

## CREW Project

### National Advocacy Plan – Philippines

#### 1. Introduction

The Diagnostic Country Reports (DCRs) published by the Philippine Institute for Development Studies (PIDS) presents the crucial role of a *healthy* competition in the Philippines in ensuring good quality, affordable price, and wide selection of goods and services that consumers choose from, especially in the two project sectors, rice and bus transport.

1.1. In the **rice sector**, the main barrier to competition is the trade monopoly of the National Food Authority (NFA) and the quantitative restriction (QR) on rice imports. The presence of such trade barriers that limit the market entry creates inefficiencies. The long run key reform will necessitate charter amendment, which in turn will entail legislation. As the QR expires in 2017, it is uncertain if the Philippines government will move to the WTO for an extension or maintain the abolishment. As per evidence gathered in the CREW project DCR, it is clear that the removal of import quota will benefit consumers by reducing the retail price of rice due to price competition. However, if the removal of import quota were to occur, compensation/support mechanisms for rice producers (some form of assistance to farmers in diversifying their crops and better access to inputs/markets) would be crucial. The CREW ‘national advocacy’ in Philippines should therefore explore a strategy to promote competitive rice market in Philippines, without affecting the plight of the small and medium domestic rice producers.

1.2 Meanwhile for the **bus transport**, one of the main problems is the presence of a large number of buses (and other vehicles) in Metro Manila leading to cut-throat competition and affecting consumers’ mobility within Metro Manila (time wastage due to congestion). In earlier national stakeholders’ meetings (National Reference Group, NRG meetings) of the CREW project in Philippines, a lot of specific policy options have come up for discussions: scheduling of buses, implementing a single lane, rationalizing fares, or fixing the wage system. The advocacy will revolve around doing an institutional review to firm up an appropriate response. Strict implementation of the existing policies such as the ‘age’ limit of buses as well as moratorium on the release of new licenses is also to be ensured. Reforming the bus sector entails either legislation (executive order or a law) or reformation within the Land Franchising and Regulatory Board (LTFRB). As it will be run in less than a year, the advocacy on the bus sector has to be strategic, focusing on preparing the ground for the long term reform.

Shaping public opinion and broadening of coalitions are the minimum realistic goals that can be attained given the time, political, and resource constraints. This paper contains the narrative of timeline of activities that are in line with the campaigns in the transport and rice sectors. These will be run until December 2015.

**2. Advocacy agenda for Staple Food**

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<p><b>2.1 Reducing cost burden on domestic rice consumers by removing Quantitative Restrictions on rice imports</b></p>	<p>Use evidence of ‘cost burden’ on consumers to urge Government to abolish Quantitative Restriction (QR)</p>	<ul style="list-style-type: none"> <li> <p><b>What is the problem as informed by the evidence in the DCR?</b></p> <p>In the rice sector, the main barrier to competition is the trade monopoly of the National Food Authority (NFA) and the quantitative restriction (QR). The implication is that the presence of such trade barriers that limit the market entry creates inefficiencies.</p> <p>According to the DCR if the QR was eliminated and rice imports were allowed to freely enter the country, total rice imports would have reached 4.20 million tons, a tenfold increase over actual imports. Such high level of imports would bring down the retail price of rice to P19.80/kg from P33.08/kg, and the wholesale price down to P17.66/kg from P30.04/kg. Clearly, consumers would benefit from free trade given the low market price of rice. However, there would be a P33,985.01mn reduction in producer surplus. In total, the economy would have benefited by as much as P138,464.10mn.</p> <p>Similarly, if instead the import quota were maintained at the previous year's level of 1,000,000 tons, prices would have fallen. At the retail level, price of rice would have decreased from P33.70 /kg to P31.52 /kg. At the wholesale level, price would have dropped by P2.18 /kg. Consumer surplus would increase by P25,706.18mn; however, producer surplus would decrease by P6,598.97mn. The overall impact would have been a P25,203.32mn increase in economic surplus.</p> <p>The existence of the QR on importation of rice has resulted in smuggling of rice across the islands, especially since Philippines is a rice-deficient country.</p> </li> <li> <p><b>What are the intended outcomes?</b></p> <p>The goal is to communicate to policy-makers and the public, implications (high ‘cost burden’) due to restricted rice importation and the need to abolish the QR.</p> </li> <li> <p><b>How will the CREW project contribute towards addressing this problem?</b></p> <p>The main contribution of the CREW Project will be advocate for the economic losses being faced by the country due to the restrictions on rice imports. With the QR tenure expiring in 2017 and having the statistics for the impact of the QR, it is important to</p> </li> </ul>

