b>	<b>14,240,625,759</b>
Rent/Lease Income	312,911,432	305,152,396
Interest Income	130,295,826	127,179,370
Other Business Income	314,586,341	171,961,090
<b>Total Business Income</b>	<b>16,921,482,651</b>	<b>14,844,918,615</b>
<b>Total Service and Business Income</b>	<b>17,463,041,194</b>	<b>15,328,450,201</b>

**25.1 SERVICE INCOME**

This account includes income collected from permits and licenses fees, fines and penalties and sale of gate pass/stickers and other related service income. Also included in this account are charges collected on parking/terminal fee, passenger terminal fee, Ro-Ro terminal fees and terminal vehicle pass for the use of roads, bridges, piers, waterways, ferry and other facilities.

**25.2 BUSINESS INCOME**

This account comprises revenue collected from cargoes and vessel charges, which includes the following revenues presented on the next page:

**25.2.1 SEAPORT SYSTEM FEES****SHARE IN ARRASTRE/STEVEDORING INCOME**

This account represents the government share on the receipts or earnings of cargo handlers from arrastre and stevedoring service. Arrastre refers to the set of shore-based cargo handling activities that includes, but is not limited to, the receiving or loading of cargoes to/from ship's tackle with the use of dock gang and cargo handling equipment. On the other hand, stevedoring service cover the discharging and loading of containers, loaded or empty, from the vessel to the dock/apron and vice-versa, and the opening and closing of hatch covers, lids and supporting beams.

The account includes income from ICTSI for MICT operations; from ATI for NCR South and Balangas operation; and MNHPI for NCR North.

**WHARFAGE DUES**

This refers to the charges levied on loaded/unloaded cargoes whether imports, exports, inbound, outbound, or transshipments. The computation is based on metric ton for non-containerized cargoes and per box for containerized cargoes.

**STORAGE CHARGES**

Storage fees are charges on cargoes that remain in the cargo sheds, warehouses or in the open storage area of any government-owned port beyond the "free storage period" allowed. Increase or decrease in storage revenue can be attributed to the growth or decline in the number of shippers/port users availing of storage services.

**DOCKAGE FEES**

Dockage or berthing fee is the amount assessed against a vessel engaged in international (foreign) trade for berthing. It is levied on the cargo vessels based on the number of days of stay for the purpose of discharging and/or loading cargo; and on non-cargo vessels for the purpose of loading and/or taking passengers or for taking fresh water supply or receiving bunker fuel.

**PORT DUES**

Vessels engaged in foreign trade, including those engaged in barter trade, that enter any port, whether private or government-owned, for loading and discharging cargoes, embarking/dismarking passengers, bunkering or taking provisions or repairs and changing members of the crew are charged with port dues based on the vessel gross revenue tonnage (GRT). It is a one-time charge assessed against vessels anytime that they call at the port.

**PORT USAGE FEES**

Vessels engaged in coastal domestic trade that berth or temporarily lay up or drop anchor at any government port are charged a port usage fee based on GRT.

**PILOTAGE**

This represents the government share on the service rendered or required to be performed by the harbor pilots to maneuver vessels to/from the ports as required or as deemed necessary in each pilotage district.

**VESSEL TRAFFIC MANAGEMENT SERVICE (VTMS) FEES**

The PPA issued Administrative Order No. 03-2006 dated June 16, 2006 authorizing the collection of the VTMS Fee. It includes fees collected/ assessed on all international and domestic vessels entering, departing, navigating, operating, and anchoring/mooring within the VTMS covered areas.

**LAY-UP FEES**

This pertains to the amount assessed against vessels engaged in domestic coastal trade that are authorized to temporarily lay-up and anchor at any port.

**25.2.2 RENT/LEASE INCOME**

This account includes income earned from use of government properties/port facilities like rentals of spaces, cargo handling equipment etc.

**25.2.3 INTEREST INCOME**

This account pertains to income earned from deposits, placements and investments with banks.

**25.2.4 OTHER BUSINESS INCOME**

PPA also derives income from non-traditional sources broken down as shown below:

Particulars	2018	2017
<b>Other Business Income</b>		
Government Share from TABS	117,009,827	0
Concession Income	64,479,167	59,377,266
Reefer Services	37,590,462	40,276,270
Net Income from STU	37,159,013	25,706,565
Sale of Power	31,725,714	22,873,217
Sale of Wafer	12,839,598	14,103,552
Printing and Publication Income	3,101,748	6,835,236
Lodging Fees	1,678,667	1,219,005
Truck Scale	1,025,962	536,630
Seminar Fees	129,464	1,026,000
Lashing/Unlashing	10,141	6,450
Others	7,836,578	0
<b>Total</b>	<b>314,586,341</b>	<b>171,960,191</b>

Substantial increase in Other Business Income is mainly due to Government Share from Terminal Appointment Booking System (TABS) which pertains to the remittance of 20 percent Government Share on TABS Gross Revenue of the concerned Terminal Operators as provided in Section 7 of PPA Administrative Order No. 06-2018.

**26. GAINS**

This account is broken down from the following sources:

Particulars	2018	2017
Gain on Sale of Assets	6,226,182	38,848
Gain on Revaluation	490,342	24,009
Gain on Foreign Exchange	143,534	60,331
Other Gains	0	65,988
<b>Total</b>	<b>6,860,058</b>	<b>189,176</b>

**27. OTHER NON-OPERATING INCOME**

This account pertains to miscellaneous income earned which is not classified under the specific income accounts which includes amount collected for violation of laws, rules and regulations, collection of fees for bid documents, proceeds from insurance indemnities, sale of scrap materials, etc.

**28. PERSONNEL SERVICES**

The breakdown of expenses incurred for PPA employees are shown below:

Particulars	2018	2017
Salaries and Wages	804,539,385	713,094,576
<b>Other Compensation</b>		
Overtime and Night Pay	78,745,244	71,604,853
Year End Bonus	67,442,742	59,556,189
Personal Economic Relief Allowance (PERA)	44,643,905	42,831,020
Representation Allowance (RA)	19,287,878	19,359,112
Transportation Allowance (TA)	14,541,271	14,585,044
Clothing/Uniform Allowance	11,101,700	8,950,000
Honoraria	8,733,538	9,121,631
Longevity Pay	1,687,912	2,144,416
Hazard Pay	301,086	284,577
Laundry Allowance	5,400	0
<b>Total Other Compensation</b>	<b>246,490,676</b>	<b>228,436,842</b>
<b>Other Bonuses and Allowances</b>		
Other Bonuses and Allowances	148,817,030	75,646,219
Rice Allowance	62,322,952	60,020,593
Collective Negotiation Agreement – Civilian	46,399,500	64,725,000
Medical, Dental and Hospitalization Allowance	4,631,040	4,232,107
Meal Allowance	1,522,717	1,472,378
Children's Allowance	688,021	657,302
<b>Total Other Bonuses and Allowances</b>	<b>264,381,260</b>	<b>206,753,599</b>
<b>Personnel Benefits Contribution</b>		
Retirement and Life Insurance Premium	96,260,588	84,403,275
PhilHealth Contributions	9,149,143	6,977,350
Pag-IBIG Contributions	2,273,268	2,104,800
Employees Compensation Insurance Premiums	2,229,550	2,145,500
<b>Total Personnel Benefits Contribution</b>	<b>109,912,549</b>	<b>95,630,925</b>
<b>Other Personnel Benefits</b>		
Terminal Leave Benefits	87,248,468	90,062,680
<b>Total</b>	<b>1,512,572,338</b>	<b>1,333,978,622</b>

