



Special Audits Office
SAO Audit Report No. 2025-10
Levy Audit



Levy Audit
Prudential Customs Brokerage Services, Inc.
Port Terminal Management Corp.
(PCBSI PTMC)
Puerto Princesa City, Palawan





REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

**SPECIAL SERVICES SECTOR
SPECIAL AUDITS OFFICE**

December 15, 2025

Mr. ROMMEL A. IBUNA

President

Prudential Customs Brokerage Services, Inc. (PCBSI)

7603 Dela Rosa Centre,

Dela Rosa St. Brgy. Pio Del Pilar,

Makati, Metro Manila

Dear **Mr. Ibuna**:

We are pleased to transmit SAO Audit Report No. 2025-10 on the levy audit of PCBSI Port Terminal Management Corp. (PTMC) under the supervision of Port Management Office (PMO) – Palawan, covering the contract years January 2021 to December 2023.

The audit was conducted pursuant to COA Office Order No. 2024-120 dated February 14, 2024 to determine whether the government shares were remitted by PCBSI PTMC on time in accordance with the provisions of the contract; the reported gross revenues derived from all services were complete and accurate; and compliance by PCBSI PTMC on related PPA issuances and provisions of the contracts entered into by and between PPA and PCBSI PTMC.

The results of the audit were discussed in an exit conference held on April 12, 2024. The comments/justifications were received by this Office on May 27, 2024 and February 6, 2025, and evaluated and incorporated in the report, where appropriate.

We look forward to the implementation of the audit recommendations contained in the report, and we appreciate being informed of the actions taken thereon within 60 days from receipt hereof.

We acknowledge the cooperation and assistance extended to the Audit Team by the officials and employees of PCBSI PTMC during the audit.

Very truly yours,

By Authority of the Chairperson


HAIDET T. ESPUELAS
Director IV

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LIST OF ACRONYMS

Acronym	Full Term/Definition
PSCBSI PTMC	Prudential Customs Brokerage Services, Inc. Port Terminal Management Corp.
PMO	Port Management Office
COA	Commission on Audit
PD	Presidential Decree
EO	Executive Order
CHOs	Cargo Handling Operators
PTMRF	Port Terminal Management Regulatory Framework
PPA	Philippine Ports Authority
DOTr	Department of Transportation
LOI	Letter of Instruction
CHS	Cargo Handling Services
HOA	Hold-over Authority
PTMC	Port Terminal Management Contract
AO	Administrative Order
MCF	Minimum Concession Fee
MRGI	Monthly Report of Gross Income
LO-LO	Lift-On/Lift-Off
CHA-RO	Chassis Roll-On/Roll-Off
STO-RO	Stowable Roll-On/Roll-Off
AQ	Audit Query
TEUs	Twenty Foot Equivalent Units
PTB	Passenger Terminal Building
TFTs	Terminal Fee Tickets
PTF	Passengers Terminal Fee
MGI	Monthly Gross Income
OR	Official Receipt
PTS	Port Traffic Statistics

LIST OF ACRONYMS

Acronym	Full Term/Definition
SEC	Securities and Exchange Commission
MC	Memorandum Circular
VAT	Value-Added Tax
RORO	Roll-on, Roll-off
SRF	Shore Reception Fee

Part I

Executive Summary

INTRODUCTION

The Commission on Audit (COA) is vested with visitorial power over non-government entities under Section 29 of Presidential Decree (PD) No. 1445, quoted as follows:

“The Commission shall have visitorial authority over non-government entities subsidized by the government, those required to pay levies or government share, those which have received counterpart funds from the government or are partly funded by donations through the government, the said authority however pertaining only to the audit of those funds or subsidies coming from or through the government.”

This specific function and authority of COA is performed by the Special Audits Office, pursuant to Section 16(1) of PD No. 1445 and Administrative Code of 1987 or Executive Order (EO) No. 292 dated July 25, 1987.

Among the levies collected by the government subject to audit are the government shares from the gross revenue earned by the Cargo Handling Operators (CHOs) and remittances of concession fees by the port contractors pertaining to cargo handling services under the Contract for cargo handling services and Contract under the Port Terminal Management Regulatory Framework (PTMRF), respectively.

Philippine Ports Authority (PPA) is a government-owned and controlled corporation attached to the Department of Transportation (DOTr) created by virtue of PD No. 505 dated July 11, 1974 and was later amended by PD No. 857 which was issued on December 23, 1975. The PPA is the regulatory body which has jurisdiction over CHOs and port contractors.

PPA’s corporate powers were further enhanced by the issuance of subsequent amendments such as EO No. 513 dated November 16, 1978, EO No. 546 dated July 23, 1979 and Letter of Instruction (LOI) No. 1005-A dated April 11, 1980, all aimed to be more responsive in attaining optimum port utilization, development and operation. Under EO No. 159 dated April 13, 1987, the corporate autonomy was reverted to PPA to ensure rapid development of ports or the port system directly under it and authority was granted to execute port projects under its port program.

PPA imposes, fixes and prescribes rates, charges or fees for the use of port premises, works, appliances or equipment belonging to the Authority and port facilities provided, and for all services rendered by the Authority or by any private organization within a port district.

PPA and PCBSI PTMC, formerly PCBSI, entered into a Contract for CHS on February 19, 2007, valid for 10 years, in which the latter accepted the management and operations of arrastre, stevedoring and related CHS at the Port of Puerto Princesa City, Palawan. When the contract expired, a HOA was issued annually to PCBSI PTMC until May 31, 2022, to continue cargo handling operation and other services.

In consideration of the rights and privileges granted by PPA under Item No. 3 of the 2007 Contract and HOA, PCBSI PTMC shall remit a percentage of its gross income from all sources in connection with its cargo handling and related services until the issuance of the 2022 Contract

On June 1, 2022, PCBSI PTMC signed a new PTMC with PPA for the management and operation of cargo handling, PTB, RORO and other related services at the Port of Puerto Princesa City, for a 15-year period.

Section 3.1, Article III of the said 2022 Contract requires PCBSI PTMC to remit an annual fixed and variable fee, the latter being collected under certain circumstances such as when it has reached the defined threshold volume to various types of cargoes and services. The defined volume thresholds are detailed under Annex D of the 2022 Contract.

AUDIT AUTHORITY

The audit was authorized under COA Office Order No. 2024-120 dated February 14, 2024.

AUDIT OBJECTIVES

The audit was aimed at addressing the following objectives:

1. Are the government shares derived from cargo handling and related services and remittances of fixed and variable fees properly assessed and fully and timely remitted in accordance with the provisions of the contracts?
2. Are interest and penalties imposed on late payments?

AUDIT CRITERIA

The Audit Team evaluated the port contractor’s compliance based on the following criteria:

- Proper assessment, full and timely remittance of government shares pursuant to Section 3 of the Contract for Operations of CHS dated February 19, 2007; Sections 3.01 and 3.03 of the PTMC – Tier 3 dated June 1, 2022; PPA AO No. 09-2019 dated September 24, 2019, and PPA AO No. 10-2019 dated October 23, 2019; and
- Imposition of interest and penalties on late payments pursuant to Administrative Order (AO) No. 01-2002 dated January 4, 2002.

AUDIT SCOPE AND METHODOLOGY

Scope

The audit focused on the government shares collected from and/or remitted by PCBSI PTMC for cargo handling operations and other related services, including PTB and RORO operations for the period January 1, 2021 to May 31, 2022, and concession fees comprised of fixed and variable fees for the period covering June 1, 2022 to December 31, 2023, as tabulated below:

Particulars	Period	Amount	VAT	Total
Government Share	01/01-5/31/22	₱ 1,231,383.66	₱ 147,766.04	₱ 1,379,149.70
Fixed Fee	06/01/22-12/31/23	121,095,000.00	14,531,400.00	135,626,400.00
Variable Fee	06/01/22-12/31/23	241,140.18	28,936.82	270,077.00
Total		₱ 122,567,523.84	₱ 14,708,102.86	₱ 137,275,626.70

Methodology

The Audit Team adopted the following audit procedures / methodologies:

1. Obtained copies of and reviewed relevant laws, policies issued by PPA and PCBSI PTMC contracts and all other pertinent rules and regulations;
2. Gathered reports and other pertinent documents pertaining to cargo handling, PTB and RORO operations and collections/remittances of government shares, fixed and variable fees prepared by PCBSI PTMC;
3. Interviewed PMO-Palawan personnel and PCBSI key officials and employees;
4. Performed substantive test on supporting documents to ensure proper recording of transactions reported in the Subsidiary Ledger (SL) and Summary of Remittances Report;
5. Reconciled Cargo Throughput reports by PCBSI PTMC and PMO-Palawan;
6. Analyzed the collected government shares, fixed and variable fees by PMO-Palawan and the reported amount by PCBSI PTMC. Recalculated the same for the amount that should be collected by and remitted to PMO-Palawan vis-a-vis the applicable regulations or agreements taking into consideration the following:
 - Completeness/Accuracy of the collected government shares, fixed and variable fees; and
 - Imposition of interest and penalties on late payments; and
7. Compared the amount computed per audit and the amounts posted in the SL from Income Account from government shares as remitted to PMO-Palawan.