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		<p>create awareness on the issue and find a sustainable way forward.</p> <ul style="list-style-type: none"> <li>• <b>Action agenda<sup>1</sup></b> The action agenda will include some of the following steps: <ul style="list-style-type: none"> <li>- Mapping of stakeholders (Department of Agriculture, consumer groups, Non-Governmental Organisations, Research Institutes and so on) with whom the agenda will be taken forward.</li> <li>- Media campaign on ‘consumer burden’ due to QR involving newspaper articles and use of social media</li> <li>- One-to-one meetings with key policymakers, politicians and other key actors</li> <li>- Any other related activities</li> </ul> </li> </ul>
<p><b>2.2 Developing an interim strategy for ‘Promoting a Competitive Rice markets post 2017’</b></p>	<p><b>Develop an ‘interim strategy’ for the rice sector, with the objective of improving the rice import regime without harming the interest of small and medium domestic rice farmers</b></p>	<ul style="list-style-type: none"> <li>• <b>What is the problem as informed by the evidence in the DCR?</b> The QR is to expire in 2017. It is uncertain if thereafter the same will be lifted or renewed and if renewed, how much the import restriction would be. With the statistic provided above, it is important for the country to liberalise the rice market with safety nets.  However, if the rice imports are liberalised, it is expected that small domestic farmers could be affected due to increased competition from imports. In view of such apprehension, it would be necessary for the government to design ‘targeted’ assistance or adjustment package for small farmers in the country.</li> <li>• <b>What are the intended outcomes?</b> The goal is to evolve an ‘interim strategy’ that helps balance the dual objectives of improving supply of imported rice in the country on the one hand, and on the other, protect the interest of the small and medium rice farmers to help them adjust to the post-2017 regime.</li> <li>• <b>How will the CREW project contribute towards addressing this problem?</b></li> </ul>

<sup>1</sup> It must be noted that the action agenda mentioned in the NAP for both the sectors is not absolute but dynamic in nature

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		<p>The project creates a way to enable the farmers contribute to a strategy or plan that would be implemented nationally. These farmer groups' insights would also be relayed to government officials for consideration. Without these efforts, the players may be divided/ fragmented and confused by the time the Quantitative Restriction is lifted. Further, a group of likeminded people will be formed to frame the said roadmap.</p> <p>One of the suggestions would be to go for gradual liberalization of the rice import regime in the country – which would entail an increase in the quota of rice importation from 400,000 MT upwards, with a view to meet the existing gap in supply and domestic demand. This would give an opportunity to the domestic farmers (especially the small farmers) to adjust to the new (liberalised) regime. In this period (of adjustment), the government should also develop strategies and programmes to help meet some of the nagging challenges of the small farmers especially improving their access to inputs and credit.</p> <ul style="list-style-type: none"> <li>• <b>Action agenda</b></li> </ul> <p>The action agenda will include the following steps:</p> <ul style="list-style-type: none"> <li>- Mapping of stakeholders (Foundation for Economic Freedom, Farmers Groups, Research Institutes, Private Players, Millers, Key Government Agencies and so on).</li> <li>- Focus Group Discussions with farmers groups; one to one discussions with other SHs to facilitate the development of the 'interim strategy'</li> <li>- Dialogues with relevant government officials for uptake of the suggestions in the strategy to promote pro-competitive rice market in Philippines</li> </ul>

