



January 11, 2018

**PHILIPPINE PORTS AUTHORITY**  
Port Management Office - NCR North  
PMO Administration Building, Marcos Road  
Manila North Harbor, Tondo, Manila

**PHILIPPINE PORT AUTHORITY**  
**PORT MANAGEMENT OFFICE**  
**NORTH HARBOR**  
**RECEIVED**

ON 1/11/18  
TIME 11:04 AM  
BY [Signature]

Attention: **ROSENDA G. SUMAGAYSAY**  
Port Manager

Subject: Request for Cranage Rate Increase

Dear Port Manager Sumagaysay:

On December 27, 2013<sup>1</sup>, the Philippine Ports Authority (PPA) approved the following cranage rates for Manila North Harbor, *viz*-

Container Size	Basis	Loaded	Empty
20 footer and below	Per Box	Php1,288.00	Php1,083.00
Above 20 footer	Per Box	1,802.00	1,396.00

The above rates were established to cover the introduction of quay container crane operations at Manila North Harbor. To date, Manila North Harbour Port, Inc. (MNHPI) has eight (8) units of quay container cranes servicing the requirements of shipping lines, which is over the required six (6) units as of Year 8 (*i.e.* 2018).<sup>2</sup>

As of December 31, 2017, cost of total cargo handling equipment acquisitions is at Php5.3 Billion, with Php3.7 Billion related to cost of the equipment complement for cranage operations. To date, port development cost is at Php5.8 Billion, with Php2.8 Billion related to civil infrastructure necessary for crane operations. Total investment for crane operations is at Php6.5 Billion.

Cranage operation covers both investment (civil works and equipment) and cost to operate (skilled operators, power and maintenance cost). Acquisition cost of quay cranes and spare parts necessary to maintain the same as well as the sheet pile for the supporting civil infrastructure is affected by depreciation of the peso against the dollar.

<sup>1</sup> PPA Memorandum Circular No. 15-2013 dated December 27, 2013

<sup>2</sup> MNHPI Commitment of six (6) total units by Year 2016; seven (7) total units by Year 2010; eight (8) units by Year 2025; and overall, nine (9) units by Year 2030

At the time of the approval of the initial quay crane rates in 2013, the exchange rate of United States Dollars (USD) to Philippine Peso is 1 USD = Php44.10 (as of December 31, 2013). As of December 31, 2017, the exchange rate stands at 1 USD= Php50.39.

Year	Rate (1 USD=Php)
December 31, 2013	44.10
December 31, 2014	44.69
December 31, 2015	47.23
December 31, 2016	49.82
December 31, 2017	50.39

Accordingly, the exchange rate has depreciated by **14.26%** for the 4 year period (December 31, 2013 - December 31, 2017).

With the upward trend in cost of operating quay container cranes such as hiring of skilled crane operators, power costs and spare parts, the year-on-year inflation has likewise contributed to increased cost of crange operations.

To date, inflation for the period covering December 31, 2013 to December 31, 2017 is at **14.2%**.

Year	Inflation
December 31, 2013	4.1%
December 31, 2014	2.7%
December 31, 2015	1.5%
December 31, 2016	2.6%
December 31, 2017	3.3%
<b>Total</b>	<b>14.2%</b>

In view of the foregoing, MNHPI respectfully requests for the approval of a crange rate increase of **TWENTY EIGHT and 46/100 PERCENT (28.46%)** covering the period December 31, 2013 up to December 31, 2017 to reflect depreciation of the Philippine Peso against the US Dollar and the year-on-year upward increase of general price level of goods and services, both having an impact on the continued viability of the port's quay crane operations.

In summary, the proposed new crange rates are as follows:

Container Size	Basis	Loaded	Empty
20 footer and below	Per Box	Php1,654.56	Php1,391.22
Above 20 footer	Per Box	2,314.85	1,793.30

We hope that the PPA favorably consider this request.

Thank you and more power.

Very truly yours,



**ARIEL I. VICTORIA**

*Chief Finance Officer*