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Philippine Institute for Development Studies Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas

Cargo Truck Ban: Bad Timing, Faulty Analysis, Policy Failure

Gilberto M. Llanto

DISCUSSION PAPER SERIES NO. 2016-52

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Gilberto M. Llanto

Everyone has an opinion on how to solve the terrible traffic plaguing Manila every hour of every day. Many people blamed the behemoth cargo trucks plying the roads everyday, inconveniencing thousands of commuters and car drivers by taking up too much space. People across the metropolis rejoiced when the City of Manila declared a truck ban, effectively preventing cargo trucks from crowding the roads. Commuters and passengers collectively felt relieved to have saved a few minutes in their daily journey from home to work. Ultimately, the price of those precious minutes added up to major economic losses reaching billions of pesos. Who could have imagined that things could go wrong?

"Gates of hell"?

It's a sweltering Friday afternoon. Stressed and stewing in her car, an office worker-mom waits for the traffic to clear up in the main street of the City of Manila, the country's capital city. Meanwhile, in the schoolgrounds her daughter is inconsolable, crying her heart out, as she waits for her mom. Staring at the long line of jeepneys, cars, passenger taxis, buses, cargo trucks, lorries—an assortment of vehicles of various sizes, model, and weight ahead of him, a salesman is all but ready to strike a Faustian bargain with anyone who can unlock the monstruous traffic jam. He is dying to close a sale! Perhaps, that traffic aide, a pirouetting dervish in the middle of the intersection, desperately trying to put some order in the streets, can help?

But alas, traffic won't flow smoothly through the narrow streets designed for what was once a middling-sized city, but is now a huge urban center. The city streets are clogged, constricted arteries for traffic that has rapidly grown as the city developed. The elevated rail transit, expected to relieve street level traffic, is a decrepit lumbering transport, often prone to mechanical failure because of bad maintenance. Those who can't and won't use the rail transit take the transport available in the streets.

At the street level, an endless flow of mammoth cargo trucks and container vans, thousands of undisciplined jeepneys, relics of a bygone war, a cacophony of motorcycles, cars, and hordes of employees, workers, students, businessmen, move in and out of the city. With a sudden heavy downpour or a minor traffic accident, bedlam ensues, and everything could be at a standstill. It is as if the hapless commuter is staring at the "gates of hell", a churlish depiction of the city given by a forgettable pop writer. The mom will be late in picking up a traumatized daughter; the salesman will go home dejected after losing both his sale and job. Bosses will glare at workers who try to leave early to beat the traffic. Tempers will flare. Road rage could ignite anytime. This is every commuter's daily inferno. This is a vehicle driver's daily descent to chaos. Everyday, without let up, in the city dubiously described as the "gates of hell".

¹ This chapter draws data and information on the truck ban from Patalinghug, E., G.M. Llanto, A. Fillone, N. Tiglao, C. Madriaga, C. Salazar and M.D. Arbo, *A System-Wide Study of the Logistics Industry in the Greater Capital Region*, Quezon City: Philippine Institute for Development Studies (forthcoming monograph).

Doing the math

If you, dear reader, were a city dad, what would you do? Logic dictates finding a quick, doable solution to this daily nightmare, isn't? Then, why not a cargo truck ban? Thousands of these humungous kings of the road ply the city streets, denying commuters precious road space. Each day as many as 24,903 trucks are estimated to enter Metro Manila, and as many as 31,183 leave Metro Manila, according to a 2010 JICA study.

Taking those huge trucks off the streets at particular hours of the day will provide greater mobility to thousands of commuters—students, employees, professionals, workers, wives, husbands, salesmen, and the like. With traffic flowing smoothly, frazzled nerves and elevated blood pressures of harassed commuters will be calmed down, and the city will run more smoothly. There will be more time for studying, rest and recreation, quality time with loved ones. With better mobility in the city, daily business transactions in the private sector and the government will be done more quickly.