AUDIT CONCLUSION

Based on the results of the levy audit conducted, the Audit Team found that, due to significant amounts of unpaid obligations noted during the audit, PCBSI PTMC was not, in all material respects, compliant with Section 3 of the 2007 Contract; Section 3.01 of the 2022 PTMC, and PPA AO No. 01-2002.

AUDIT OBSERVATIONS

1. Delays of 1 to 40 days were noted in the remittances of government shares amounting to ₱198,395.58 from January 1, 2021 to May 31, 2022, arising from special and other cargo related services, thus, resulting in the imposition of interest and penalties in the total amount of ₱362.13 as of audit date.
2. PCBSI PTMC has remitted timely to PPA the annual fixed fee amounting to ₱75.0 million and ₱46.0 million, covering the periods June 1, 2022 to May 31, 2023 and June 1, 2023 to December 31, 2023, respectively, pursuant to Section 3.01 (a) of the 2022 PTMC.
3. PCBSI PTMC failed to remit government shares from Equipment Rental in violation of Item no. 3 of the 2007 Contract in the total amount of ₱1,845.33, inclusive of Value Added Tax (VAT), interests and penalties, covering the months of January to February 2021 and March 2022.
4. PCBSI PTMC failed to remit Variable Fees amounting to ₱121,333.59, equivalent to 60 percent of the gross revenue earned for the period June 2022 to December 2023, arising from Additional Services which are not included in the determination of minimum concession fee, in violation of Section 3 of the 2022 Contract. Consequently, VAT amounting to ₱14,560.03 was also not paid to BIR. In addition, interests and penalties of ₱15,146.68 and ₱31,155.59, respectively, were incurred due to non-remittance.
5. PCBSI PTMC failed to remit the variable fee of ₱7,941,837.40 arising from the excess of actual traffic volume for containerized cargoes over its projected volume threshold totaling 7,729.52 Twenty-foot equivalent unit (TEUs), plus the corresponding VAT of ₱953,020.49, contrary to Section 3.01 (b) (i) of the 2022 Contract, thus, resulting in the incurrance of interests and penalties amounting to ₱825,951.09 and ₱1,720,731.44, respectively, as of April 12, 2024.
6. Government share from PTB operations for the period January 2021 to May 2022 was under-remitted by ₱1,075.00, thereby incurring interests and penalties of ₱350.62 and ₱730.46, respectively. Moreover, for the period June 2022 to December 2023, PCBSI PTMC did not remit variable fees amounting to ₱8,260.71, thus, incurring VAT

amounting to ₱991.29 plus interests amounting to ₱859.11 and penalties of ₱1,789.82, respectively.

7. The reported actual traffic volume for RORO Cargoes for the period June 2022 to May 2023, used as basis for determination of variable fee is not reconciled or was inconsistent with the traffic volume reflected in the Monthly Cargo Throughput Summary, thus, casting doubt on the reliability or accuracy of data and basis used by PPA in the determination of variable fees, further indicating weakness in internal control.

MANAGEMENT'S COMMENTS AND AUDIT TEAM'S REJOINDER

Below is the summary of the Management's comments and the Audit Team's rejoinder:

Management's Comments	Audit Team's Rejoinder
<i>I. On timely remittance of government shares and fixed concession fees</i>	
1. Delayed remittance of government shares arising from special and cargo related services	
PCBSI PTMC confirms some delays in the remittance of government shares but interests and penalties for February 2022 and May 2022 have already been settled. After the aforementioned payments, the remaining unpaid interests and penalties are in the amount of ₱268.32.	The Audit Team acknowledges payment of interests and penalties incurred for late payment of government shares. The interests and penalties due for February and May 2022 have been paid already with minimal difference amounting to ₱93.81. As of audit date, the total unpaid interests and penalties are ₱362.13.
2. Annual fixed fees remitted on time	
PCBSI PTMC does not have delays on concession fee payments.	The Audit Team commends PCBSI PTMC's timely remittance of fixed fees and recommends PCBSI PTMC to prospectively continue the practice of complying strictly with the payment schedule of remittances on the monthly concession/fixed fees pursuant to Section 3.01(a) of the PTMC.
<i>II. On full remittance of government shares, fixed and variable fees</i>	
3. Unremitted government shares from Equipment Rental	
PCBSI PTMC confirms unpaid government shares totaling	The Audit Team recommends that PCBSI PTMC remit the unpaid government shares

Management's Comments	Audit Team's Rejoinder
<p>₱2,680.33 for equipment rental charges, including applicable interest and penalties.</p>	<p>from equipment rental for January and February 2021, as well as for March 2022, totaling ₱1,845.33.</p>
<p>4. Unremitted variable fees from additional services</p>	
<p>PCBSI PTMC justifies that there are no variable fees due to PPA as the lashing/unlashing, bagging/re-bagging, sweeping, stand-by time and extra labor charge have historically been part of the revenue base and, therefore, are reasonably expected to have been included in the MCF determination pursuant to its guidelines under AO No. 09-2019.</p>	<p>The Audit Team maintains its position that the revenues from lashing/unlashing, bagging/rebagging, sweeping, standby time and extra labor charges are not included in the determination of MCF. This was concurred by the PMO-Palawan. Further, the MRGIs from July 2019 to July 2020, which were the basis of MCF, showed no records of the said services. Thus, PCBSI must still pay the variable fees arising thereto.</p>
<p>5. Unremitted variable fees arising from the excess of actual traffic volume over the annual volume threshold for containerized cargoes</p>	
<p>PCBSI PTMC asserts that there are no variable fees due to PPA of ₱11.44 million relative to the excess of actual traffic volume over the annual volume threshold for containerized cargoes, since all government shares paid by the CHO are already included in the MCF.</p>	<p>The Audit Team understands that AO 09-2019 includes cargo handling operations when determining the MCF. However, it is important to note that the concession fee is only a minimum amount. Section 3.1 of the PTMC requires the operator to pay variable fees to the PPA if actual traffic volume exceeds projected volume by 10 percent, which is 60 percent of the income earned. PCBSI PTMC must pay ₱11,441,540.42 in variable fees to the PPA, including VAT, interest, and penalties.</p>
<p>6. Under/Non-Remittance of Government share/Variable Fees from PTB</p>	
<p><i>A. Government Share from PTB TFTs for the period January 2021 to May 2022</i></p>	
<p>PCBSI PTMC claims that there are no missing or unused TFTs. The mentioned TFT serial numbers were reported in the MGI, and the government share has already been remitted.</p>	<p>The reported quantity of TFTs, as indicated in the Summary of PTB Collection Report, is less than the total number of TFTs when counted by their serial numbers. Moreover, the justification did not include any other report to support the mistakenly used booklet series. The Audit Team treats these as unreported TFTs.</p>

Management’s Comments	Audit Team’s Rejoinder
<i>B. Variable concession fee for the period June 2022 to December 2023</i>	
<i>i. Unreported/Unaccounted number of TFT series</i>	
<p>The alleged missing series of TFTs in the Audit findings was not a TFT but an Official Receipt (OR), and the issuance of this OR was for other services as explained in the Audit Query.</p>	<p>The Audit Team retains its findings in the absence of supporting documents to justify PCBSI PTMC’s claims.</p>
<i>ii. Unreported vessel of foreign cruise ship</i>	
<p>Upon verification, it was determined that the arrival of vessel Star Breeze was not reflected in the reports, and it appears that no collections have been made for the corresponding PTB terminal fees. Therefore, it was excluded from the actual traffic volume report submitted to PPA.</p>	<p>Verification of the PTS from PPA revealed that the vessel Star Breeze arrived at the Port of Puerto Princesa with 190 outbound passengers. The collections for their corresponding PTB terminal fees were not reported.</p>
<i>iii. Outbound passengers are not charged with Terminal Fee</i>	
<p>PCBSI PTMC acknowledges and accepts the decision conveyed in the rejoinders under item 6 (ii) Unreported vessel of foreign cruise ship. As proof thereof, PCBSI PTMC immediately settled the PTB Terminal Fee for the 190 outbound passengers identified in the Audit Highlights.</p>	<p>The Audit Team acknowledges the efforts of PCBSI PTMC in submitting all requested documents and confirms receipt of these documents. However, upon evaluation, it was determined that the supporting documents provided are either insufficient or irrelevant. Therefore, PCBSI PTMC is required to remit the unreported government share from the PTB Terminal Fee, along with any applicable interest and penalties.</p>
<i>III. On Accurate Reporting</i>	
7. RORO Cargoes	
<p>PCBSI PTMC recommends discussing the reporting details of Rolling Cargoes with the Operations and Finance Teams as a corrective action to address the discrepancy.</p>	<p>The Audit Team appreciates the Management’s efforts to address this matter.</p>

RECOMMENDATIONS

In view of the noted observations, the Audit Team recommended that PCBSI PTMC:

- Remit to PPA the amount of ₱362.13, representing interests and penalties, as of audit date, for the delay in remitting government shares for the period January 1, 2021 to December 31, 2023; (**Audit Observation No. 1**)
- Prospectively, continue the practice of complying strictly with the payment schedule of remittances on the monthly concession/fixed fees pursuant to Section 3.01(a) of the 2022 Contract. (**Audit Observation No. 2**)
- Remit to PPA the amount of ₱11,640,167.67, inclusive of VAT, interests and penalties, as of audit date; (**Audit Observation No.s 3, 4, 5 and 6**)
- Observe the payment schedule of quarterly variable concession fee remittance pursuant to the PTMC; (**Audit Observation No.s 3, 4, 5 and 6**)
- Ensure regular submission of reports reflecting the actual and accurate traffic volume; and (**Audit Observation No.s 3, 4, 5 and 6**)
- Conduct a regular reconciliation of their reports and for PPA to validate the reports submitted by PCBSI PTMC. (**Audit Observation No. 7**)

Part II

*About PCBSI Port Terminal Management Corporation
(formerly PCBSI)*

INTRODUCTION

PCBSI PTMC is a Philippine corporation registered with the SEC on June 27, 1969 under Registration No. 38700. It began operations on September 21, 1969 in the Port of Puerto Princesa and has since expanded to 14 branches nationwide in the ports of Coron, Brooke’s Point, San Jose, Dapitan, Iloilo River Wharf, Dumaguete, Larena, Calapan, Ormoc, Legazpi, Tabaco, Cantilan and Balingoan. Its head office is located at Dela Rosa Centre, 7603 Dela Rosa Street, Pio Del Pilar Makati City.

Originally a customs brokerage firm, PCBSI PTMC later represented foreign shipping companies, importers, exporters, and manufacturers, and eventually expanded its services to cargo handling (in government and private ports), terminal operations in government ports, brokerage, shipping agency, and other port-related activities.

Since April 1976, the company has provided PTB operations, arrastre and stevedoring for breakbulk and containerized cargo, and related services at the Port of Puerto Princesa.

CONTRACT TERMS

On February 19, 2007, PPA awarded PCBSI a 10-year Cargo Handling (CH) Services Contract for arrastre, stevedoring, and related operations at the Port of Puerto Princesa. After its expiration, PPA issued annual HOAs allowing PCBSI to continue operations until a new contract was finalized.

On June 1, 2022, PCBSI—now PCBSI PTMC—entered into a Tier 3 Port Terminal Management Contract with PPA for the management and operation of cargo handling, PTB, RORO, and related services for a 15-year period.

The comparative terms of the 2007 Contract, the HOA, and Memorandum Circular (MC) granting extension to the HOA issued by PPA to PCBSI PTMC and the 2022 Contract are presented in Table 2 for reference.

Authority	Validity	Period
Contract for Operations of Cargo Handling (CH) Services	10 years	February 19, 2007 to February 19, 2017
HOA	1 year	February 19, 2017 to February 19, 2018
	6 months	February 19, 2018 to August 19, 2018
	6 months	August 19, 2018 to February 19, 2019
	11 months	February 19, 2019 to December 31, 2019

Table 2. Terms of 2007 Contract/HOA/MC /2022 Contract		
Authority	Validity	Period
PPA MC dated September 29, 2020, granting extension of expired HOA during quarantine due to Covid-19 pandemic	1 year	December 31, 2019 December 31, 2020
HOA	1 year	January 1, 2021 to December 31, 2021
No HOA was issued pending the effectivity of a new 15-year PTMC. A Notice of Award was already given to PCBSI on May 25, 2021, but the Notice to Proceed was issued only on June 1, 2022	5 months	January 1, 2022 to May 31, 2022
2022 Contract	15 years	June 1, 2022 to June 1, 2036

Pursuant to abovementioned agreements, PCBSI PTMC has the following obligations:

Table 3. Provisions in the 2007 Contract/HOA/2022 Contract	
2007 Contract/HOA/ 2022 Contract	Provisions
<p>Item No. 3 of the contract made and entered into by and between PPA and PCBSI on February 19, 2007</p> <p>Condition No. 1 of the annual HOA initially granted in 2017 and its subsequent issuances pending effectivity of a new contract in 2022.</p>	<p>In consideration of the rights and privileges granted to PCBSI and for the PCBSI to share the burden of accelerated development, construction and maintenance of port facilities, PCBSI shall remit to the PPA, without prejudice to the implementation by the latter of the direct or daily collection system, not later than the fifth (5th) day of every month (for the prior month's income) TEN (10%) PERCENT of the gross income for handling domestic cargo and TWENTY (20%) of the gross income for handling foreign cargo whether billed/unbilled and collected/uncollected derived by PCBSI from all sources in connection with its arrastre, stevedoring and related CH services provided at the said port.</p>
<p>Section 3.01 of the contract made and entered into by and between PPA and PCBSI on June 1, 2022</p>	<p>PCBSI, now PCBSI PTMC shall continue to remit government share and shall maintain a status of no outstanding financial obligation with PPA.</p> <p>The grant of this HOA is conditioned upon PCBSI's compliance with terms and requirements of its expired</p>

2007 Contract/HOA/ 2022 Contract	Provisions																																		
	<p>CH Contract to operate and other pertinent rules and regulations of PPA, PCBSI PTMC shall, during the effectivity of the contract, remit to PPA the following Fixed and Variable Fees:</p> <p>(a.) Annual Fixed Fee which shall be as follows:</p> <table border="1" data-bbox="824 520 1357 1062"> <thead> <tr> <th>Year of Contract</th> <th>Yearly Fixed Fees</th> </tr> </thead> <tbody> <tr><td>1</td><td>₱75,000,000.00</td></tr> <tr><td>2</td><td>79,020,000.00</td></tr> <tr><td>3</td><td>83,255,472.00</td></tr> <tr><td>4</td><td>87,717,965.30</td></tr> <tr><td>5</td><td>92,419,648.24</td></tr> <tr><td>6</td><td>97,373,341.38</td></tr> <tr><td>7</td><td>102,592,552.48</td></tr> <tr><td>8</td><td>108,091,513.30</td></tr> <tr><td>9</td><td>113,885,218.41</td></tr> <tr><td>10</td><td>119,989,466.12</td></tr> <tr><td>11</td><td>126,420,901.50</td></tr> <tr><td>12</td><td>133,197,061.82</td></tr> <tr><td>13</td><td>140,336,424.33</td></tr> <tr><td>14</td><td>147,858,456.68</td></tr> <tr><td>15</td><td>155,783,669.96</td></tr> <tr> <td>Total</td> <td>₱1,662,941,691.52</td> </tr> </tbody> </table> <p>The concession fee is exclusive of any, and all applicable Philippine National and Local Taxes, including but not limited to Value-Added Tax (VAT), Percentage Taxes, where applicable. The Taxes due on Concession Fee, including any subsequent increase thereof, shall be for the account of PCBSI PTMC.</p> <p>The Annual Fixed Fee shall be divided into twelve (12) equal monthly payments. The corresponding amount for the first (1st) month shall be paid within five (5) days from the signing of the contract. The payment for the succeeding months shall be made within five (5) days after the 30th day of the previous month's payment. The monthly payment for the succeeding years shall commence on the Contract's anniversary date.</p>	Year of Contract	Yearly Fixed Fees	1	₱75,000,000.00	2	79,020,000.00	3	83,255,472.00	4	87,717,965.30	5	92,419,648.24	6	97,373,341.38	7	102,592,552.48	8	108,091,513.30	9	113,885,218.41	10	119,989,466.12	11	126,420,901.50	12	133,197,061.82	13	140,336,424.33	14	147,858,456.68	15	155,783,669.96	Total	₱1,662,941,691.52
Year of Contract	Yearly Fixed Fees																																		
1	₱75,000,000.00																																		
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Total	₱1,662,941,691.52																																		
	<p>(b.) Annual Variable Fee – PCBSI shall remit to PPA a variable fee under the following circumstances:</p> <p>i. If the actual traffic volume exceeded the projected volume by 10%, a variable fee</p>																																		

2007 Contract/HOA/ 2022 Contract	Provisions
	<p>equivalent to sixty percent (60%) from cargo handling operation and/or PTB operation shall be computed on the actual traffic in excess of the one hundred and ten percent (110%) projected volume;</p>
	<p>ii. Annual Variable Fee – PCBSI shall remit to PPA a variable fee under the following circumstances:</p> <ul style="list-style-type: none"> i. If the actual traffic volume exceeded the projected volume by 10%, a variable fee equivalent to sixty percent (60%) from cargo handling operation and/or PTB operation shall be computed on the actual traffic in excess of the one hundred and ten percent (110%) projected volume; ii. If the actual traffic volume exceeded the projected by 10%, a variable fee equivalent to eighty percent (80%) from RORO operations shall be computed on the actual traffic in excess of the one hundred and ten percent (110%) projected volume; and iii. A variable fee equivalent to (60%) of gross revenue earned from additional services which are not included in the determination of minimum concession fee. <p>PCBSI shall remit to the PPA the variable fee quarterly, not later than the fifth (5th) day of the first (1st) month of the succeeding quarter without the need of demand</p> <p>The defined Threshold Volumes of the various types of cargoes and services for the duration of the concession period is attached in Annex D of the contract.</p>
<p>Section 3.03 of the contract made and entered into by and between PPA and PCBSI on June 1, 2022</p>	<p>Interest and Penalties – Failure to remit the Fixed and other fees on their respective due dates shall render the OPERATOR liable to the payment of interest and penalty charges without the need for any demand, in accordance with the existing regulations and subsequent amendments thereof. Interest payment by the OPERATOR shall be without prejudice to the other remedies available to the OPERATOR under this contract.</p>