Cultural and Athletic Expenses is presented as part of MOOE consistent with the DBM approved Corporate Operating Budget.

**29. MAINTENANCE AND OTHER OPERATING EXPENSES**

The account consists of:

Particulars	2018	2017
<i>Maintenance and Other Operating Expenses</i>		
Repairs and Maintenance	2,440,926,578	1,919,543,363
Desilting, Drilling and Dredging Expenses	584,114,634	260,334,194
Security Services	361,558,519	342,358,092
Other Professional Services	248,136,933	241,875,185
Utility Expenses	204,858,841	193,400,269
Supplies and Materials Expenses	125,617,014	98,862,493
Consultancy Services	96,942,228	78,797,324
Janitorial Services	88,184,691	85,579,320
Taxes, Insurance Premiums and Other Fees	82,855,865	56,726,017
Auditing Services	54,869,434	51,730,728
Training and Scholarship Expenses	49,938,630	74,204,629
Communications Expenses	45,594,300	40,355,396
Traveling Expenses	43,999,162	38,943,199
General Services	33,671,939	0
Demolition and Relocation Expenses	19,880,605	5,900,865
Confidential, Intelligence and Extraordinary Expense	8,030,000	2,000,000
Legal Services	1,482,000	0
Award/Rewards, Prizes and Indemnities Expenses	285,000	640,000
<b>Total Maintenance and Other Operating Expenses</b>	<b>4,490,946,373</b>	<b>3,491,251,074</b>
<i>Other Maintenance and Operating Expenses</i>		
Representation Expenses	22,602,168	24,131,346
Cultural and Athletic Expenses	21,496,255	17,496,452
Printing and Publication Expenses	6,997,838	4,380,431
Rent/Lease Expenses	6,161,482	8,053,667
Directors and Committee Members' Fees	3,501,100	6,038,561
Membership Dues and Contributions to Organizations	2,509,313	1,944,489
Advertising, Promotional and Marketing Expenses	2,352,075	2,021,951
Major Events and Conventions Expenses	2,170,591	0
Subscription Expenses	1,326,130	2,157,978
Detainees' Expenses	14,406	20,940
<b>Total Other Maintenance and Operating Expenses</b>	<b>69,131,358</b>	<b>66,245,815</b>
<b>Total</b>	<b>4,560,077,731</b>	<b>3,557,496,889</b>

Repairs and Maintenance are expenses for the ordinary repairs and maintenance of PPA structures, facilities and equipment to keep or restore the assets into their normal operating condition, details shown below:

Particulars	2018	2017
Infrastructure Assets	2,363,255,919	1,847,606,097
Machinery and Equipment	56,762,541	48,116,034
Transportation Equipment	13,421,011	11,645,661
Buildings and Other Structures	6,756,176	10,797,870
Furniture and Fixtures	730,931	1,377,701
<b>Total</b>	<b>2,440,926,578</b>	<b>1,919,543,363</b>

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

Utility Expenses cover the costs of water, electricity, and gas for illumination consumed at office buildings, grounds and other port facilities in connection with PPA operations.

Supplies and Materials Expenses include costs of expendable commodities acquired and issued to end-users in connection with PPA operations.

Taxes, Insurance Premiums and Other Fees pertain to the expenses incurred for taxes, duties, licenses including vehicle registration fees, and payments on fidelity bond premiums of accountable officers, and insurance premiums for motor vehicle and other property.

Training and Scholarship Expenses include expenses for participation/attendance in and conduct of trainings, conventions, seminars/workshops and expenses for scholarships granted to officers and employees in the pursuit of further learning.

Communication Expenses include costs incurred for telephone (landline and mobile), internet and other form of telegraphic messenger services.

Traveling Expenses cover the costs incurred by any officers and employees while on official travel that includes transportation, per diems, ferrriage and other related expenses.

Demolition and Relocation Expenses represent cost incurred in demolition of structures and relocation of affected by port development projects.

Confidential, Intelligence and Extraordinary Expenses pertain to expenses incurred for highly sensitive activities. Pursuant to Joint Circular No. 2015-01 of COA, DBM, DILG, GCG and DND dated January 8, 2015 on the Guidelines on the Entitlement, Release, Use, Reporting and Audit of Confidential and/or Intelligence Funds, the liquidation documents on the utilization of the fund shall be directly submitted to the COA Central Office thru ICFAU for audit.

Awards, Rewards, Prizes and Indemnities pertains to amounts given in recognition of any civic or professional achievement and rewards to authorized recipients, amount awarded by courts or administrative bodies to persons affected by the destruction of property/death/ injury, as well as the monetary service/loyalty awards given to officials and employees for attaining several years of service to the PPA.

**30. FINANCIAL EXPENSES**

This account is composed of financial charges as follows:

Particulars	(As Restated)	
	2018	2017
Interest expense – Loans/Borrowings	89,598,370	94,148,210
Guarantee Fees	48,376,782	37,369,660
Bank charges	384,409	250,787
<i>Other Financial Charges</i>		
Loss on Foreign Exchange (FOREX)	36,356,788	27,844,302
Fees and other Commission Expenses	1,421,839	626,881
Other Finance Charges- Foreign Loans	500	1,026
<b>Total</b>	<b>176,138,688</b>	<b>160,240,866</b>

Interest Expense pertains to interest payments on various foreign loans of the PPA.

Guarantee Fees includes payments to the BTr for guarantee fees on the foreign loans guaranteed by the Republic of the Philippines.

Other Financial Charges consist mainly of Loss on Foreign Exchange which represents the amount recognized as actual gain/loss from foreign currency transactions. This consists of (a) the difference between the actual amount billed and settled at the time of debt servicing of the foreign loan and its recorded book value and (b) the difference between the peso equivalents of the amount of withdrawal from dollar bank deposits at actual rates prevailing at the time of withdrawal as against its carrying value using the adopted booking rate.