Thus, the city council passed City of Manila Ordinance No. 8336, which prohibited trucks with gross weight of 4.5 tons and above from plying the city streets from 5:00 a.m. to 9:00 p.m., from Monday to Saturday². However, the ordinance underwent several modifications soon after. As discussed below, the ordinance disrupted the business operations of the transport, logistics, and manufacturing industry, including those of the Bureau of Customs. The government responded to numerous complaints by modifying the original ordinance (**Table 1**). This chapter tells the story and the lessons of this costly exercise.

Dete	
Date	Event
February 4, 2014	City of Manila Ordinance No. 8336 which prohibits trucks with gross weight of 4.5 tons and above from plying city streets from 5 AM to 9 PM
February 24, 2014	The truck ban was modified to provide a five-hour window (10 AM to 3 PM) for loaded trucks for six months; trucks with empty containers were not covered.
May 12, 2014	The truck ban was again modified to provide a seven- hour window (10 AM to 5 PM) for loaded trucks.
June 9, 2014	The Metro Manila Council issued a resolution allowing cargo trucks from Manila ports to use an express lane on Roxas Boulevard for 24 hours a day Mondays to Sundays, except Fridays from June 10 to December 10, 2014.
August 18, 2014	The City of Manila opened a second 24-hours-a-day

Table 1. Chronology of the Manila truck ban

² The truck ban as a measure to relieve road congestion is nothing new to Metro Manila. In 1978, Ordinance No. 78-04 by the Metro Manila Development Authority (MMDA) prohibited cargo trucks with gross vehicle weight of more than 4 tons from using the major thoroughfares within the metropolis during the peak travel hours from 6:00AM to 9:00AM and 4:00 PM to 9:00 PM, with exception on weekends and holidays. A series of modifications of the ordinance has occurred over the years.

	express lane on the stretch of Quirino Avenue and Osmeña Highway
September 1, 2014	Metro Manila Development Authority (MMDA) restricted cargo trucks to only a single lane on C5 road to help ease traffic flow.
September 8, 2014	MMDA implemented the "last mile" project that allowed 3,000 trucks to move the cargoes that had long piled up at the ports and bring them to their warehouses up to September 22, 2014. The trucks with "Lastmayl" stickers were allowed to complete their journey during the hours covered by the truck ban in Manila and other cities.
September 13, 2014	Manila Mayor Joseph Estrada issued Executive Order No. 67 which lifted the truck ban indefinitely.
September 16, 2014	President Benigno C. Aquino III issued Executive Order No. 172 which declared the Ports of Batangas and Subic as extensions of Manila ports during times when there is port congestion and other emergency cases to be determined by the Philippine Port Authority (PPA).

The predicate

The City of Manila, like the proverbial phoenix, literally rose from the ashes of destruction in an unforgiving second world war. With grit and resolve, the city has since then, become a major metropolis. It is a large city. The postwar population was swelled by a rising tide of migrants from the provinces who came over the years, clutching in their hearts hopes of finding jobs and a better life in the metropolis. The City of Manila, one of the largest component cities of NCR³, has a population density of more than 41,000 people per square kilometer. Its day time population swells to a much larger number because of the number of daily commuters who work, study, do business in Manila but retire elsewhere in the suburbs as evening comes.

The City is host to a large number of business establishments, hospitals, public markets, commercial centers, institutions of higher learning. The most important government agencies are in the City of Manila. It hosts the official residence of the President of the Philippines (the Malacanang Palace), major government agencies (the Departments of Budget and Management, Finance, Justice, Public Works and Highways), and other institutions (Philippine General Hospital, Supreme Court, Court of Tax Appeals, University of the Philippines, Philippine Regulatory Commission, Bangko Sentral ng Pilipinas, Land Bank of the Philippines, Immigration Commission, and Bureau of Customs).