The defined volume threshold under Annex D of the 2022 Contract for the various types of cargoes and services, for Contract Years 1 and 2 are as follows:

Table 4. Annual Volume Threshold				
Cargo Type/Port Traffic	Contract Year 1		Contract Year 2	
	Annual	110%	Annual	110%
Non-containerized cargo (MT)				
Domestic	556,227.24	611,849.96	583,149.47	641,464.42
Foreign	211,280.39	232,408.43	228,182.38	251,000.62
RO-RO cargoes (units)				
Type 1	121	133.10	124	136.4
Type 2	105	115.50	107	117.7
Type 3	62	68.20	71	78.1
Type 4	146	160.60	153	168.3
Containerized cargo (TEUs) - Domestic	80,325.44	88,357.98	83,538.46	91,892.31
Passengers - (Outbound)	53,013.99	58,315.39	55,855.54	61,441.09

ORGANIZATION AND MANAGEMENT

The Board of Directors is the policy making body of PCBSI PTMC. On the other hand, the corporate officers from the PCBSI PTMC Main Office oversee, set goals, provide direction, assistance and support, monitor and control over PSBSI PTMC Branch offices like the Puerto Princesa City, Palawan. Key positions include the following:

- President
- Assistant General Manager/Treasurer
- Corporate HR and General Counsel
- Finance Manager
- Comptroller/Internal Audit Manager
- Internal Audit Officer
- Administrative Officer
- Operations Officer
- Integrated Management Representative
- Environment Safety and Health Engineer

MANPOWER COMPLEMENT

PCBSI PTMC has 194 employees, composed of the following:

Table 5. Personnel Complement of PCBSI PTMC according to Position	
Position	No. of Personnel
Managerial	5
Supervisory	12
Rank and File	177
Total	194

SERVICES RENDERED





Table 6. List of services rendered by PCBSI	
Services	Particulars
Based on the Contract between PCBSI and PPA dated February 19, 2007	
<p>1. Arrastre Services</p> 	<ul style="list-style-type: none"> • Receive and load cargoes from and to ship's tackle with the use of dock (arrastre) gang and CH gears and equipment. • Check cargo by marks and quantity, acknowledge and sign the tally sheets. • Check and recoup bad order and damaged cargoes if damage is caused by the CH Operator. • Sort and initially pile cargo in the sheds or open storage or warehouse located inside the port prior to delivery or loading to vessel, if not taken from or delivered direct to truck. • Deliver or transfer cargo onto or receive from truck's tail of consignees or shipper's transportation or ship's tackle. • Secure cargo from pilferage or losses while under the CH Operator's custody. • Provide manpower, equipment, and such other necessary cargo handling gears for receiving, stowing, delivery, transfer, shifting and palletizing of cargo. • Provide checking services only when cargo is unloaded or loaded at shipside, to and from barges alongside vessels.
<p>2. Stevedoring Services</p> 	<ul style="list-style-type: none"> • Loading and unloading cargo, stowing inside hatches, compartments and on the deck or open cargo spaces on board vessels. • Rigging/unrigging of ship's gear. • Opening and closing of hatches. • Snatching, centering to the hatch opening, passing of cargo and trimming.

Table 6. List of services rendered by PCBSI	
Services	Particulars
	<ul style="list-style-type: none"> • Provision of standard stevedoring gear and equipment as required by the cargo type.
<p>3. Roll-on, Roll-off (RORO) Cargo Services</p> 	<p>Signaling traffic control and management, supervision of loading/discharging of RO-RO cargoes and other RO-RO related services.</p>
<p>4. Porterage Services</p>	<p>Carriage by manual handling and/or with the use of wheeled equipment like pushcarts of passenger's pieces of baggage, luggage and personal belongings to/from the passenger's point of embarkation or disembarkation to/from the entrance or exit gate of the port premises.</p>
<p>5. Stuffing/Stripping</p>	<p>Services performed at the container yard involving the unloading/loading of goods from/into a container.</p>
<p>6. Additional Handling</p> 	<p>Extra services rendered with the use of forklift or delivery truck in transporting fish boxes from dockside or operational area to their respective rented packing area inside the port.</p>
Based on the Contract between PCBSI PTMC and PPA dated June 1, 2022	
<p>7. Core Services</p>	<ul style="list-style-type: none"> • Container terminal management • Passenger terminal management • Cargo handling and related services • Storage management • RORO cargo services
<p>8. Non-Core Services</p>	<ul style="list-style-type: none"> • Weighbridge services • Porterage services • Bagging services • Water distribution services

VOLUME OF CARGOES AND SERVICES

PCBSI reported volume of cargoes and services for the period January 1, 2021 to December 31, 2023 is tabulated in Table 8:

Cargo Type / Port Traffic	Contract Period		
	2021	2022	2023
Non-Containerized Cargoes (MT)	443,948.92	464,165.95	336,466.11
RO-RO Cargoes (Units)	890	1,231	821
Containerized Cargoes (TEUs)	82,712	94,679	98,098.50
Passengers (Outbound)	10,934	42,002	54,734

¹ Values sourced from Monthly Commodity Statistics

NET SERVICE REVENUE

PCBSI's reported revenue from CH operations and other services for CYs 2021–2023 is tabulated as follows:

Sources of Revenues	2021	2022	2023
Arrastre			
Breakbulk	₱ 33,290,315.15	₱ 10,326,976.28	-
Containerized	36,138,938.82	19,086,054.68	-
Stevedoring			
Breakbulk	19,471,644.83	133,855,513.66	₱ 184,572,680.65
Bulk	-	818,242.56	820,515.84
Containerized	13,118,991.19	6,394,507.07	-
Containerized (CHARO/STORO)		5,266,938.00	6,839,657.26
Containerized (LOLO)		78,616,719.14	142,137,158.49
Special Services			
Checking Charges	-	9,093.75	391,250.00
Equipment Rental	88,563.95	395,387.22	288,802.23
Extra Labor Charges	-	-	2,210.00
Hustling	42,168.01	41,945.11	-
Hustling Services	-	-	35,692.60
Lashing/Unlashing	33,220.00	108,509.47	95,261.33
Lift On/Lift Off	6,026,143.78	7,282,037.21	4,181,388.00
Mooring/Unmooring	152,775.13	78,834.52	-
Re-Bagging	1,800.00	29,922.50	-
Shifting	675,724.00	327,518.36	915,806.72
Stand by Time	3,825.00	15,031.62	17,989.38

Table 8. PCBSI's Revenue			
Sources of Revenues	2021	2022	2023
Stripping/Stuffing	231,915.31	246,087.30	172,688.00
Sweeping	-	11,562.50	-
Waste Reception Fee	-	496,275.21	-
Watering Services	-	920,938.11	-
Other Services			
Line Handling	-	262,411.59	499,362.64
Porterage	461,810.00	2,089,145.00	2,310,600.00
PTB Terminal Fee	-	-	369,883.93
RORO Terminal Fee	-	265,505.70	286,183.39
Shore Reception Fee (SRF)	-	-	38,087.50
Storage Fee	-	4,486,346.93	11,873,860.26
Terminal Fee	170,321.36	211,910.70	1,411,393.03
Waste Reception Fee	-	-	577,254.38
Watering Services	-	1,075,388.62	3,987,361.95
Weighbridge Income	51,089.28	73,214.34	
Other Non-Service Income			
Land Rental	-	183,288.51	303,496.00
Others	15,390.00	-	-
SRF	353,844.82	261,756.92	-
Grand Total	₱110,328,480.63	₱273,237,062.58	₱362,128,583.58

Part III

Audit Observations and Recommendations

Chapter I

Timely Remittance of Government Shares and Fixed Concession Fees

AUDIT OBSERVATIONS

Delayed remittances of government shares from special and cargo related services

1. Delays of 1 to 40 days were incurred in the remittances of government shares amounting to ₱198,395.58 from January 1, 2021 to May 31, 2022, from special and other cargo related services, resulting in interest and penalty charges in the total amount of ₱362.13 as of audit date.

Under Item No. 3 of the 2007 Contract, PCBSI must remit to PPA by the 5th day of each month 10% of domestic cargo and 20% of foreign cargo gross income—billed or unbilled, collected or uncollected—from all arrastre, stevedoring, and related cargo handling services at the port. Delayed remittances will incur additional interest and penalties under PPA AO No. 01-2002, applying 12% interest and 25% penalties from the day after the due date.