**31. NON – CASH EXPENSES**

Details of this account is shown on the next page.

Particulars	(As Restated)	
	2018	2017
Depreciation Expense	2,812,648,958	2,854,209,217
Amortization	141,144,686	141,126,352
Impairment Loss	4,985,418	8,658,956
Losses	268,375,799	654,829,150
Discounts and Rebates	312,198	277,608
<b>Total</b>	<b>3,227,467,059</b>	<b>3,659,101,283</b>

Depreciation Expense is computed using the straight-line method over the estimated useful lives of the assets net of ten percent residual value, in accordance with PPA Memorandum Circular No. 37-2005 and COA Circular No. 2004-003.

Amortization refers to the periodic allocation of cost of intangible assets for the development of the completed PPA Computerized System.

Impairment Loss – Loans and Receivables is based on the prescribed provision for bad debts under existing PPA guidelines. The decrease is due to the effect of provision made in 2016 for the account of San Miguel Energy Corporation (SMEC) at PMO Northern Luzon.

Losses account consists of the following:

Particulars	(As Restated)	
	2018	2017
Loss on Foreign Exchange (Loss on Revaluation)	263,247,322	154,892,192
Loss on Sale of Assets	534,070	2,555,553
Loss of Assets	0	339,555
Other Losses	4,594,407	497,041,850
<b>Total</b>	<b>268,375,799</b>	<b>654,829,150</b>



Loss on Foreign Exchange (Loss on Revaluation) – in accordance with the Philippine Accounting Standards (PAS) 21, represents balances of foreign currency-denominated accounts (i.e., foreign loans and dollar deposits) which are revalued at year end to reflect the actual exchange rate at balance sheet date. The difference is recognized as gain/loss on revaluation.

Loss on Foreign Exchange represents the amount recognized as actual gain/loss from foreign currency transactions. This consists of (a) the difference between the actual amount billed and settled at the time of debt servicing of the foreign loan and its recorded book value and (b) the difference between the peso equivalent of the amount of withdrawal from dollar bank deposits at actual rates prevailing at the time of withdrawal as against its carrying value using the adopted booking rate.

Loss on Sale of Assets represents the excess of net book value over the selling price of the asset.

Loss of Assets is recognized due to accidents, theft, robbery, negligence, manmade conflict, fire, typhoon, and other calamities.

Other Losses represent the difference between the carrying value and the ten percent residual value of fixed asset reclassified as unserviceable asset upon retirement from proper fixed asset account. Also, this includes the decrease in value of fixed assets undergone initial appraisal.

Discount and Rebates refers to the discount given to Senior Citizens, Person with Disability (PWD) and students availing of the port services.

### 32. INCOME TAX EXPENSE

The Statement of Comprehensive Income for CY 2018 reflects a Net Profit amounting to P5,553.83 million. For this year, the Authority is subject to payment of Income Tax based on the 30 percent Regular Tax Rate as this is higher than the Minimum Corporate Income Tax (MCIT) computed at two percent of Gross Income. As of third quarter of 2018, PPA already remitted to the Bureau of Internal Revenue (BIR) P1,400.66 million of income tax. The income tax expense for the year is reported at P2,465.90 million, which will be settled using the application of prepaid income tax made during the last three quarters of the year and the balance of P501.89 million will be recorded as tax liability for the year.

### 33. CONTINGENT ACCOUNTS

In compliance with the provisions of PAS 37 – Provisions, Contingent Liabilities and Contingent Assets, Contingent Assets and its contra account Contingent Surplus were excluded from the accounts presented in the Statement of Financial Position. Depending on the outcome of events, income or surplus that may be realized on contingent assets amounts to P842.74 million and P5,760.10 million in 2018 and 2017, respectively.

The contingent accounts are mainly contested accounts receivable with expected income from increased rates on lease of land and other PPA port facilities. It is the policy of the PPA and as embodied in the lease agreements that rental rates are automatically adjusted based on the appraised value of the property. This adjusted rate on lease serves as the basis of computation and issuance of invoice to the lessee. The significant decrease in the provision for contingent account is mainly due to the compromise settlement of Income Tax deficiency per Assessment No. 33-07-IT-5382 dated September 16, 2014 amounting to P4,929.96 million per BIR Final Decision re: 2007 Income Tax.

### 34. SUPPLEMENTARY INFORMATION REQUIRED BY BIR UNDER RR No. 15-2010

On November 25, 2010, the BIR issued Revenue Regulations (RR) No.15-2010 prescribing additional procedural and/or documentary requirements in connection with the preparation and submission of Financial Statements accompanying the Tax Returns. Under the said RR, it is required that, in addition to the disclosures mandated under the Philippine Financial Reporting Standards, and such other standards and/or conventions as may be adopted, the Notes to Financial Statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

In compliance with the requirements set forth by RR 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year:

#### 1. VAT Output Tax

Philippine Ports Authority is a VAT-registered company with VAT output tax declaration of P1,702,095,316.87 for CY 2018 based on the amount reflected in the Sales Account of P14,184,089,160.61

The company has zero-related sales amounting to P2,653,532,545.17 and exempt sales of P193,063,56 pursuant to the provision of RA 7716 as amended by RA 8241, RA 8424 and RA 9337 and RR 16-2005 Sec. 4.108-5(b)(4) law/regulations.

#### 2. VAT Input Tax

The amount of VAT Input Taxes claimed are broken down as follows:

2.1. Beginning of the year:		
2.1.1. Excess input Tax carried over		<b>85,859,152.73</b>
2.1.2. Input Tax Deferred on Capital Goods		<b>34,031,807.85</b>
Adjustment due to rounding off		<b>0.28</b>
2.2. Current year's domestic purchases/payments for:		<b>1,026,013,089.74</b>
2.2.1. Goods for resale/manufacture or further processing		0
2.2.2. Goods other than for resale or manufacture		21,470,936.16
2.2.3. Capital goods subject to amortization		44,379,168.68
2.2.4. Capital goods not subject to amortization		0
2.2.5. Services lodged under cost of goods sold		0
2.2.6. Services lodged under other accounts		960,162,984.90
2.3. Claims for tax credit/refund and other adjustments		<b>1,081,901,477.82</b>
Add/Deduct Adjustments:		
Input Tax on Sales to Government closed to expense/(income)	(110,041.32)	
Input Tax Allocable to Exempt Sales	13,531.95	
		<b>1,081,804,968.45</b>
2.4. Balance at the end of the year		64,099,082.15

