

NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



'22 AUG 10 P5:35

SENATE
P.S. Res. No. 123

RECEIVED BY: 

Introduced by Senator Grace Poe

RESOLUTION
URGING THE SENATE COMMITTEE ON PUBLIC SERVICES TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE THREE CHINA-BACKED RAILWAY PROJECTS, NAMELY THE SUBIC-CLARK RAILWAY, PNR SOUTH LONG-HAUL, AND THE MINDANAO RAILWAY, INCLUDING THE REPORTED RENEGOTIATION OF THE LOANS WITH CHINA AS WELL AS THE STUDY OF OTHER POSSIBLE SOURCES OF FUNDING

1 WHEREAS, railway transport remains as one of the pillars of passenger
2 transport, offering reliable, affordable, and fast alternatives to road travel¹, reducing
3 road congestion as well as vastly improving the mobility of millions of passengers. It
4 is likewise considered as one of the most efficient and lowest emitting modes of
5 transportation², accounting for only 1% of the global carbon dioxide emission from
6 the transport sector in 2018³;

7 WHEREAS, in a bid to enhance accessibility and mobility of passenger and
8 goods from across the country, the Philippine government has pursued a number of
9 railway projects and developments, including the Subic-Clark Railway Project, the PNR
10 South Long-Haul Project, and the Mindanao Railway Project;

¹ International Energy Agency. (08 February 2019). "The Future of Rail: Opportunities for Energy and the Environment". Accessed from: <https://www.oecd.org/publications/the-future-of-rail-9789264312821-en.htm>

² Ibid.

³ Ritchie, Hannah. (06 October 2020). "Cars, Planes, Trains: Where Do CO2 Emissions from Transport Come From?" *Our World in Data*. Accessed from: <https://ourworldindata.org/co2-emissions-from-transport#licence>

1 WHEREAS, the Subic-Clark Railway is a Php51 Billion project⁴ featuring a 71-
2 kilometer freight railway from Subic Bay Freeport Zone to Clark Freeport Zone, forming
3 a link between the Port of Subic Bay and the Clark International Airport.⁵ It is a flagship
4 project of the "Build! Build! Build!" Program under the Duterte Administration, with
5 goals of delivering high economic returns, decongesting Metro Manila, and supporting
6 industrial activities and freight services along the Subic-Clark corridor⁶;

7 WHEREAS, the Php175 Billion PNR South Long-Haul Project is a 639-kilometer
8 railway system connecting Manila to Legazpi, Matnog, Sorsogon, and Batangas City.⁷
9 Package 1 of the Project is the segment from Banlic, Calamba to Daraga, Albay, which
10 requires funding of at least P142 Billion⁸;

11 WHEREAS, the Mindanao Railway Express is a 1,544-kilometer railway project
12 connecting Davao, General Santos, Cagayan de Oro, Iligan, Cotabato, Zamboanga,
13 Butuan, Surigao, and Malaybalay.⁹ Phase 1 of the project, forming the Tagum-Davao-
14 Digos segment, costs Php83 Billion¹⁰;

15 WHEREAS, the National Economic Development Authority (NEDA) approved the
16 use of the Official Development Assistance (ODA) Loan from the People's Republic of

⁴ Mendoza, John Eric. (16 July 2022). "Marcos Directs DOTR to Renegotiate Loan Agreements for 3 Railway Projects". Inquirer.net. Accessed from: <https://newsinfo.inquirer.net/1629017/marcos-tells-dotr-to-renegotiate-loan-agreements-for-3-railway-projects>

⁵ Sunstar. (24 October 2021). "Araw-ACI Cites Importance of Subic-Clark Railway to Central Luzon Development". Accessed from: <https://www.sunstar.com.ph/ampArticle/1911111>

⁶ Department of Environment and Natural Resources. (2021) "Environmental Impact Statement (EIS): Proposed Subic-Clark Railway Project". Accessed from: <https://eia.emb.gov.ph/wp-content/uploads/2021/08/SCR-ESP-English-Ver.pdf>