³ The National Capital Region (NCR), some still call it Metro Manila, is the most populous region in the country with roughly 12.6 million population, and the 16th most populous metropolis in the world.

A complex transport and logistics network sustains the economy of the City of Manila, and more importantly, the entire Philippine economy. The Port of Manila is the mecca of almost all importation and exportation activities in the country. It is composed of the North and South Harbors and the Manila International Container Terminal. Huge trucks and container vans ferry cargoes to the Port of Manila for transshipment to domestic and foreign markets.

JICA reports that the Port of Manila accounts for approximately 2.7 million twenty-foot equivalent units (TEU)⁴ of international cargo traffic per year. In 2013, the Journal of Commerce described the Port of Manila as the 38th busiest port in the world. Every week, shipping lines make an average 20 to 30 ship calls in the Port of Manila. Huge cargo trucks move as much as 26 percent or 50 metric tons of the country's total cargo throughput in 2012. No wonder the city streets become almost unnavigable when behemoth cargo trucks and container vans bound for the Port lumber through the narrow city streets!

An important fact that the reader should bear in mind is that the Philippine economy now is not the same economy we were looking at ten years ago. It is no longer the "sick man of Asia" as its many detractors would call it. The economy is robust and gross domestic product (GDP), a common measure of performance, has grown at a fast and steady clip in the past decade. GDP growth rate averaged at close to 6 percent during the period 2010-2015.

This is a far better performance compared to the record of the other ASEAN countries in the same period. In the first quarter of 2016, GDP grew at 6.9 percent, the highest growth rate in East Asia, and it is better than those of China and the other ASEAN countries.

A substantial share of GDP (53.5 percent) is generated in the National Capital Regon and Calabarzon area, south of Manila, where many of the economic zones are located (**Figure 1**). High GDP growth implies an increase in container traffic and more cargo throughput in the Port of Manila, and necessarily more cargo trucks in the streets and inside the port. Domestic and foreign firms, especially those located in the economic zones, import now larger volumes of critical raw materials and intermediate inputs, and ship out more manufactured products assembled and processed in those economic zones.

The Port of Manila links the country to the East Asian and global production chains. Today's phenomenon is the global product, for example, a computer, which is put together as a final product in a particular ASEAN country with parts coming from different parts of East Asia and the world. The Philippines has a vital role in those production chains. This means that every day there is two-way transport of intermediate and final goods between the economic zones and the Port of Manila. Cargo trucks exiting from the economic zones take the South Luzon Expressway (SLEX) onward through the streets of the City of Manila and finally to the Port of Manila. The cargoes coming from the economic zones are loaded to waiting shipping vessels which transport them to different countries that participate in the production chain. Likewise, intermediate and final goods coming from other countries find their way to the Port of Manila for transport to the economic zones. There is no alternative route. Thus, an inevitable road

⁴ Standard unit for describing a ship's cargo carrying capacity, or a shipping terminal's cargo handling capacity. A standard forty-foot (40x8x8 feet) container equals two TEUs (each 20x8x8 feet). Source: http://www.businessdictionary.com/definition

congestion arises whenever those cargo trucks pass through the city streets on theie way to the Port of Manila.

The City of Manila, then, is not only the country's political capital; it is practically the economic capital of the country. Trade and commerce, the lifeblood of the economy, flow through the arterial streets of Manila to and from its ports. But those road arteries are clogged, and this is largely attributed to the daily procession of huge cargo trucks. Thus, it seems just common sense to ban cargo trucks during certain hours of the day. A practical solution offered by practical denizens of City Hall. Did it work?



Figure 1. Location of economic zones

Source: Based on the data of Philippine Economic Zone Authority (PEZA), 2008

Benefit and unintended cost

The truck ban provided immediate relief to harried commuters and non-truck drivers. A reason for rejoicing was the greater mobility as traffic flowed faster in the city streets during the operating hours of the truck ban. Reduced gas emissions were definitely a benefit. However, it turned out that the common sense solution is simple to implement but it is also simplistic. True, there were private gains but there also were huge losses to society. The expected benefits seemed obvious but the unintended consequences seemed not, at least at the time when the ordinance was framed.