#### 3. Other Taxes and Liabilities

<b>3.1. Local</b>		
Business Tax/Mayor's Permit/Others		1,620,708.05
Other taxes and licenses		252,426.76
<b>3.2. National</b>		
BIR (Annual Registration Fee)		76,000.00
BTr (Bond Premiums)		140,773.75
Bureau of Fire Protection		16,923.00
NTC (Radios Licenses)		235,327.05
ERC		11,500.00
DENR		76,816.50
DOTr		1,400.00
EMB		56,634.85
NBI		130.00
LRA		0
ECC		0
Court of Appeals		11,605.42
DOH		0
GSIS		14,389.95
PNP		10,400.00
LTO (Vehicle Registration)		742,692.97
<b>Total</b>		<b>3,267,728.30</b>

#### 4. Withholding Taxes

The amount of withholding taxes paid/accrued for the year amounted to:

4.1. Tax on compensation and benefits	<b>105,523,835.97</b>
4.2. Expanded Withholding Taxes	<b>160,220,167.51</b>
4.3. Final (VAT) Withholding Taxes	<b>430,535,131.55</b>
<b>Total</b>	<b>696,279,135.03</b>

#### 5. Basic Taxes Paid per Final Assessment Notices:

<b>TY 2007 Income Tax (50% of Basic Tax)</b>	<b>1,075,187,750.00</b>
<b>TY 2004</b>	
Income Tax (50% of Basic Tax)	329,722,348.10
VAT	41,174,549.26
Withholding Tax Compensation	1,474,462.97
Withholding Tax EWT	28,838,124.91
Final VAT and Other Percentage Tax	46,368,728.50
	<b>447,578,213.74</b>
<b>TY 2015</b>	
Income Tax (50% of Basic Tax)	447,434,932.85
VAT	11,379,180.90
Withholding Tax EWT	12,388,077.83
Final VAT and Other Percentage Tax	16,282,092.22
	<b>487,484,283.80</b>
<b>Total</b>	<b>2,010,250,245.54</b>

The Philippine Ports Authority has pending request filed with the Office of the BIR Commissioner on the abatement of interest and compromise penalties for all tax types.

PHILIPPINE PORTS AUTHORITY  
Schedule of Withholding taxes  
CY 2018

Month	Creditable Withholding Taxes (1600)			Date Filed	Expanded Withholding Tax (1601E)			Date Filed	Withholding Tax on Compensation (1601C)			Date Filed	TOTAL
	Amount	BIR Filing Reference No.	LBP's Confirmation No.		Amount	BIR Filing Reference No.	LBP's Confirmation No.		Amount	BIR Filing Reference No.	LBP's Confirmation No.		
January	33,552,012.92	171800023735994	00020820181614470300	8-Feb-18	10,305,271.88	291800023756001	00020920181009426210	9-Feb-18	7,490,624.97	11800023875907	00021420181404058140	14-Feb-18	51,347,909.77
February	12,822,281.61	171800024223268	00030920181326513080	9-Mar-18	4,665,421.40	291800024227383	00030920181421307620	9-Mar-18	8,073,422.72	11800024229908	00030920181456052650	14-Mar-18	25,561,125.73
March	40,873,576.99	171800024603942	00040920181420054290	9-Apr-18	16,183,818.02	21800024604894	00040920181453569130	9-Apr-18	7,436,843.81	11800024672005	00041120181033108950	11-Apr-18	64,494,238.82
April	39,575,923.27	171800025144597	00050920181054167470	9-May-18	14,896,446.08	291800025171076	00050920181657571410	9-May-18	10,898,217.04	11800025239950	00051120180843018550	11-May-18	65,370,586.39
May	25,899,094.40	171800025578557	00060720181646120640	7-Jun-18	9,311,347.66	291800025619195	00060820181631331860	8-Jun-18	10,696,010.09	11800025660743	00061120180951277630	11-Jun-18	45,906,452.15
June	30,783,005.13	171800025958359	00070920181137415960	9-Jul-18	10,899,342.99	401800026010607	00071020181457475950	10-Jul-18	7,425,057.02	11800026011521	00071020181504530920	10-Jul-18	49,107,405.14
July	34,028,416.08	171800026393951	00080920181514249170	9-Aug-18	11,835,209.63	291800026398480	00080920181521513160	9-Aug-18	7,584,113.28	11800026441616	000810201812057206790	10-Aug-18	53,447,738.99
August	26,001,170.71	171800026787286	000907201812115063870	7-Sep-18	9,346,608.49	431800026787702	000907201812143363330	7-Sep-18	7,697,262.25	11800026786867	000907201812050126260	7-Sep-18	43,045,041.45
September	38,201,153.20	171800027169210	00100920181223389740	9-Oct-18	15,131,465.17	401800027218277	00101120180853316480	9-Oct-18	7,668,336.25	11800027634859	00101120180903159030	10-Oct-18	61,000,954.62
October	36,760,972.10	171800027606583	00110920181540369620	9-Nov-18	14,619,656.44	431800027632671	00111020181443521940	10-Nov-18	7,505,823.58	11800027634859	00111020181613223940	10-Nov-18	58,886,452.12
November	31,801,729.12	171800028021366	00120820181600583770	8-Dec-18	12,023,080.04	431800028060881	00121020181440537640	10-Dec-18	12,506,732.71	11800028067827	00121020181610096860	10-Dec-18	56,331,541.87
December	80,235,796.02	171900028394164	00010920191148157080	9-Jan-19	31,002,499.71	401900028659623	00012220191600584240	22-Jan-19	10,541,392.25	11900028449729	00011020191619040480	10-Jan-19	121,779,687.98
<b>TOTAL</b>	<b>430,535,131.55</b>				<b>160,220,167.51</b>				<b>105,523,835.97</b>				<b>696,279,135.03</b>