⁷ Balinbin, Arjay L. (10 June 2021). "Design Bids Solicited for PNR Bicol Project". Business World. Accessed from: <https://www.bworldonline.com/economy/2021/06/10/374921/design-bids-solicited-for-pnr-bicol-project/>

⁸ Cordero, Ted. (15 July 2022). "China 'Backed Out' of Funding Three Railway Projects, Says DOTR Exec". GMA News. Accessed from: <https://www.gmanetwork.com/news/money/economy/838279/china-backed-out-of-funding-three-railway-projects-says-dotr-exec/story/>

⁹ Balinbin, Arjay L. (13 January 2022). "China Short List of Bidders for Mindanao Rail Out Within Q1". Business World. Accessed from: <https://www.bworldonline.com/top-stories/2022/01/13/423281/china-short-list-of-bidders-for-mindanao-rail-out-within-q1/#:~:text=The%20project%20is%20a%201%2C544,government%20recently%20awarded%20the%20P3.>

¹⁰ Piad, Tyrone Jasper C. (16 July 2022). "PH Scraps China Loan Deals for Duterte Rail Projects". Inquirer.net. Accessed from: <https://newsinfo.inquirer.net/1628804/ph-scraps-china-loan-deals-for-duterte-rail-projects>

1 China (China) to fund these projects, with financing negotiations commencing in
2 2018¹¹;

3 WHEREAS, the Department of Finance (DOF) informed China Eximbank, a
4 state-owned bank, that the submitted loan applications will only be valid until May 31,
5 2022 and would automatically be withdrawn if not approved until said date.¹²
6 However, China failed to act on the loan applications,¹³ prompting then Finance
7 Secretary Carloz Dominguez III to cancel the applications "in light of the upcoming
8 transition of government and in deference to the incoming administration".¹⁴ With no
9 immediate funding, the railway projects have stalled;

10 WHEREAS, it was further revealed that the supposed loans from China featured
11 a 3% interest rate, which is considerably higher than the 0.01% rate offered by
12 Japan¹⁵;

13 WHEREAS, during his first State of the Nation Address (SONA) last 25 July 2022,
14 President Ferdinand R. Marcos Jr. espoused his advocacy to develop the railway
15 transport system of the country, stating that "railways offer great potential as it
16 continues to be the cheapest way of transporting goods and passengers".¹⁶
17 Accordingly, the Department of Transportation (DOTr) committed to resubmit the
18 three railway projects to NEDA for approval, with the latter agency and DOF to finalize
19 the scheme to fund these projects¹⁷;

¹¹ Dela Cruz, Raymond Carl. (15 July 2022). "China Withdraws Funding for 3 Railway Projects: DOTR Exec". Philippine News Agency. Accessed from: <https://www.pna.gov.ph/articles/1179059>

¹² Ibid.

¹³ De Vera, Ben O. & Piad, Tyrone Jasper C. (27 July 2022). "Bongbong Marcos Admin Bent on Putting 3 Rail Projects Back on Track". Inquirer.net. Accessed from: <https://newsinfo.inquirer.net/1635287/bongbong-marcos-admin-bent-on-putting-3-rail-projects-back-on-track>

¹⁴ Dela Cruz, Raymond Carl. (15 July 2022). "China Withdraws Funding for 3 Railway Projects: DOTR Exec". Philippine News Agency. Accessed from: <https://www.pna.gov.ph/articles/1179059>

¹⁵ Piad, Tyrone Jasper C. (16 July 2022). "PH Scraps China Loan Deals for Duterte Rail Projects". Inquirer.net. Accessed from: <https://newsinfo.inquirer.net/1628804/ph-scraps-china-loan-deals-for-duterte-rail-projects>

¹⁶ Rappler.com. (25 July 2022). "Full Text: President Marcos' State of the Nation Address 2022". Accessed from: <https://www.rappler.com/nation/full-text-transcript-president-marcos-jr-state-nation-address-2022/>

