

Roll-on Roll-off Transport: Connecting Maritime Southeast Asia

There are many potential benefits to an economically connected and integrated Association of Southeast Asian Nations (ASEAN). But connectivity in maritime Southeast Asia remains a serious challenge. ASEAN is beginning to address these issues, with the adoption of a Master Plan on ASEAN Connectivity. Among its flagship projects is a regional “roll-on, roll-off” nautical transportation network, patterned after the innovative system pioneered in the Philippines with support from The Asia Foundation.



A RO-RO truck drives onto a ferry in Cawayan, Masbate in the Central Philippines bound for Cebu.

LINKING THE ISLAND ECONOMIES OF THE PHILIPPINES

There are more than 31,000 island economies in archipelagic Southeast Asia. Thousands of small, scattered, and isolated islands face enormous barriers, such as high transport costs and poor access to local and regional markets, that hamper both trade and tourism.

In the Philippines, itself an archipelago of more than 7,000 islands, a groundbreaking experiment with “roll-on, roll-off” nautical transportation policy, supported by The Asia Foundation, has helped solve many of the same problems, and reduced the cost of shipping among the Philippine islands by 30 to 40 percent.

The concept is deceptively simple. In conventional containerized or “load-on, load-off” shipping, goods are delivered by trucks to the point of origin, unloaded, then loaded onto ships, carried to the next port, unloaded once more, then loaded onto other trucks for the next leg of their journey. Each step, which may be repeated many times in an inter-island distribution chain, imposes another layer of costs and bureaucracy. As a result, the economics of load-on, load-

off tend to favor centralized shipping hubs that may poorly serve smaller, regional markets.

Analysis by The Asia Foundation and its local partners in the Philippines suggested substantial efficiencies could be achieved by a policy shift away from containerized shipping to a “roll-on, roll-off,” or “RO-RO” system that allows trucks, buses, and cars to roll on and roll off the vessel without unloading, eliminating the need for time-consuming and costly cargo-handling and portside equipment, and burdensome regulatory procedures.

To promote the RO-RO policy reform, the Foundation and its local partners worked with those affected by the high cost of sea transport: the Department of Agriculture, the Development Bank of the Philippines, the National Economic Development Authority, the Mindanao Business Council, the Philippine Chamber of Commerce and Industry, and the Supply Chain Management Association of the Philippines. The Research, Educational and Institutional Development Foundation (REID) provided direct technical assistance to the Philippine government, with support from

The Asia Foundation and USAID. Although some RO-RO routes already existed, President Gloria Macapagal-Arroyo formally introduced a comprehensive RO-RO policy to the Philippines in 2003, with the inauguration of the Strong Republic Nautical Highway (see map below).



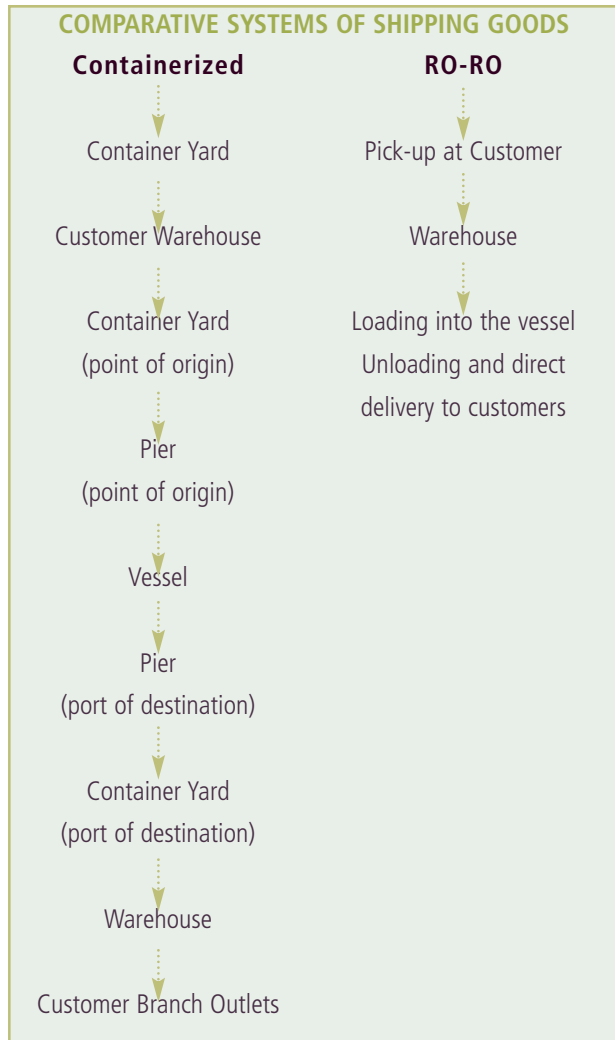
The Strong Republic Nautical Highway (SRNH), incorporating both road and RO-RO nautical links, has vastly improved inter-island linkages in the Philippines.