### 35. STATUS OF LAWSUITS

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

No.	Case Title	Case No./ Court	Description	Status
1	Application for Original Registration of Title, Sps. Eduardo Rentuza and Amy G.	LRC Case No. N-029 RTC Sogod Southern Leyte Branch 39	Opposition to the application of Sps. Eduardo Rentuza and Amy G. Rentuza for confirmation and registration of title over Lot No. 1576 and Lot No. 1581, both located in the Municipality of Liloan, Province of Southern Leyte.	PPA filed its Opposition dated December 21, 2018, to the application of Sps. Eduardo Rentuza and Amy G. Rentuza for confirmation and registration of title over Lot No. 1576 and Lot No. 1581 and prayed for its denial for lack of merit.
2	APL C. PTE Ltd, VS Oceanic Container Lines, Inc., Filipinas Port Services and PPA	Civil Case No. 14132592 RTC Manila Branch 20	Damages in the amount of P1,315,191.36 for hull cleaning, USD49,834.36 for plaintiff's off-hire and fuel consumption expenses, P209,086.15 for pilotage, docking/undocking fees and port charges and P100,000.00 for attorney's fees.	Continuation of presentation of APL's evidence, awaiting for Court Order on the date of next hearing.
3	Amalgamated Motors (Phils.), Inc. VS PPA	CA-G.R. SP No. 146071 RTC Manila Branch 21  Civil Case No. 14-131974	Petition for Consignation	In a Decision dated May 8, 2014, the Metropolitan Trial Court (MeTC) dismissed the Petition for Consignation filed by Amalgamated Motors (Phils.) Inc. which was then elevated to RTC which affirmed the Decision of MeTC in a Decision dated December 27, 2015. Thereafter, the case was further elevated to the Court of Appeals through a Petition for Review which was also Denied in a Decision rendered by the CA dated October 25, 2016.  On February 15, 2017, a Resolution has been issued entering the Decision rendered in this case with Finality.  Awaiting the transmittal of records from the Supreme Court of RTC. For filing of Motion to Withdraw consigned rentals.

No.	Case Title	Case No./ Court	Description	Status
4	Barangay 650, Zone 68 et al. VS PPA et al	Civil Case No. 00-98093 RTC Manila Branch 42	Prohibition with Application for Preliminary Injunction and With Prayer for the Issuance of a Temporary Restraining Order (TRO), Damages and Relocation.	The presentation of evidence by National Housing Authority (NHA) was waived by the Court on January 15, 2019. The case is set for ocular inspection on January 30, 2019 at 8:30 AM.
5	Barangay 651, Zone 68 et al vs. PPA et al.	Civil Case No. 00-97859 RTC-Manila Branch 8	Prohibition with Application for Preliminary Injunction and With Prayer for the Issuance of TRO, Damages and Relocation.	Continuation of Petitioner's presentation of evidence on February 22, 2019.
6	Culasi Port Services, Inc. (CPSI) VS. PPA	Civil Case No. 13-129380	Declaration of Nullity of Termination of Contract and Damages with Prayer for Preliminary Injunction and TRO and Damages in the amount of P150,000.000 every month that plaintiff is deprived of its cargo handling operations, P100,000 Attorney's fees and P100,000 for litigation expenses.	<p>On July 18, 2018, PPA filed its Notice of Appeal before the Court of Appeals.</p> <p>On September 18, 2018, while the case is pending, the Department of Transportation (DOTr) indorsed to PPA a proposed Compromise Agreement prepared by CPSI. The indorsement came with a notation that DOTr had already reviewed the proposed Compromise Agreement vis-a-vis the Order dated June 25, 2018 and Decision dated December 22, 2017 both issued by RTC Manila and found the same to be in order. It also stated that PPA is in the best position to determine/validate the Court's statement that returning the port operations to CPSI will disturb smooth operations.</p> <p>In a Memorandum dated November 16, 2018, the proposed Compromise Agreement was indorsed to the PPA Board of Directors for its consideration and approval and the Compromise Agreement was then approved on November 21, 2018 as evidenced by Board Resolution No. 2759 dated November 21, 2018, copy attached.</p> <p>On November 28, 2018, a consultation meeting was held between PPA and CPSI to discuss the proposed Compromise Agreement to which CPSI is amenable per letter dated December 3, 2018 from Atty. Richard Neil S. Chua, counsel of CPSI, Ligon Solis Mejia Law Firm</p> <p>In a letter dated December 5, 2018, the said proposed Compromise Agreement was forwarded to OSG for review and endorsement.</p>
7	DMCI Mining Corporation VS. PPA	R-MNL-18-09143-SC RTC Manila Branch 16	Petition for mandamus with application for a Writ of Preliminary Mandatory Injunction	<p>The Court issued an Order dated December 19, 2018 denying PPA's Motion for Reconsideration and Lifting of Resolution dated September 27, 2018, ordering to PPA to issue a Certificate of Registration/ Permit to Operate in favor of DMCI Mining Corporation for a non-commercial private port-beaching facility in Barangay Bolitoc, Sta. Cruz, Zambales.</p> <p>On December 21, 2018, the Court issued a Writ of Preliminary Mandatory Injunction and commanded PPA to comply with the Resolution of the Court dated September 27, 2018 and December 19, 2018.</p>



No.	Case Title	Case No. / Court	Description	Status
8	GenSan Shipyard and Machine Works, Inc., VS Woodman Navigation SDN BHD and Philippine Coast Guard	Civil Case No. 2169 RTC Saranggani Province Branch 38	Complaint for Determination of Salvage Claim with Prayer for the issuance of a TRO and/or Injunction filed by Gensan Shipyard vs. Woodman, PPA is not a party.	<p>A case was filed by the said shipyard against Woodman and PCG before the sala of Judge Oscar P. Noel, Jr. (Judge Noel, Jr.), Regional Trial Court, Province of Sarangani, Branch 38/ Justice on Wheels, for Determination of Salvage Claim with Prayer for the Issuance of a Temporary Restraining Order and/ or Injunction docketed as Civil Case No. 2169 where PPA is not a party.</p> <p>On August 22, 2017, RTC of Saranggani Province, Branch 34 Justice on wheels issued a Supplemental Order directing the Bureau of Customs (BOC), PPA and other Government agencies to exempt the vessels from whatever due it in so far as the Philippine Laws, rules and regulations and international treaties, protocols and agreements so provides in favor of Vessels in Distress.</p> <p>On September 7, 2017, PPA through OSG filed a Motion for Intervention with Motion to Admit Attached Motion for Reconsideration-In-Intervention seeking the reconsideration of the Supplemental Order dated August 22, 2017 exempting the vessels from PPA fees for being vessels-in-distress which was denied.</p> <p>On September 13, 2017, PPA though OSG filed a Motion for Reconsideration which was denied in an Order issued by the court dated August 13, 2017. Another Motion for Reconsideration was filed on October 24, 2017 which remained pending.</p> <p>In the meantime, in a Letter dated October 10, 2017, Woodman requested the transfer of the vessels to the shipyard and the reconsideration of the billing issued by PMO-SOCSARGEN.</p> <p>The billing of PMO Socsargen was reconsidered and its lien thereof by PPA and Woodman was ordered to pay port charges corresponding to the period not covered by the order placing the vessels under custodia legis in the amount of P2,630,202.36.</p> <p>For filing of Manifestation with the RTC regarding the settlement of the issue between the parties.</p>
9	Harbour Link Transport, Inc. VS Negros Navigation Inc. and PPA	Civil Case No. 09121693 RTC-Manila, Branch 30	Declaration of Nullity of Lease Contract, Specific Performance and Damages in the amount of P500,000 for exemplary damages, P1,000,000.00 for moral damages and P500,000 for attorney's fees.	<p>On March 14, 2018, RTC issued a Decision dismissing the complaint against PPA, the dispositive portion of which, reads:</p> <p>"Wherefore, premises considered, the Complaint against PPA is hereby DISMISSED. Defendant Negros Navigation, Inc. is directed to pay Harbour-Link Transport, Inc. the following:</p> <ol style="list-style-type: none"> <li>1. P16,400,000 as actual damages;</li> <li>2. P500,000 as attorney's fees; and</li> <li>3. Cost of suit</li> </ol> <p>Defendant Negros Navigation Inc. counterclaim is hereby DISMISSED. Xxx"</p> <p>On December 4, 2018, the court issued a Certificate of Finality certifying that no motion for Reconsideration or Appeal was filed by either party and that the Decision dated March 14, 2018 has become final and executor on April 23, 2018.</p> <p>On November 19, 2018, Harbour-Link Transport, Inc. filed a Motion for Issuance of Writ of Execution.</p>