¹⁷ De Vera, Ben O. & Piad, Tyrone Jasper C. (27 July 2022). "Bongbong Marcos Admin Bent on Putting 3 Rail Projects Back on Track". Inquirer.net. Accessed from: <https://newsinfo.inquirer.net/1635287/bongbong-marcos-admin-bent-on-putting-3-rail-projects-back-on-track>

1 WHEREAS, President Marcos has previously instructed DOTr to renegotiate the
2 withdrawn loan agreements with China.¹⁸ In response, the Chinese government
3 welcomed the President’s instruction and likewise vowed to complete the railway
4 projects.¹⁹ However, others have expressed their doubts on these loans and have
5 called for the exploration of other options to fund the stalled railway projects²⁰;

6 WHEREAS, other options for funding include financing from bilateral partners
7 such as Japan as well as from multilateral lenders such as the Asian Development
8 Bank and the World Bank.²¹ The option of soliciting a public-private partnership (PPP)
9 is likewise an alternative being studied²²;

10 WHEREAS, there are also other issues concerning the funding of the railway
11 projects. One would be the government’s fiscal capacity to accommodate more loans,
12 considering the country’s already-high debt-to-GDP ratio.²³ There are also concerns
13 with China potentially pushing for higher interest rates in excess of 3%²⁴;

14 WHEREAS, these concerns should be addressed not only because of the
15 involvement of billions of public funds, but also because of its possible implications in
16 the continuity and completion of these crucial railway projects, thereby derailing
17 growth and economic development for many of the provinces that are supposed to
18 benefit from these new railway lines;

¹⁸ Mendoza, John Eric. (16 July 2022). "Marcos Directs DOTR to Renegotiate Loan Agreements for 3 Railway Projects". Inquirer.net. Accessed from: <https://newsinfo.inquirer.net/1629017/marcos-tells-dotr-to-renegotiate-loan-agreements-for-3-railway-projects>

¹⁹ Tan, Alyssa Nicole O. (19 July 2022). "China Vows to Finish Philippine Railway Projects". Business World. Accessed from: <https://www.bworldonline.com/the-nation/2022/07/19/462325/china-vows-to-finish-philippine-railway-projects/>

²⁰ Andrade, Jeannette I. (18 July 2022). "Explore Other Funding Options for Railway Projects – Rodriguez". Inquirer.net. Accessed from: <https://newsinfo.inquirer.net/1629565/explore-other-funding-options-for-railway-projects-rodriquez>

²¹ Ibid.

²² Ibid.

²³ De Vera, Ben O. & Piad, Tyrone Jasper C. (27 July 2022). "Bongbong Marcos Admin Bent on Putting 3 Rail Projects Back on Track". Inquirer.net. Accessed from: <https://newsinfo.inquirer.net/1635287/bongbong-marcos-admin-bent-on-putting-3-rail-projects-back-on-track>

²⁴ Rosales, Elijah Felice. (16 July 2022). "China Wants 3% Interest on Philippines Railway Projects Loan". The Philippine Star. Accessed from: <https://www.philstar.com/headlines/2022/07/16/2195708/china-wants-3-interest-philippines-railway-projects-loan>

1 WHEREAS, as reflected in a previous statement²⁵, the need to improve our
2 transport infrastructure and to develop reliable and efficient railway systems must not
3 come at the cost of onerous and disadvantageous provisions, compromised fiscal
4 stability, and imperiled national security;

5 NOW THEREFORE BE IT RESOLVED, as it is hereby resolved by the Senate of
6 the Philippines, to conduct an inquiry, in aid of legislation, on the three China-backed
7 railway projects, namely the Subic-Clark Railway, PNR South Long-Haul, and the
8 Mindanao Railway, including the reported renegotiation of the loans with China as well
9 as the study of other possible sources of funding.

Adopted,



GRACE POE

²⁵ Senate of the Philippines. (17 July 2022). "Poe on Renegotiation of China Deals". Accessed from: http://legacy.senate.gov.ph/press_release/2022/0717_poe1.asp