The RO-RO policy has transformed the maritime sector in the Philippines, vastly improving inter-island economic linkages, increasing competition, and driving down costs with minimal public investment. In some cases, the advent of RO-RO transport drove shipping costs down by more than 40 percent through increased competition and availability. RO-RO has been so successful that, despite strong initial resistance from regulators and some powerful administration supporters, it became one of the core pieces of President Arroyo’s presidential legacy.

BUILDING ON THE PHILIPPINE EXPERIENCE

In late 2009, USAID, The Asia Foundation and its implementing partner The REID Foundation began a three-year project, *Economic Growth Hubs*, to improve air, land, and sea connectivity throughout maritime Southeast Asia. In sea transport, the project seeks to decentralize trade flows and lower transport costs by expanding the RO-RO network pioneered in the Philippines to the island economies of archipelagic Southeast Asia and the land transportation network in the Greater Mekong subregion. Two major policy successes for the project have come in the past year: the adoption of regional RO-RO as one of 15 flagship projects approved at the October 2010 ASEAN Leaders Summit, and the inclusion of regional RO-RO on the

newly elected President Aquino’s agenda, despite its close identification with the policies of his predecessor, President Arroyo.



Source: ATS RRTS - 2GO Presentation

PRESIDENT ARROYO FLOATS ASEAN RO-RO

President Arroyo was the first ASEAN leader to introduce the regional RO-RO concept, building on the success of RO-RO in the Philippines. At the ASEAN Leaders Summit in February 2009, she raised the idea of establishing an ASEAN RO-RO system, and at the sixth Summit of the Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), she called for the implementation of a roll-on roll-off transport system in BIMP-EAGA.

In October 2009, an ASEAN High Level Task Force was established to develop an ASEAN Master Plan on regional connectivity, and the following March, the first High Level Task Force on ASEAN Connectivity

(HLTF-AC) meeting was held. The Philippine Representative to the HLTF-AC, Ambassador Cesar Bautista, appointed by President Arroyo before she left office, played a critical role in building support for the regional RO-RO initiative. The Asia Foundation, USAID, and REID provided technical assistance to Ambassador Bautista, and REID RO-RO team leader Enrico Basilio attended HLTF meetings as a member of the Philippine Delegation.