No.	Case Title	Case No./ Court	Description	Status
10	In the matter for Petition for rehabilitation of the Philippine Journalist Inc. Almega Management Investment Corporation	SP 14-132862 RTC Manila Branch 46	Involuntary Rehabilitation	On November 27, 2018, the case was set for hearing for election and appointment of liquidator, however, due to Almega Management and Investment Corporation's Motion to reset, the hearing was rescheduled on January 22, 2019 at 8:30 AM.
11	Lepanto Consolidated Mining Co. VS. PPA	Civil Case No. 3920 MTTC San Fernando, La Union Branch 2  ----- Civil Case No. 9198 RTC La Union Branch 29  ----- CA-G.R. 145223	Unlawful Detainer, With Prayer For PPA to Vacate the Premises and for Reasonable Compensation For The Actual Occupancy Of The Property.  Payment of Rental Fees amounting to P7,325,121.90 as referred to with the proposed rental rates provided by Lepanto Consolidated Mining Co., dated March 28, 2012.	On January 5, 2015, MTCC of San Fernando La Union rendered a Decision, the dispositive portion of which, reads:  "Wherefore, all the foregoing premises considered, judgment is hereby rendered in favor of LCMC – 1. Ordering PPA to vacate the 2,231.50 square meter portion of land covered by TCT No. T-4244 and surrender possession of the same to LCMC; 2. Directing LCMC to reimburse to PPA the amount of P2,678,681.30 as cost of constructing the PMO administration building (this amount may be deducted from the accrued rental); 3. Ordering PPA to pay LCMC accrued rent for the use of the 2,231.50 square meters occupied by PPA for the period August 2003 up to December 2014 in the total amount of P9,848,502.10; and to pay a monthly rental in the amount of P78,102.50 thereafter until possession is surrendered to LCMC."  On December 28, 2015, RTC rendered a Decision affirming MTCC's Decision with modification. The award of reimbursement under paragraph 3 of the judgment was deleted.  Petition for Review was filed before the Court of Appeals.  The parties have filed their respective memorandum as of October 2016. Case is now submitted for decision.
12	Macquarie Green Properties, Inc. VS PPA and All Persons Claiming Rights Under It	Civil Case Nos. 10086, 10087, 10089 and 10099 RTC Batangas Branch 4	Accion Publiciana, Damages and Attorney's Fees.  Rental Fees for a total amount of P500,000 monthly rental fee for the properties and attorney's fee in the amount of P150,000 acceptance fee and P5,000 for every court appearance.	The Court set the hearing on April 19, 2018 at 8:30 in the morning.

No.	Case Title	Case No./ Court	Description	Status
13	Manila International Ports Terminal, Inc. (MIPTI) VS. PPA	Civil Case No. 86-37673 RTC-Manila Branch 15  ----- C.A No.80775  ----- SC GR. No. 196252 196199	Damages arising from the takeover by PPA of the Manila International Container Terminal (MICT) just after the EDSA revolution.	RTC declared EO 30 unconstitutional and ordered PPA to return and restore all equipment and properties taken during take over or to pay P180 million; P1.5 million per month for actual damages for loss of income; P1.5 million per month as rental for use of equipment; P200,000 exemplary damages; and P500,000 attorney's fees.  ----- CA modified RTC decision as follows: PPA ordered to pay MIPTI P19 million at interest rate of 6 percent; P250,000 per month for unrealized profits.  ----- Petitions for Review on Certiorari of CA Decision were both filed by PPA and MIPTI on May 11, 2011 and May 9, 2011, respectively.  On August 14, 2013, the court issued an Order noting the respective Replies filed by OSG and MIPTI on the separate comments on the petitions in G.R. No. 196252 and G.R. No. 196199.  Both are pending with SC.
14	Manuel Serbito Lenogon, et al., VS. PPA, et al.	NLRC-NCR-12-1549-16 National Labor Relations Commission Quezon City	Complaint for Non-payment of Separation Pay.	The case is pending with the Court of Appeals.
15	Nautical Ports Management and Services, Inc. (NPMSI) represented by its President Manager, Carlos Oliver V. Talens, VS PPA	Special Civil Action No. 17-24 RTC Roxas Branch 43	Petition for Certiorari (Under Rule 65, Revised Rules of Civil Procedure in relation to Sec. 58, Art XVII, RA 9184 and Sec. 58, Rule XVII, Revised IRR-RA 9184), Prohibition and Mandamus with prayer for Issuance of a Writ of Mandatory Injunction and Damages.	The case was re-opened and the court set the hearing on January 31, 2019 for presentation of plaintiff's evidence.
16	Nautical Ports Management and Services, Inc. (NPMSI) represented by its President Manager, Carlos Oliver V. Talens, VS PPA	Civil Case No. CV-17-7087 RTC-Calapan Branch 40	Petition for Certiorari (Under Rule 65, Revised Rules of Civil Procedure in relation to Sec. 58, Art XVII, RA 9184 and Sec. 58, Rule XVII, Revised IRR-RA 9184), Prohibition and Mandamus with prayer for Issuance of a Writ of Mandatory Injunction and Damages.	PPA filed its Reply (To petitioner's comment dated August 8, 2018) thru OSG dated September 7, 2018.