For the period January 1, 2021 to May 31, 2022, PCBSI was granted a HOA to operate following the terms and requirements of the Contract.

For the same period, PCBSI PTMC remitted to PMO-Palawan, government shares for its revenue from Special and Other Cargo Related Services presented as follows:

Period	Government share	VAT [12% x a]	Total [a + b]
	(a)	(b)	(c)
January 1, 2021 – December 31, 2021	₱756,501.44	₱90,780.17	₱847,281.61
January 1, 2022 – May 31, 2022	480,005.18	57,600.62	537,605.80

Review of the Official Receipts (ORs) from January 1, 2021 to May 31, 2022 vis-a-vis the required date of remittance, disclosed delays ranging from 1 to 40 days, as detailed below:

Period when revenue was earned	Actual remittance based on OR		Required date of remittance per Contract	Delay incurred (number of days) [c-b]
	OR No.	Date		
	(a)	(b)	(c)	(d)
March 2021	257424	04/06/2021	04/05/2021	1
July 2021	265230	08/06/2021	08/05/2021	1
September 2021	269516	10/06/2021	10/05/2021	1
	269531			

Table 10. Delays in Remittances of Government Shares from Special and Other Cargo Related Services

Period when revenue was earned	Actual remittance based on OR		Required date of remittance per Contract	Delay incurred (number of days) [c-b]
	OR No.	Date		
	(a)	(b)	(c)	(d)
November 2021	274564	12/10/2021	12/05/2021	5
January 2022	277921	02/07/2022	02/05/2022	2
February 2022	280805	03/15/2022	03/05/2022	10
March 2022	285253	05/05/2022	04/05/2022	30
May 2022	289630	07/15/2022	06/05/2022	40
	289631			

The delay in remittances incurred interests and penalties, amounting to ₱334.18 and ₱696.23, respectively, or a total of ₱1,030.39, as of audit date, computed as follows:

Table 11. Interest and Penalties Incurred in Delayed Remittances of Government Share from Special and Other Cargo Related Services

Period when revenue was earned	PPA share	No. of days delayed	Interest [a*12%*(b/360)]	Penalty [a*25%*(b/360)]	Total Interest and Penalty [c + d]
	(a)	(b)	(c)	(d)	(e)
March 2021	₱69.00	1	₱0.02	₱0.05	₱0.07
July 2021	57,655.89	1	19.22	40.04	59.26
September 2021	71,604.13	1	23.87	49.73	73.59
November 2021	5,722.00	5	9.54	19.87	29.40
January 2022	43,385.21	2	28.92	60.26	89.18
February 2022	1,169.18	10	3.90	8.12	12.02
March 2022	545.60	30	5.46	11.37	16.82
May 2022	18,244.57	40	243.26	506.79	750.05
Total	₱198,395.58		₱334.18	₱696.23	₱1,030.39

PCBSI PTMC submitted additional documents to support payment of interests and penalties incurred. Based on the Audit Team’s evaluation, the settlement did not fully cover the amount to be paid, thus, still resulting to a difference of ₱93.81. As of date, the total unpaid interests and penalties is ₱362.13, as summarized as follows:

Table 12 . Interest and Penalties Incurred in Delayed Remittances of Government Shares from Special and Other Cargo Related Services net of Payment with Supporting Documents

Period when revenue was earned	PPA share	No. of days delayed	Total Interest and Penalty	Amount Paid by PCBSI PTMC	Total Interest and Penalties still due
March 2021	₱69.00	1	₱0.07	₱ -	₱0.07
July 2021	57,655.89	1	59.26	-	59.26
September 2021	71,604.13	1	73.59	-	73.59
November 2021	5,722.00	5	29.40	-	29.40
January 2022	43,385.21	2	89.18	-	89.18
February 2022	1,169.18	10	12.02	11.96	0.06
March 2022	545.60	30	16.82	-	16.82
May 2022	18,244.57	40	750.05	656.30	93.75
Total	₱198,395.58		₱1,030.39	₱668.26	₱362.13

Annual fixed fees remitted on time

- 2. PCBSI PTMC has remitted timely to PPA the annual fixed fee amounting to ₱75.0 million and ₱46.0 million, covering the periods June 1, 2022 to May 31, 2023 and June 1, 2023 to December 31, 2023, respectively, pursuant to Section 3.01 (a) of the 2022 Contract.**

Section 3.01(a) of the June 1, 2022 PTMC requires PCBSI PTMC to pay an annual fixed fee in 12 monthly installments, with the first due within five days of contract signing and subsequent payments due five days after each prior month’s end. Section 3.03(a) states that late payments shall incur interest and penalties per applicable regulations.

Examination of the remittance documents submitted to the Audit Team disclosed that fixed fees amounting to ₱75.0 million and ₱46.0 million, covering the periods from June 1, 2022 to May 31, 2023 and June 1, 2023 to December 31, 2023, respectively, had been paid and remitted regularly and on time in accordance with Section 3.01 (a) of the PTMC as tabulated in Table 13:

Table 13. Monthly Remittances of Annual Fixed Fee

Payment Period	Actual Remittance based in OR		Should-be Date of Remittance ¹	Amount of Concession Fee
	OR No.	Payment Date in OR		
Year 1 of Contract- Monthly Fixed Fee of ₱6,250,000.00 for the Annual Fixed Fee of ₱75,000,000.00²				
June 2022	287770	6/6/2022	7/5/2022	₱6,250,000.00
July 2022	289362	7/8/2022	7/11/2022	6,250,000.00
August 2022	290639	8/5/2022	8/12/2022	6,250,000.00
September 2022	292015	9/8/2022	9/9/2022	6,250,000.00

Table 13. Monthly Remittances of Annual Fixed Fee				
Payment Period	Actual Remittance based in OR		Should-be Date of Remittance¹	Amount of Concession Fee
	OR No.	Payment Date in OR		
October 2022	293193	10/10/2022	10/13/2022	6,250,000.00
November 2022	294302	11/10/2022	11/14/2022	6,250,000.00
December 2022	295216	12/2/2022	12/15/2022	6,250,000.00
January 2023	296403	1/6/2023	1/6/2023	6,250,000.00
February 2023	297322	2/3/2023	2/10/2023	6,250,000.00
March 2023	298347	3/3/2023	3/10/2023	6,250,000.00
April 2023	299721	4/5/2023	4/7/2023	6,250,000.00
May 2023	300787	5/3/2023	5/10/2023	6,250,000.00
Sub-total				₱75,000,000.00
Year 2 of Contract- Monthly Fixed Fee of ₱6,585,000.00 for the Annual Fixed Fee of ₱79,020,000.00³				
June 2023	301908	5/30/2023	6/7/2023	₱6,585,000.00
July 2023	303163	6/29/2023	7/4/2023	6,585,000.00
August 2023	304153	7/26/2023	8/3/2023	6,585,000.00
September 2023	305367	8/30/2023	8/30/2023	6,585,000.00
October 2023	306363	9/29/2023	10/4/2023	6,585,000.00
November 2023	307348	10/27/2023	11/3/2023	6,585,000.00
December 2023	OR-M204-000000000791	11/30/2023	12/1/2023	6,585,000.00
Sub-total				₱46,095,000.00
¹ Corresponding amount for first month shall be paid within five (5) days from the signing of Contract Payment for the succeeding months shall be made within five (5) days after the 30th day of the previous month's payment.				
² Monthly Remittance is Computed at Annual Fixed Fee divided by 12 months plus 12% VAT and net of 2% EWT Year 1: Monthly Fixed Fee: ₱75,000,000.00/12=₱ 6,250,000.00 Monthly Remittance: ₱6,250,000.00+(6,250,000.00*.12) -(6,250,000.00*.02) = ₱6,875,000.00				
³ Year 1: Monthly Fixed Fee: ₱79,020,000.00/12=₱ 6,585,000.00 Monthly Remittance: ₱6,585,000.00+(6,585,000.00*.12) -(6,585,000.00*.02) = ₱7,243,500.00				

MANAGEMENT’S COMMENTS AND AUDIT TEAM’S REJOINER

Below are the Management’s comments and Audit Team’s Rejoinder:

Management’s Comments	Audit Team’s rejoinder
<i>On timely remittance of government shares and fixed concession fees</i>	
1. Delayed remittance of government shares arising from special and cargo related services	
After thorough review of all related documents, PCBSI PTMC confirms there	The Audit Team acknowledges all the documents supporting the payment of