**3. Advocacy agenda for Bus Transport**

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<p><b>3.1 Traffic reorganisation will benefit bus commuters</b></p>	<p><b>Realisation of the need to better organize the bus fleet and route within Metro Manila to ease consumer woes</b></p>	<ul style="list-style-type: none"> <li> <p>• <b>What is the problem as informed by the evidence in the DCR?</b>  Metro Manila suffers from an oversupply of buses which result in consumer afflictions. There exist 1,122 operators and 12,595 buses operating in Metro Manila. Further, the oversupply is especially problematic in the peak hours, as is evident from low/moderate seat occupancy by commuters.</p> <p>Although a Moratorium was issued in 2000 on provincial buses and 2003 on all buses, the same have not been implemented. As per the DCR, reduction of upto 20% of buses in Metro Manila would not only improve commuter’s mobility but also save unnecessary costs.</p> </li> <li> <p>• <b>What are the intended outcomes?</b>  Through the use of different channels, the public would be able to connect the traffic problem with excess supply of buses, as well as the benefits with a good decongestion scheme. According to the DCR, “an effective decongestion policy that will lead to a decrease in bus trips by 20 percent within the EDSA super corridor (24 km stretch within Metro Manila) will yield a net present value of P13.2 billion in 3 years, and P19.86 in the long term.”</p> <p>Moreover, the aim is to shape public opinion about the transport issue, to create and solidify coalitions, and as well as to orient and strengthen ties with the champions.</p> </li> <li> <p>• <b>How will the CREW project contribute towards addressing this problem?</b>  The contribution of the CREW Project starts from the gathering and joining forces of the National Reference Group members, experts, consumers and government officials. With expertise of the mentioned stakeholders, specific issues which amount to consumer woes will be distilled and further researched. The analysis will then be used to make a case for sustainable decongestion and optimal consumer welfare. The project would also help in information dissemination and opinion shaping, as the key messages would be coordinated.</p> </li> </ul>

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		<p>CREW project is a huge step to voice out consumer rights and welfare, especially in the context of the Philippines where there is no identified strong consumer group representing passengers to balance the sentiments of the suppliers' side.</p> <ul style="list-style-type: none"> <li>• <b>Action Agenda</b> <ul style="list-style-type: none"> <li>- Mapping of stakeholders</li> <li>- Focused Group Discussions with the stakeholders: Seminar with the Office for Competition (OFC) to delve on the 'Good practices in transport regulations', lessons for the Philippines</li> <li>- Survey of the bus drivers to understand the ground realities regarding the Compensation Scheme</li> <li>- Media Campaign (traditional and contemporary media)</li> <li>- Dialogue with the relevant government officials and operators associations</li> </ul> </li> </ul>
<p><b>3.2 Political Economy Analysis of the Failure of the Decongestion Schemes</b></p>	<p><b>Ex Post and Ex Ante Analysis of Decongestion Schemes under Bus Transport Sector</b></p>	<ul style="list-style-type: none"> <li>• <b>What is the problem as informed by the evidence in the DCR?</b></li> </ul> <p>Weak enforcement of rules in the bus transport sector have caused an oversupply buses and chaotic traffic conditions. A case relayed by the DCR was that of the Don Mariano Transport Corporation which ranked highest in terms of number of damage to property in Metro Manila and operated with expired Labor Standards Compliance Certificate but still was able to operate. Similarly, in spite of the Moratorium (2003) new franchises have found ways to operate.</p> <p>Furthermore, the DCR states: "The boundary system of compensation where the daily earnings of drivers were based on how well they competed with other bus drivers for passengers within franchised routes has been a major contributor to indiscipline on the road. Recent attempts to curb this practice led LTFRB to issue Memorandum Circular No. 2012 – 001 where part-fixed-part-performance based compensation is enjoined. The directive, however, is still less than satisfactory as drivers and conductors are still unduly burdened with operational risks."</p> <p>One wonders, if there were political undercurrents that led to the failure of the decongestion schemes in Metro Manila?</p> <ul style="list-style-type: none"> <li>• <b>What are the intended outcomes?</b></li> </ul>

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		<p>While there is still no specific proposed scheme to cut or organize the supply of buses in Metro Manila, among the short run goal is to strictly implement the moratorium on releasing new franchise licenses, as well as tap the low-lying fruits.</p> <ul style="list-style-type: none"> <li>• <b>How will the CREW project contribute towards addressing this problem?</b> Under the CREW project, ex Post and ex ante analysis of decongestion schemes under the bus transport sector will be undertaken. It is envisaged that the political economy analysis of the failure of the decongestion schemes will enable experts and government officials in understanding the bottlenecks and addressing them in a sustainable manner.</li> <li>• <b>Action Agenda</b> <ul style="list-style-type: none"> <li>- Mapping of stakeholders (LTFRB and such relevant regulators)</li> <li>- Undertaking a political-economy analysis (ex post) of factors affecting implementation of ‘moratoria’ of 2000 and 2003 in Metro Manila</li> <li>- Undertaking ex ante analysis of other bus decongestion schemes like route rationalisation, implementation of bus timetable, vehicle reduction, etc</li> <li>- Use of (above) research findings to have discussions with policymakers and other key stakeholders</li> <li>- Media campaign (traditional and contemporary media)</li> </ul> </li> </ul>