Let us use **Figure 2** to explain the unintended consequence of the truck ban on consumers and producers. The cargo trucks formed long queues as they waited to get in and out of the Port of Manila. Meanwhile during the period when the truck ban was in effect, it was reported that it took quite some time to get LTFRB's approval of the applications of for-hire (cargo) trucks for yellow license plates.⁵ In plain language, the bureucrats sat on those applications. This could potentially worsen the artificial shortage of trucks. To alleviate a touchy situation, the LTFRB issued Resolution 05, series of 2014, a "no-apprehension policy" of for-hire trucks using green plates⁶. The government's good intentions were waylaid by some rent-seeking [euphemism for extortionist] traffic enforcers. Despite the "no-apprehension policy", those traffic enforcers continued to apprehend cargo trucks that used green license plates. All these created an artificial shortage of trucks, which then led to the higher cost of trucking services during this period, and higher trucking fees.

Cargo movement was constrained. Truckers reported cases of delay in the delivery of goods to clients. Businesses incurred production losses and interruptions that caused a temporary shortage of goods in the market. As a consequence, consumers in Metro Manila suffered from the increase in the commodity prices during the latter part of the third quarter of 2014.

During the seven-month period of the truck ban, commuters were relieved of traffic jams, but ironically as consumers, they faced higher priced goods due to delayed delivery and spoilage of goods compounded by the higher cost of trucking services.

What about the producers? The truck ban, together with the assignment of particular routes inside the city for trucks to traverse, constrained the movement of cargo to and from the Port of Manila. The irony was that road congestion was relieved but nobody seemed to have anticipated a negative spillover effect: **port congestion**.

Before we proceed, a word about congestion in the Port of Manila is in order. Congestion in the Port of Manila is common especially in the months of July up to December when importation activities are at its peak. This is due to high consumer demand during the Christmas season. However, the port authorities have always managed to ensure that cargoes move in and

⁵ Vehicles used in business are given "yellow" license plates. Vehicles for private use are given "green" license plates.

⁶ The resolution provides for a one-month suspension (June 28–July 28, 2014) of Joint Administrative Order 2014-01, which imposes higher penalties and stiffer sanctions on traffic violations including colorum operations.

out of the port despite the congestion. There was congestion both in the roads and in the Port of Manila but generally, the situation, although inefficient, was tolerable. This was the situation before the economy picked up and started to register high growth.



Note that the truck ban was operative during the months of July, August and September 2014 when importation to stock up for the Christmas season was peaking. Cargo trucks caught inside the ports during the operative hours of the truck ban could not move out with their cargoes. They had to wait inside the port area until they were free to move. The result? The daytime truck ban (see **Table 1**) drastically constrained cargo throughput and the transport of empty containers out of the port area. The trucks laden with offloaded cargoes competed with trucks carrying empty containers for space within the ports. Meanwhile, in practice, not all empty containers are moved out of the port area. Shipping lines had the (bad) habit of leaving empty containers in the port area. Port congestion was being blamed on the truck ban but it was also partly due to the practice of shipping lines of using the port as a container yard for empty containers!

Now a chain of events exacerbated an already worsening situation. The congestion inside the port affected the offloading of cargoes because the container yard was operating beyond its rated capacity. The container yard could only contain a fixed volume of offloaded containers but the available space was also accumulating empty containers. The difficulty of offloading cargoes prompted the shipping lines traditionally calling at the Port of Manila to turn down bookings by local importers, exporters and freight forwarders. Those shipping lines knew that they would face problems of loading and offloading cargoes at the Port of Manila, and sadly they also knew that cargoes and containers bound for the Port of Manila were temporarily on hold in Hong Kong, Singapore, and Kaohsiung until the infamous congestion at the Port of Manila had cleared up.