Management's Comments						Audit Team's rejoinder																																																																																																																																			
<p>are a few delays in the remittance of some government shares for the stated period. However, interests and penalties for the months of February 2022 and May 2022 have already been settled as evidenced by ORs issued by the PPA. After the aforementioned payments, there remains unpaid interests and penalties in the amount of ₱268.32 only, shown in the table below:</p>						<p>interests and penalties incurred for late payment of government shares. Based on the Team's review, interests and penalties due for the months of February and May 2022 have been paid already with minimal difference amounting to ₱93.81. As of date, the total unpaid interests and penalties is ₱362.13, summarized below:</p>																																																																																																																																			
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<p>Section 3.01 (a) of the Contract for Port of Puerto Princesa, states that the first (1st) month and succeeding months (June 2022 to May 2023) concession fee payment must be made within five (5) days after the signing of the contract which was on June 1, 2022. Thereafter, monthly concession fee payments for the succeeding years shall commence on the Contract's Anniversary date which is June 1st.</p> <p>Hence, PCBSI PTMC's payment dates for Year 1 under the Contract was made 5 days after the 30th day of the previous month's payment in accordance with section 3.01(a). For Year 2 up to current year, PCBSI PTMC</p>						<p>The Audit Team commends PCBSI PTMC's timely remittance of fixed fee and recommends PCBSI, to prospectively continue the practice of complying strictly with the payment schedule of remittances on the monthly concession/ fixed fees pursuant to Section 3.01(a) of the PTMC.</p>																																																																																																																																			

Management's Comments					Audit Team's rejoinder
<p>paid for its concession fees every 1st of the month which is the Contract's Anniversary date. To conclude, PCBSI PTMC does not have delays on concession fee payments based on the foregoing and upon verification of all pertinent documents.</p>					
Applicable Month	Payment Date	5 days after 30th day of previous month's payment	30th day of the previous month's payment	No. of days delayed	
June 2022	06/06/2022	-	-	-	
July 2022	07/08/2022	07/11/2022	07/06/2022	no delay	
August 2022	08/05/2022	08/12/2022	08/07/2022	no delay	
September 2022	09/08/2022	09/09/2022	09/04/2022	no delay	
October 2022	10/10/2022	10/13/2022	10/08/2022	no delay	
November 2022	11/10/2022	11/14/2022	11/09/2022	no delay	
December 2022	12/02/2022	12/15/2022	12/10/2022	no delay	
January 2023	01/06/2023	01/06/2023	01/01/2023	-	
February 2023	02/03/2023	02/10/2023	02/05/2023	no delay	
March 2023	03/03/2023	03/10/2023	03/05/2023	no delay	
April 2023	04/05/2023	04/07/2023	04/02/2023	no delay	

RECOMMENDATIONS

The Audit Team recommended that PCBSI PTMC:

- **Remit to PPA the amount of ₱362.13, representing interests and penalties, as of audit date, for the delay in remitting government shares for the period January 1, 2021 to May 31, 2022; and**
- **Prospectively, continue the practice of complying strictly with the payment schedule of remittances on the monthly concession/ fixed fees pursuant to Section 3.01(a) of the 2022 Contract.**

Chapter II

Full Remittance of Government Shares, Fixed and Variable Fees

AUDIT OBSERVATIONS

Unremitted government shares from Equipment Rental

3. PCBSI PTMC failed to remit government shares from Equipment Rental in violation of Item no. 3 of the 2007 Contract in the total amount of ₱1,845.33, inclusive of Value Added Tax (VAT), interests and penalties, covering the months of January to February 2021 and March 2022.

Item 3 of the 2007 Contract stipulates that PCBSI PTMC must remit the government share to PPA the government share equivalent to 10 percent and 20 percent for handling domestic and foreign cargoes, respectively, based on all sources in connection with its arrastre, stevedoring and related CHS provided at the port. Remittance of government shares shall be made not later than the fifth day of the ensuing month of collections.

Under the 2007 Contract, the government share is equivalent to ten percent (10%) for domestic cargoes and twenty percent (20%) for foreign cargoes of the gross income from all sources pertaining to cargo-handling and related services.

On other hand, the 2022 Contract provides for the fixed fee totaling P1.67 billion payable over a 15-year period, while the variable fee, a volume-triggered government shares, shall be equivalent to a pre-determined percentage indicated in the contract, once the defined threshold of the specific type of cargo has been reached or exceeded.

On March 20, 2024, the Audit Team inquired through Audit Query No. 2024-04 from PMO-Palawan, the sources of revenue that were subject to government shares and whether the government share is directly collected by PPA or remitted by PCBSI PTMC to PPA. In its reply dated March 21, 2024, PMO-Palawan provided the Audit Team with the list of revenue sources and the mode of collection of government share, as presented below:

Period Covered	Source of Revenue	Classification
January 1 – December 31, 2021	Arrastre and Stevedoring Breakbulk Containerized Stripping/Stuffing	Direct Collection
	Special Services Porterage PTB Terminal Fee Weighbridge Income Waste Reception Fee	Remittance
January 1 – May 31, 2022	Arrastre and Stevedoring Breakbulk Containerized (CHA-RO/STO-RO) Stripping/Stuffing Checking Charges Watering Services RORO Terminal Fees	Direct Collection

Period Covered	Source of Revenue	Classification
	Line Handling Storage Fee Mooring/Unmooring	
	Special Services Equipment Rental Weighbridge Income PTB Terminal Fee Waste Reception Fee/SRF* Other Non-service Income	Remittance

**SRF refer to a physical system ashore or afloat used for receiving discharges of only wastes, noxious liquid substance and garbage from vessels. There shall be SRF installed in all PPA base ports to provide waste collection and disposal services to ships' generated wastes*

To determine whether all the reported revenues were properly and completely recorded, the Audit Team examined PCBSI's GL and reports on Revenues and the MRGIs, covering the period from January 1, 2021 to May 31, 2022.

Comparison between the MRGI and GL disclosed a reporting discrepancy. Revenues from Equipment Rental amounting to P8,350 were included in the GL but not reported in the MRGI, resulting in the corresponding government share not being remitted.. Details are presented in Table 15:

Type of Service	Equipment Rental
Covered Period	January to February 2021 and March 2022
Revenue	₱8,350
Government Share (10%) - [10% x Revenue]	₱835

Interests, penalties and VAT due to unremitted government share as of audit date were computed in Table 16, in accordance with PPA AO No. 01-2002 dated January 4, 2002.

Revenue Source	Period when revenue was earned	Government Share	Delays (No. of Days)	Interest [a x 12% x (b/360)]	Penalties [a x 25% x (b/360)]	VAT [a x 12%]	Total Amount Due [a + c + d + e]
		(a)	(b)	(c)	(d)	(e)	(f)
Equipment Rental	January 2021	425.00	1,162	164.62	342.95	51.00	983.57
	February 2021	225.00	1,134	85.05	177.19	27.00	514.24
	March 2022	185.00	738	45.51	94.81	22.20	347.52
Total		₱835.00		₱ 295.18	₱ 614.95	₱100.20	₱1,845.33

The total amount due, inclusive of government share, VAT, interests and penalties amounted to ₱1,845.33.

Unremitted variable fees from additional services

4. PCBSI PTMC failed to remit Variable Fees amounting to ₱121,333.59, equivalent to 60 percent of the gross revenue earned for the period June 2022 to December 2023, arising from Additional Services which are not included in the determination of minimum concession fee (MCF), in violation of Section 3 of the 2022 Contract. Consequently, VAT amounting to ₱14,560.03 was also not paid to BIR. In addition, interests and penalties of ₱15,146.68 and ₱31,155.59, respectively, were incurred due to non-remittance.

PPA AO No. 09-2019 dated September 24, 2019 provides for Guidelines on the Adoption of Uniform Procedure in the Determination of MCF and Variable Fee for Contract under PTMRF. The base figure for the MCF shall be the amount equivalent to the sum of the following:

- Highest recorded and audited revenue of the Authority for the last five (5) years from the following sources:
 - Government share paid by the cargo handling operator;
 - Concession Fee or Government Share from PTB Operation;
 - RORO Terminal System;
 - Lease of PTB and other Commercial Spaces;
 - Parking;
 - Storage Management;
 - Portage Services;
 - Water distribution service;
 - Waste Management Shore Facilities; and
 - Ancillary and other related services
- Projected government share from the incremental revenue as a result of the application of the approved restructured cargo handling tariff for the subject port; and
- Projected revenue from new sources due to potential changes in port technology and port development

Section 3.01(b)(iii) of the PTMC provides that PCBSI PTMC shall remit a variable fee equivalent to 60% of gross revenue from additional services which are not included in the determination of MCF to PPA quarterly, not later than the 5th day of the first month of the succeeding quarter without the need of demand. Also, Section 3.03(a) of the same PTMC and PPA AO No. 01-2002 required the imposition of interest and penalties for late payments without the need for any demand.