No.	Case Title	Case No./ Court	Description	Status
17	United Harbor Pilot's Association of the Philippines (UHPAP) vs. PPA et al.	Civil Case No. 02-104716 RTC Manila Branch 55  Re-raffled to Branch 22 Civil Case No. 88-4726  ----- CA-G.R. 93775      ----- G.R. No. 212561	Declaratory Relief, Injunction with Preliminary Injunction or Temporary Restraining Order and Damages; To order PPA to reimburse collected amount equivalent to 10 percent government share.	RTC denied prayer for injunction and declared illegal and unconstitutional the provisions of PPA AO 03-85 and all subsequent issuances imposing 10 percent government share.      ----- PPA filed an appeal with CA and in a Decision dated July 26, 2013, the latter quashed the writ of injunction issued by RTC and set aside the RTC decision and declared PPA AO 03-85 as valid and constitutional.  The Court rendered its Decision last July 26, 2013 granting PPA's Appeal.   ----- UHPAP filed a Petition for Review on June 6, 2014. PPA filed its Comment last November 11, 2014.   The latest Resolution received from the SC is taking note of UHPAP's Reply. Pilots are now appealing to the Board to increase their rate.
18	PPA VS. Pambansang Tinig at Lakas ng PANTALAN	Special Civil Action No. 08118633   ----- CA-G.R. SP No. 107730   ----- SC G.R. No. 192836	Mandamus with Prayer for Issuance of a Writ of Preliminary Mandatory Injunction; To direct PPA to actually integrate COLA and AA.	RTC granted the prayer and ordered PPA to actually integrate COLA and AA to the employees' basic salaries and to pay differentials and attorney's fees.      ----- CA Decision dated Jan. 29, 2010 affirming RTC Decision.      ----- An Appeal was filed before the SC. Awaiting Resolution.
19	PPA represented by Glenn G. Cabanez Port Manager, PMO-PPA Cagayan de Oro City VS Bernardo Dayao, Emeverto Dayao, and Sergio Alcibar	Civil Case No. 798 RTC Mambajao, Camiguin Branch 28	Eminent Domain and Writ of Possession and Other Reliefs.	On May 23, 2017, PPA received a copy of Decision dated May 8, 2017 of the Honorable Court fixing the amount of just compensation to P225,491.39 for the 631 m. Property of Bernardo Dayao and P442,009.98 for the improvements thereon with legal interest of 12 percent per annum from April 30, 2013.  On December 4, 2017, PPA filed a Notice of Appeal that it is appealing to the Court of Appeals the Decision dated May 8, 2017 and Order dated October 26, 2017 which are not in accordance with law and evidence.  On March 13, 2018, PPA filed its Compliance to the court's directive in the Notice to File Brief dated February 20, 2018  PPA filed its Brief for the Petitioner-Appellee thru OSG dated October 8, 2018.

No.	Case Title	Case No. / Court	Description	Status
20	PPA VS. Heirs of Paulina Acosta (Represented by Aniceto Tolentino, et al.); Heirs of Marciano Gabia Manalo and Lucia Gabia (Represented by Romeo Manalo, et al.	Civil Case No. 5447 RTC Batangas Branch 84	Expropriation	<p>This covers the Batangas Port Development Project, Phase II.</p> <p>On June 22, 2009, the Supreme Court issued a Resolution declaring the just compensation at P425 per square meter and with a directive to pay 12percent interest per annum from the date of PPA's entry to lots on Sept. 11, 2001 until fully paid less initial payments made to lot owners and deductible taxes.</p> <p>Payments to the landowners are currently being undertaken subject to the presentation of appropriate documents. Remaining balance for Just Compensation as of December 31, 2017 is P5,823,036.60.</p>
21	PPA VS. Hon. Agerico A. Avila, in his capacity as the Presiding Judge of the RTC Branch 8 at Tacloban City, Philippine Phosphate Fertilizer Corporation, and Atty. Aris Gulapa, in his capacity as Rehabilitation Receiver	SPEC. Pro Case, R-TAC-17-00328-SP (Case R-ORM-15-00072SP) RTC Tacloban Branch 8	Petition for Voluntary Rehabilitation of Philippine Phosphate Fertilizer Corporation	<p>PPA filed a Petition for Certiorari before the Court of Appeals which denied the application of receiver and confirmed PPA's claim for One Hundred Seventy Four Million (P174,000,000.00). The rehabilitation plan prepared by the receiver was declined by the creditors and Philphos' joint venture pulled out. Philphos then filed a new rehabilitation plan to pay only half of the amount recognized by the receiver. PPA has filed a Motion for Reconsideration on the new rehabilitation plan.</p>
22	Pier 8 and Arrastre and Stevedoring Services, Inc. VS. PPA, Juan C. Sta. Ana, Oscar Sevilla and MNHPI	CA-G.R. SP No.145455  Civil Case No. 11-125680 RTC Manila Branch 33	Damages, Actual, Moral and Exemplary Damages of at least P2 million, and Injunction.	<p>PPA filed its comment dated December 21, 2017, praying for the denial of Petitioner's Motion for Reconsideration on the Courts Order dated October 13, 2017, dismissing the Petition for Certiorari and reinstating the Orders of the Regional Trial Court of Manila, Branch 8, dated October 3, 2017 and February 23, 2016.</p> <p>Petition for Certiorari filed by Petitioner dated September 14, 2018.</p>
23	Pier 8 and Arrastre and Stevedoring Services, Inc. VS. PPA	Civil Case No. 00-97157 RTC Manila Branch 19  ----- Court of Appeals CA-G.R. 100359	Injunction with Damages (With Prayer for Temporary Restraining Order and Writ of Preliminary Injunction).	<p>RTC issued a Decision dated December 28, 2012 dismissing the case. Despite the Court dismissal, the Court ordered PPA to pay rentals for the equipment of PASSI in the amount of P4,800,838.00</p> <p>CA issued an Order dated February 20, 2013, discharging PPA of its liability as adjudged in the Decision dated December 28, 2012.</p> <p>----- PASSI filed an Appeal before the CA.</p>