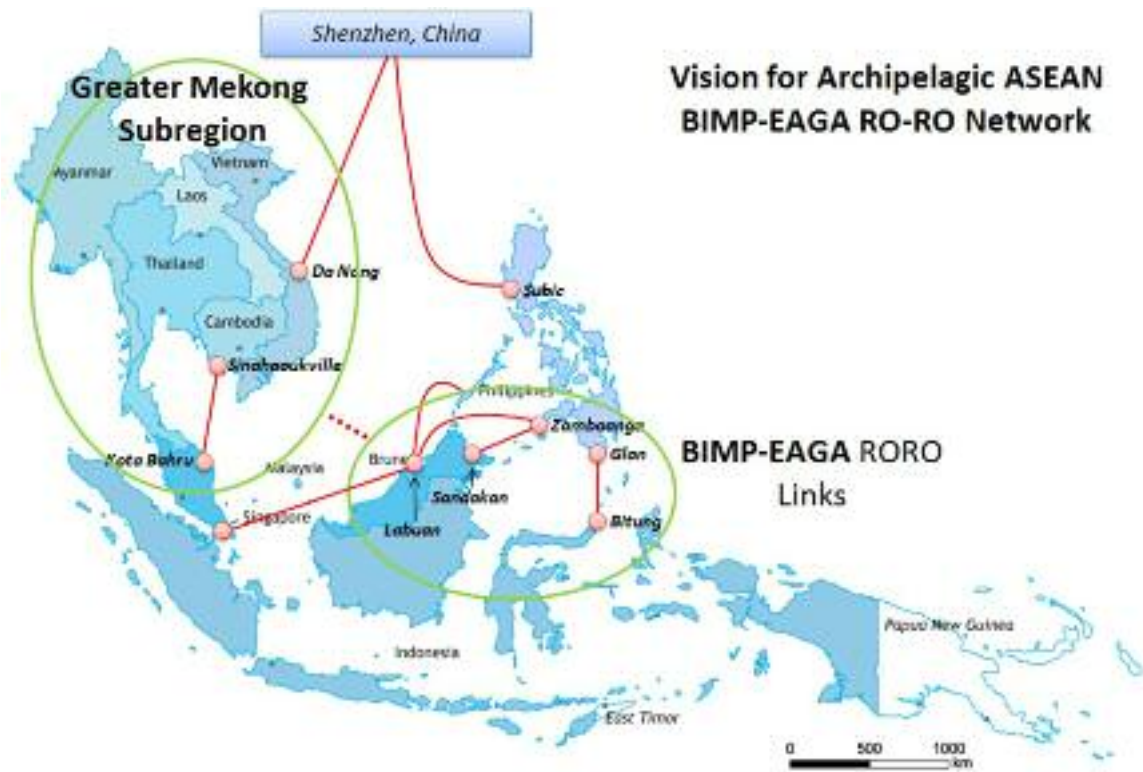
PRESIDENT AQUINO EMBRACES ASEAN RO-RO

In May 2010, Benigno Aquino was elected President of the Philippines by a significant margin. The challenge confronting the project was to navigate the transition to a new administration, and continue to influence the ASEAN process to incorporate RO-RO. Within days of the elections, Department of Foreign Affairs Assistant Secretary Bataclan convened a Coordinating Committee to develop recommendations for the HLTF-AC. In the first meeting, Ambassador Bautista invited REID team leader Enrico Basilio to give a briefing on the regional RO-RO Initiative. By working closely with Ambassador Bautista, The Asia Foundation’s implementing team was able to join the Philippine delegations to regional, sub-regional, and sectoral bodies and continue to influence the ASEAN decision-making process.

A POLICY SUCCESS

In October 2010, ASEAN Leaders adopted the *Master Plan on ASEAN Connectivity* that included RO-RO as a flagship project, and called for a “study on the Roll-on/Roll-off (RO-RO) Network and Short-Sea Shipping.” In 2011, the REID RO-RO team, with support from The Asia Foundation and USAID, will conduct the proposed RO-RO study to identify the commercial, financial, policy, and regulatory steps to establish a regional RO-RO network.

Creating more direct connections between the 31,000-plus island economies of archipelagic Southeast Asia and the land transportation network in the Greater Mekong subregion will have a tremendous impact on trade, investment, and tourism. The challenge for USAID, The Asia Foundation, and the REID RO-RO team is to maintain a single-minded focus on establishing the policy and regulatory environments for commercially viable regional RO-RO routes to emerge.



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