Based on PPA's Summary of Concession Fee Collection for the period June 2022 to December 2023, PCBSI PTMC remitted a concession fee of ₱133.52 million representing both variable fees and fixed fees, as shown on the next page:

Table 17. Concession Fee Remitted by PCBSI PTMC to PPA from June 2022 to December 2023			
Particulars	Date collected	OR No.	Amount
Remittance of Monthly Fixed Fee	06/06/2022	287770	₱6,875,000.00
	07/08/2022	289362	6,875,000.00
	08/05/2022	290639	6,875,000.00
	09/08/2022	292015	6,875,000.00
	10/10/2022	293193	6,875,000.00
Remittance of Monthly Fixed Fee	11/10/2022	294302	6,875,000.00
	12/02/2022	295216	6,875,000.00
Total Remittance for 2022			₱48,125,000.00
Remittance of Monthly Fixed Fee	01/06/2023	296403	6,875,000.00
	02/03/2023	297322	6,875,000.00
	05/03/2023	298347	6,875,000.00
	04/05/2023	299721	6,875,000.00
	05/03/2023	300787	6,875,000.00
	05/30/2023	301908	7,243,500.00
	06/29/2023	303163	7,243,500.00
Payment of Variable Fees	07/18/2023	303817	243,377.94
Remittance of Monthly Fixed Fee	07/26/2023	304153	7,243,500.00
	08/30/2023	305367	7,243,500.00
	09/29/2023	306363	7,243,500.00
Payment of Variable Fees	09/11/2023	305752	34,055.83
Remittance of Monthly Fixed Fee	10/27/2023	307348	7,243,500.00
	11/30/2023	OR-M204-000000000791	7,243,500.00
Payment of Variable Fees	12/12/2023	OR-M204-000000001226	34,272.30
Total Remittance for 2023			₱85,391,206.07.00
Total Concession Fee Remittance for June 2022 to December 2023			₱133,516,206.07

The Audit Team examined the details and the nature of collections, particularly the variable fees collected. It was found out that PSCBI PTMC has no remittance on variable fees equivalent to 60 percent of gross revenue earned from additional services.

PCBSI PTMC informed the Audit Team that they have no additional services which are not included in the determination of MCF. This was detailed in their response to AQ No. 2024-02 dated March 13, 2024.

PMO-Palawan, in their reply dated March 27, 2024 to AQ No. 2024-09 dated March 22, 2024, attached the schedule of payment of variable fees for the period June 1, 2022 to Dec. 31, 2023 showing the amount still due from PSBSI PTMC representing Variable fees from additional services such as revenues from lashing/unlashing,

bagging/rebagging, sweeping, stand-by time and extra labor charge as shown in Table 18.

Table 18. Additional Services not Included in the Determination of MCF based on PPA Reply		
Additional services	Amount	
	Revenue	60% Variable Fee
Lashing/Unlashing	₱150,449.45	₱90,269.67
Bagging/Rebagging	11,250.00	6,750.00
Sweeping	11,562.50	6,937.50
Stand-by Time	27,708.38	16,625.03
Extra Labor Charge	2,210.00	1,326.00
Total	₱203,180.33	₱121,908.20

To determine the revenue from the additional services enumerated above by PPA, the Audit Team reviewed PCBSI PTMC’s MRGI for the period June 2022 to December 2023. It revealed that PCBSI PTMC earned ₱202,222.65 from additional services. The same was not subjected to remittance of variable fees. Variable fees amounting to ₱121,333.59 were computed as follows:

Table 19. Unremitted Variable Fees from Additional Services Based on MRGI		
Additional Services (Subject to Variable Fees)	Revenue based on MRGI	Variable Fee [a x 60%]
	(a)	(b)
Lashing/Unlashing	₱149,491.77	₱89,695.06
Bagging/Rebagging	11,250.00	6,750.00
Sweeping	11,562.50	6,937.50
Stand-by Time	27,708.38	16,625.03
Extra Labor Charges	2,210.00	1,326.00
Total	₱202,222.65	₱121,333.59

Consequently, the corresponding interests and penalties were incurred due to non-remittance of variable fees. The number of days delayed were computed as follows:

Table 20. Interests and Penalties on Non-Remittance of Variable Fees from Additional Services not Included in Determination of MCF			
Quarterly Period of Service Earned	Date of Remittance per Sec. 3.01 b of Contract*	Due Date	Days Delayed to Date [a - b]
	(a)	(b)	(c)
June to August 2022	09/05/2022	4/12/2024	585
September to November 2022	12/05/2022		494
December 2022 to February 2023	03/05/2023		404

Table 20. Interests and Penalties on Non-Remittance of Variable Fees from Additional Services not Included in Determination of MCF

Quarterly Period of Service Earned	Date of Remittance per Sec. 3.01 b of Contract*	Due Date	Days Delayed to Date [a - b]
	(a)		(b)
March to May 2023	06/05/2023		312
June to August 2023	09/05/2023		220
September to November 2023	12/05/2023		129
December 2023	03/05/2024		38

* PCBSI PTMC shall remit quarterly to the PPA an annual variable fee, not later than the fifth (5th) day of the first (1st) month of the succeeding quarter without the need of demand

PCBSI PTMC’s total liability of ₱182,595.89 for the non-remittance of government share, inclusive of interests, penalties and VAT, are summarized as follows:

Table 21. Total Amount Due on Non-Remittance of Variable Fees from Additional Services not Included in Determination of MCF

Quarterly Period of Service Earned	Quarterly Revenues	Quarterly Shares [a x 60%]	Days Delayed	Interest [b x c/360 x 12%]	Penalties [b x c/360 x 25%]	VAT [12% x b]	Total Amount Due [b + d + e + f]
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
June to August 2022	₱42,651.52	₱25,590.91	585	₱4,990.23	₱10,396.31	₱3,070.91	₱44,048.36
September to November 2022	37,409.24	22,445.54	494	3,696.03	7,700.07	2,693.47	36,535.11
December 2022 to February 2023	34,360.06	20,616.04	404	2,776.29	5,783.94	2,473.92	31,650.20
March to May 2023	32,183.43	19,310.06	312	2,008.25	4,183.85	2,317.21	27,819.36
June to August 2023	22,335.76	13,401.46	220	982.77	2,047.44	1,608.17	18,039.85
September to November 2023	24,184.82	14,510.89	129	623.97	1,299.93	1,741.31	18,176.10
December 2023	9,097.82	5,458.69	38	69.14	144.05	655.04	6,326.93
TOTAL	₱202,222.65	₱121,333.59	2,182	₱15,146.68	₱31,555.59	₱14,560.03	₱182,595.89

Unremitted variable fees arising from the excess of actual traffic volume over the annual volume threshold for containerized cargoes

5. PCBSI PTMC failed to remit the variable fee of ₱7,941,837.40 from the excess of actual traffic volume for containerized cargoes over its projected volume threshold totaling 7,729.52 Twenty-foot equivalent unit (TEUs), plus the corresponding VAT of ₱953,020.49, contrary to Section 3.01 (b) (i) of the 2022 Contract, resulting in the incurrence of interests and penalties amounting to ₱825,951.09 and ₱1,720,731.44, respectively, as of April 12, 2024.

Under Section 3.01(b)(i) of the 2022 Contract, PCBSI PTMC shall remit a variable fee equivalent to 60% of cargo/PTB revenue exceeding 110% of projected volume. Late payments incur interest and penalties without the need of demand under Section 3.03(a) and PPA AO No. 01-2002.

To determine whether the volume threshold has been met or has exceeded the projected volume threshold, the Audit Team examined the submitted Monthly Cargo Throughput Summary from June 1, 2022 to May 31, 2023. The actual traffic volume handled for containerized cargoes during the same period was 96,087.50 TEUs, presented as follows:

Table 22. Actual TEUs for Contract Year 1 – June 2022 to May 2023		
June 2022-May 2023	Monthly	Cumulative
June 2022	8,361.50	8,361.50
July 2022	9,784.50	18,146.00
August 2022	8,310.00	26,456.00
September 2022	7,410.50	33,866.50
October 2022	7,418.00	41,284.50
November 2022	8,090.50	49,375.00
December 2022	7,836.50	57,211.50
January 2023	5,946.50	63,158.00
February 2023	8,717.50	71,875.50
March 2023	7,824.00	79,699.50
April 2023	8,600.50	88,300.00
May 2023	7,787.50	96,087.50
Total	96,087.50	

The Annual Volume Threshold under Annex D of the 2022 Contract for year 1 is 88,357.98 TEUs, computed by multiplying the Projected Volume Threshold for the year by 110% (80,325.44 x 110%).

Analysis of the summary showed however, that as of April 2023, the actual container traffic has reached 88,300 TEUs, thus, leaving only a balance of 57.98 TEUs to reach the annual volume threshold of 88,357.98 TEUs per Contract, as shown hereunder:

Table 23. Number of TEUs to Reach Volume Threshold for Contract Year 1	
Particulars	TEUs
Projected Volume Threshold	88,357.98
Actual Container Traffic as of April 2023	88,300.00
Balance of TEUs to reach the projected volume threshold	57.98

To further check whether the required number of TEUs has exceeded the threshold or that the same has been met, the Audit Team reviewed the DDLR for the month of May 2023.

The DDLR contains information of the vessel, including its name; voyage number; last and next port of call; commodity and quantity which the vessel carries; type of packaging; total weight in metric ton; number of men and gang employed; date of arrival of the vessel and date the last service was completed; gross and net service time; and standby and idle time. It also contains the signature of the Statistician, Port Operations Officer and Branch Manager.

Audit disclosed that the projected volume threshold had already been exceeded on April 30, 2023, when Meridian Queen (Meridian Shipping Carrier Inc.) arrived at the Port of Puerto Princesa and unloaded 140 units/TEUs of full 20-footer container or TEUs.