Meanwhile, trucks were forming long queues at the vicinity of the City of Manila waiting for the allowable time to enter the city and move to the port. But once inside the port, they could be caught inside by the truck ban because of the slowdown in portside activities brought about by the congestion. This meant fewer turn around trips, resulting in an artificial shortage of trucks and delayed delivery of imports and exports.

Port congestion as a result of the truck ban led to time delay in cargo releasing. It is normal for some shipments to face delays in the release of cargo of 1 day to a month. This happens sometimes because of documentation problems. This was before the truck ban, but after the ban, delays took much longer, anywhere from a week to three months (**Table 2**). Such costly delays affected the smooth operation of the logistics chain, and ultimately, the firms in the economic zones. Survey data indicated that the cost of shipping a 20-ft or a 40-ft container by truck doubled from PhP18,000 before the truck ban to PhP36,000 after the truck ban.

Before the Truck Ban	After the Truck Ban
1 month	2 to 3 months
1 day	more than a week
3 to 4 days	7 to 10 days
1 week	2-3 weeks
3 days	1 week
	1 month delay

Table 2. Quantifying the time delay of cargo releasing due to the truck ban

At the end, the port congestion adversely affected the country's main supply chain (**Figure 3**). Remember that the lion's share of GDP is produced in the National Capital Region and Calabarzon, and that the Port of Manila is the country's vital link to regional and global production chains.



Figure 3. Effect of the truck ban on shippers/locators

(5 point scale: 5, strongly agree; 4, agree; 3, neutral; 2, disagree; 1 strongly disagree)

Final and intermediate goods failed to reach their intended recipients in time, and transport costs increased due to an artificial shortage of trucks as truck drivers made fewer and fewer trips. At stake were the shipping of manufactured products from the economic zones, such as electronic products, high voltage cables, industrial tape, automobile parts and components, mineral fuels, lubricants, organic and inorganic chemicals, food, cereals, plastics, furnitures, industrial machinery and equipment, aerospace and motorcycle parts, air compressors, and many others.

Soon, exporters, importers, freight forwarders, logistics service providers, truckers, shipping lines, port terminal operators, and manufacturers were all raising a howl. The newspapers bannered problems of disrupted operations, production delays, shutdown due to non-arrival of imported materials, cancelation of orders, diversion of goods destined to Manila to other ports elsewhere, increase in rental of forklifts, overtime cost and warehousing fees, and finally to job losses due to output losses. The Bureau of Customs joined the chorus of complainants. It experienced a huge slowdown in customs collections, and the revenue losses were not trivial.

Nobody ever imagined that a simple solution will create a serious disruption of the very lifeblood of a growing economy! On September 13, 2014, the City of Manila lifted the truck ban indefinitely. How much were the economic losses due to the seven-month cargo truck ban? A study team of the Philippine Institute for Development Studies estimated total losses of PhP 43.85 billion (**Table 3**).

Table 3. Economic cost of the seven-month cargo truck ban

Bureau of Customs revenue losses	PhP 25.55 billion
Output losses	PhP 18.20 billion
Vehicle operating cost	PhP 0.099 billion

PhP 43.85 billion

The estimated economic cost includes employment and output losses of manufacturing firms in economic zones **net** of the benefits of the truck ban benefits (reduced emissions and reduced traffic congestion in the restricted areas)⁷. To provide a scale for what the truck ban cost the economy, in 2014, the DSWD's the conditional cash transfer budget was around PhP 62.61 billion to benefited more than 4 million poor households. The economic cost of the truck ban could have covered up to 70 percent of the budget for conditional cash transfers to poor households!