No.	Case Title	Case No./ Court	Description	Status
24	Samuel Reyes Garcia, et al., VS DBP Service Corp., Titleist Services, Inc., PPA, Rodolfo C. Manaligod, Marilyn Garcia, Dinnan Serran and Everjoy S. Guerrero	NLRC-NCR Civil Case No. 17676-17	Illegal Dismissal, Actual Non-payment of salary/ wages, Non-payment of 13th month pay, non-payment of separation pay, Moral and Exemplary Damages and Attorney's Fees.	PPA attended the hearing last January 10, 2017 and parties were directed to submit their respective Position Paper on February 1, 2018 at 10 AM.  On February 19, 2018, the parties filed their respective replies. The case is now deemed submitted for Decision.
25	Shipside Inc. VS. PPA	CA-G.R. 141321 Court of Appeals  Civil Case No. 3917 MTCC Branch 2 San Fernando La Union  Civil Case No. 9121 RTC La Union Branch 26	Unlawful Detainer, With Prayer For Reasonable Compensation For The Actual Occupancy Of The Property located in San Fernando.	The CA dismissed the petition in its December 27, 2017 Decision. SI filed its January 15, 2018 Motion for Reconsideration. A February 7, 2017 Notice to Comment within 10 days was received by the OGCC on March 20, 2018.  PPA filed its Comment/ Opposition dated March 2018.
26	Tacoma Integrated Port Services, Inc. VS. PPA	Civil Case No. 08-119077 RTC Manila Branch 4  ----- CA-GR CV No. 95349  ----- GR No. 209123	Unlawful Detainer	On March 10, 2010, the RTC issued a Decision granting the petition for Declaratory relief, the dispositive portion of which, reads:  "Wherefore, premises considered, the petition is hereby GRANTED and the Court rules: (1) PPA Board Resolution No. 736 and Memorandum Order No. 68-2009 is declared null and void; (2) TIPSIs account with PPA is not delinquent; and (3) TIPSIs not being delinquent, PPA must refund the former of its overpayment of P 28,619,690.44, including the subsequent payments made from October 2008, to the present; and (4) the 03 October 1911 Lease Contracts 1 and 2 and the rental adjustments under Commonwealth Act 141 are still in force and effect and TIPSIs can continue paying the rates stated therein."  Tacoma Integrated Port Services Inc. filed a Petition for Review on Certiorari dated November 4, 2013 with the Supreme Court.  On March 31, 2014, PPA thru OGCC filed its Comment on TACOMA's Petition and we are now awaiting Decision/ Resolution on said Petition.



No.	Case Title	Case No./ Court	Description	Status
27	United Dumangas Port Development Corp. (UDPDC) and Wilhelm Divinagracia vs. Juan Sta. Ana et. al	G.R. No. 192943 G.R. No. 06519 C.A.G. GR 05903 SP Civil Case No. 05-024 RTC-Dumangas Branch 68  CA-G.R. SP 03293 Court of Appeals Civil Case No. 11-30890	For Indirect Contempt, with Prayer for Damages of P50,000 per day from Feb. 18, 2011, P330,000 as attorney's fees, P250,000 litigation expenses, P1,000,000 for moral and other damages.	<p>Petition GR 19294 – On August 12, 2015, the Supreme Court issued a Decision partly granting UDPDC's Petition. OGCC filed its Partial Motion for Reconsideration on October 2015. Awaiting Resolution thereof.</p> <p>Petition for Certiorari CA GR CEB SP 05903 - Filed Motion for Reconsideration dated June 22, 2015 of the May 12, 2015 Decision which was denied. However, in view of the SC Decision dated August 12, 2015 in the principal case, this injunction petition had already become moot and PPA will no longer appeal the CA Decision.</p> <p>Records of the case are remanded to the RTC, Dumangas, Br. 68 for proper determination of the value of equipment and improvements introduced by UDPDC on the Port of Dumangas.</p> <p>A Motion for Issuance of a Writ of Execution was filed by Intervenor Municipality dated March 23, 2018 before the RTC praying for the issuance of a Writ of Execution to enforce the Decision of the court dated May 18, 2007 as reinstated by its August 12, 2015 Decision.</p> <p>During the hearing of the Motion held on April 2, 2018, the OGCC was directed to file comment on the motion within 15 days from receipt of the order.</p> <p>The Board of Commissioners was already constituted and is currently deliberating on the value of UDPDC's investment in the Port of Dumangas.</p>

### 36. OTHER DISCLOSURES WITH POSSIBLE FUTURE FINANCIAL IMPACT

Land located north of the mouth of Pasig River off Pier 2 in the North Harbor with a book value of P10,921.32 million which is currently being utilized by ICTSI and recorded by PPA as service concession land is the subject of OGCC Arbitration Case No. 2012-01 with the following related information:

- Records show that PD No. 802 directing the registration of the subject property in the name of GSIS was issued on September 18, 1975.
- On December 23, 1975, PD No. 857 was issued expressly transferring to PPA all powers and rights in all properties and appropriations of any government authority, agency and instrumentality pertaining to every matter concerning port facilities, port works or port operations.
- Express repeal of PD No. 802 by PD No. 1284 which was issued on July 16, 1978, affirming the power and responsibility of PPA to undertake any study or work for the development, construction and supervision of all port works, facilities and dredging in the International Port Complex and its vicinity.
- Government Service Insurance System is claiming that the land is part of their assets as they possess the Original Certificate of Title (OCT) 10722 which was subsequently subdivided into TCT No. 272971 and TCT No. 272972. In the March 21, 2018 issue of the Philippine Star, GSIS published an article announcing the auction of the port area property on May 3, 2018.

# PPA PORT MANAGEMENT OFFICES (PMOs)

(Based on GCG Memorandum Order No. 2014-10 dated 25 March 2014)

## MANILA/NORTHERN LUZON PORT MANAGEMENT OFFICES

PMO NCR South  
PMO NCR North  
PMO Northern Luzon<sup>1</sup>  
PMO Bataan/Aurora

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## SOUTHERN LUZON PORT MANAGEMENT OFFICES

PMO Batangas  
PMO Bicol  
PMO Palawan  
PMO Mindoro  
PMO Marinduque/Quezon  
PMO Masbate

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## VISAYAS PORT MANAGEMENT OFFICES

PMO Negros Oriental/Siquijor  
PMO Panay/Guimaras  
PMO Eastern Leyte/Samar  
PMO Negros Occidental/Bacolod/Banago/BREDCO  
PMO Western Leyte/Biliran  
PMO Bohol

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## NORTHERN MINDANAO PORT MANAGEMENT OFFICES

PMO Misamis Oriental/Cagayan de Oro  
PMO Lanao del Norte/Iligan  
PMO Agusan  
PMO Surigao  
PMO Misamis Occidental/Ozamiz

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## SOUTHERN MINDANAO PORT MANAGEMENT OFFICES

PMO Davao  
PMO SOCSARGEN<sup>2</sup>  
PMO Zamboanga del Norte  
PMO Zamboanga

<sup>1</sup> PMO Northern Luzon-Baseport was transferred from Port of San Fernando, La Union to Port of Currimao, Ilocos Norte per PPA Memorandum Order 006-2018.

<sup>2</sup> Port Management Office (PMO) Cotabato was downgraded to a Terminal Management Office (TMO) and is now under the jurisdiction of PMO SOCSARGEN per PPA Memorandum Order 008-2018.



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**Philippine Information Agency** (cover)

The Report summarizes the company's financial performance in the preceding year and provides an overview of the company's major activities through the use of images, charts and infographics intended for general reference only.



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