Post mortem

Total

There is no doubt that huge cargo trucks moving to and out of the City of Manila contribute to road congestion. Imposing a cargo truck ban will provide relief to commuters and non-truck drivers but it will never solve the road congestion problem. Road congestion is not rooted at the volume of cargo truck movement during the productive daytime hours. The problem lies with the fact that those trucks are compelled to use the city streets to get to the Port of Manila, the country's major seaport. The Port of Manila is the country's most important shipping gateway for both domestic and international trade and is a vital link to regional and global production chains. It is an essential part of the economy's transport and logistics network that services the needs of consumers and producers alike, especially manufacturing firms at the economic zones, south of Manila. By necessity, cargo trucks have to be in the streets of Manila regardless of the road congestion they create. As policy makers think about the benefit arising from a truck ban, they should also be aware of the economic costs, especially the unintended consequences of their policy decision. In the particular case of the truck ban, this chapter showed how costly the truck ban was to the country.

Does this mean that we should just let go of the problem of road and port congestion? The quick answer is no. There are immediate, medium-term and long-term solutions to the problem as indicated in the PIDS study, which provided the data and information for this chapter, "A System-Wide Study of the Logistics Industry in the Greater Capital Region.⁸" There is no space to discuss those recommendations but it is instructive to find out how another big city, Bangkok solved its own problem with road and port congestion (**Box 1**).

⁷ One crude estimate put the cost of the truck ban at PhP 61.2 billion up to PhP 320 billion, with benefits from the reduced emissions and traffic congestion at PhP30 billion.

⁸ The reader is invited to read the monograph for a details.

Box 1. Bangkok: solving port congestion

Since 1947, the Bangkok port of Klongtoey had been the main commercial port of Thailand but it had problems accommodating large ships of more than 12,000 DWT, length greater than 172 meters, and draught of more than 8 meters in relation to mean sea level. As the economy and international trade grew, it began to experience port congestion. The Thai government decided to have a deep-sea port and concluded that the best location to build a new port was LaemChabang, 130 kilometers from Bangkok.

In 1973, the government started expropriation of land; a stone-laying ceremony for the construction of the new port was done in November 15, 1987, and finally, LaemChabang port offered commercial port services in 1991. LaemChabang port was developed in several stages to accommodate the growing demand for port services. The period of construction for the third phase is from 2011-2020 with a specific goal in mind: the Port Authority of Thailand wants to rank itself among the world's top 10 countries with the highest port traffic.

Bangkok experienced port congestion and it didn't trifle with middling solutions. It made the decision to build a new port outside the city. It built a new port and solved the problem.

Such foresight, such decisiveness!

Source: http://www.laemchabangportphases.com/port_01_en.htm

Epilogue

On September 13, 2014, seven months after the passage of Ordinance No. 8366, the City of Manila lifted the truck ban indefinitely. But the damage to the economy has already been done. The economic cost was staggering, certainly not a trifling amount for a low middle income economy. The economy's reputation as an efficient production block in the regional value chains was in tatters. Nobody was made accountable for the bad decision. On September 16, 2014, the president issued Executive Order No. 172, which declared the Ports of Batangas and Subic as extensions of Manila ports during times when there is port congestion and other emergency cases to be determined by the Philippine Port Authority (PPA).

This compromise solution ducked the issue. It didn't recognize that the cause of road and port congestion was the presence of the main shipping port in the City of Manila. Wellknown experts, JICA and some government agencies discussed the need to expand the utilization of Batangas and Subic Ports in the interim, and a long-term view similar to what Bangkok did about a policy of expanding capacity ahead of demand. This policy should be part of a policy package to divert volume away from the Port of Manila and to compel shippers and consignees near these two ports to use them. Meanwhile, the roads and the ports remain congested. Mothers will be late in picking up their daughters; salesmen will lose a sale, and possibly their job. Shipping companies will continue to dump empty containers in the port's container yard. Cargo trucks will occupy the city streets, and in a sudden downpour, the world stands still. The logistics chain won't move. The economy and everyone loses. It is business as usual in the city of Manila.