Details follow:

a. DDLR dated April 30, 2023

Figure 1. DDLR of Meridian Queen Voyage No. 2023-09

DAILY DISCHARGING / LOADING REPORT													
PORT OF PUERTO PRINCESA FORM NO: 3(c) PHILIPPINE PORTS AUTHORITY PORT OF PUERTO PRINCESA CITY											9502		
Name of Vessel: Meridian Queen (Meridian Shipping Carrier Inc.)											Date: April 30, 2023		
Lead Port of Call: Manila	Voyage No: 2023-09		Berth No: 6.9		No. of Gang: 20		Total Hrs Work (NDR): 8.49						
Next Port of Call: Manila	Hatch No: 1.2		No. of Men: 20		Gross From: 04/30 0400		Hour To: 0800		Total Hrs Work (NDR): 8.49				
Commodity Classification	Quantity	Type of Packaging	Total In Mt	Date	Gross From	Gang To	Hour Total	standby time	REMARKS	9.40	idle	Net Service	
UNLOADING													
40 ft van fulls		units		04/30	1440	0400	8:33		2.88	waiting crane operator/unlashing	1.00	cb	4.85
20 ft van fulls	140	units	3,360.00		0430	0800	1:50		3.50	waiting crane operator			1.80
40 ft van mt		units	-	05/01	0800	1200	3:52		1.08	waiting loading container			2.84
total containers	140		3,360.00										9
eff isuzu truck	2	units	31.88					13.75			1.00		8.49
grader	1	units	31.83						4.20				
	143		3,423.51										
UNLOADING													
cntr fulls	units	140	6.88	5.25									
cntr mt	units	-	-	-									
rolling	units	3	0.08	0.08									
		3.00	5.97	5.34									
LOADING													
10 ft van fulls		units	-										
20 ft van fulls	19	units	456.00										
10 ft van mt	1	units	1.50										
20 ft van mt	64	units	160.00										
40 ft van mt		unit	-										
total containers	84		617.50										
LOADING													
unit fulls	units	19	0.89	0.71									
cntr mts	units	65	2.79	2.44									
		-	3.53	3.15									
Prepared by: 224 units 4,941.01 3,977.50 mt Mark Edissa R. Derasus Statistician FPP-OPN 65 Revision 96													
Reviewed by: 3.00 9.40 8.49 Jason C. Rodriguez Port Operations Officer													
Noted by: 5/3/23 K Ruben G. Repaso Branch Manager													
Received by:													

b. Total Containers of Meridian Queen subject to variable fee

Table 24. Total Containers Subject to Variable Fee			
Particulars	Units	Conversion	TEUs
Meridian Queen Unloading Containers	140.00	1	140.00
Less: Balance of TEUs to reach the projected volume threshold	57.98	1	57.98

Particulars	Units	Conversion	TEUs
Excess TEUs subject to variable fee	82.02	1	82.02
Add: Loading Containers			
10-footer van – MT ¹	1.00	0.50	0.50
20-footer van – full	19.00	1	19.00
20-footer van – MT	64.00	1	64.00
Total TEUs of Meridian Queen subject to variable fee	166.02		165.52
¹ MT based on DDLR means empty			

As shown above, the total Unloading/Inbound Containers of 140 units/TEUs decreased by the number or balance of TEUs to exceed the projected volume threshold, resulted in 82.02 Units of full 20-footer container subject to variable fee. The total containers of Meridian Queen subject to variable fee is 166.02 in units and 165.52 in TEUs after considering its loading containers.

For the last quarter of Contract Year 1, the projected volume was already exceeded by a total of 7,729.52 TEUs, as shown below:

Particulars	TEUs
Cumulative Actual Volume as of May 2023	96,087.50
Annual Volume Threshold	88,357.98
Excess	7,729.52

Summary of the excess 7,729.52 TEUs with details in Annex A follow:

Classification of Containers		LOLO		CHARO/STORO		TOTAL
		Loaded	Empty	Loaded	Empty	
Unloading	10- footer	15.00	0.00	0.00	0.00	15.00
	20- footer	3,725.02	0.00	345.00	0.00	4,070.02
	40- footer	164.00	0.00	0.00	0.00	164.00
Sub-total		3,904.02	0.00	0.00	0.00	4,249.02
Loading	10- footer	7.00	12.50	0.00	0.00	19.50
	20- footer	427.00	2,441.00	103.00	0.00	3,279.00
	40- footer	32.00	150.00	0.00	0.00	182.00
Sub-total		466.00	2,603.50	103.00	308.00	3,480.50
Total number of containers in TEUs		4,370.02	2,603.50	448.00	308.00	7,729.52

Revenues are computed in accordance with PPA AO No. 10-2019 on Uniform Port Tariffs for Tier 3 Under the PTRMF. Computation of the 60 percent variable fees amounting to ₱7,941,837.40 for the excess volume of 7,729.52 TEUs is presented as follows:

Table 27. Variable Fee on Excess Volume Over Threshold					
Classification of Containerized Cargoes		Tariff Rate	TEUs handled	Revenues [a x b]	60% Variable Fee [c x 60%]
		(a)	(b)	(c)	(d)
LOLO	Loaded	₱2,008.00	4,370.02	₱8,775,000.16	₱5,265,000.10
	Empty	1,593.00	2,603.50	4,147,375.50	2,488,425.30
CHARO / STORO	Loaded	549.00	448	245,952.00	147,571.20
	Empty	221.00	308	68,068.00	40,840.80
Total Variable Fee from excess			7,729.52	₱13,236,395.66	₱7,941,837.40

Consequently, due to delayed quarterly remittances of volume triggered variable fees on containerized cargo, the corresponding interest and penalty charges are ₱825,951.09 and ₱1,720,731.44, respectively, as of April 12, 2024, plus VAT of ₱953,020.49 computed as follows (See **Annex B** for detailed computation):

Table 28. Total Amount Due from Unremitted Variable Fees on Containerized Cargo						
Payment Due Date	Variable Fees	VAT	No. of Days Delayed	Interest [a x 12% x c/360]	Penalties [a x 25% x c/360]	Total Amount Due [a + b + d + e]
	(a)	(b)	(c)	(d)	(e)	(f)
06/05/2023	₱7,941,837.40	₱953,020.49	312	₱825,951.09	₱1,720,731.44	₱11,441,540.42

Under/Non-Remittance of Government share/Variable Fees from PTB

- 6. Government share from PTB operations for the period January 2021 to May 2022 was under-remitted by ₱1,075.00, thereby incurring interests and penalties of ₱350.62 and ₱730.46, respectively. Moreover, for the period June 2022 to December 2023, PCBSI PTMC did not remit variable fees amounting to ₱8,260.71, thus, incurring VAT amounting to ₱991.29 plus interests amounting to ₱859.11 and penalties of ₱1,789.82.**

Under the 2007 Contract and HOAs, PCBSI PTMC shall remit 10% government share from passenger terminal tickets to be made not later than the fifth (5th) day of the ensuing month. On the other hand, the 2022 Contract requires PCBSI PTMC to remit a variable fee quarterly if actual passenger traffic exceeds the threshold, due by the 5th day of the first month of the next quarter without the need for demand.

A. Government Share from PTB TFTs for the period January 2021 to May 2022

For the period January 2021 to May 2022, PCBSI PTMC was authorized, through the issuance of Terminal Fee Tickets (TFTs) to collect ₱20.00, inclusive of VAT, from regular paying passengers as prescribed by PPA Memorandum Circular (MC) No. 06-2006.

PPA AO No. 04-2019, however, provides for exemptions to passengers who are either students, senior citizens, persons with disability and selected uniform personnel. In lieu of the TFTs, Daily Report on Passengers Terminal Fee (PTF) Exemption is prepared for exempted passengers.

To compute the income earned from the PTFs issued and the corresponding government share, PCBSI PTMC prepares a Summary of PTB Collection Reports using daily Terminal Collection Turn-in Reports. PCBSI PTMC earned P428,280.00 for a total of 21,414 tickets issued from January 2021 to May 2022, and the corresponding government share amounted to ₱42,828.00, as computed in Table 31:

Table 29. Summary of PTB Collection Report from January 2021 to May 2022		
Period		PCBSI PTMC - Summary of PTB Collection Report
Year	Month	Number of TFTs Issued (Domestic/Local)
2021	January	865
	February	1,100
	March	1,421
	April	523
	May	390
	June	480
	July	448
	August	827
	September	717
	October	641
	November	852
	December	1,283
2022	January	1,278
	February	1,287
	March	2,477
	April	3,225
	May	3,600
Total TFTs issued		21,414
Multiply by		₱20.00
Total		₱ 428,280.00
10% Government Share		₱42,828.00*
<i>*inclusive of VAT</i>		

To validate the reported quantity of TFTs issued in the Summary of PTB Collection Reports, the Audit Team compared such quantity with the actual number of tickets issued based on the ticket serial numbers per booklet.

The validation revealed a discrepancy. The Summary of PTB Collection Reports indicated fewer TFTs issued than the actual ticket serial numbers per booklet. It showed a discrepancy of 602 TFTs for the following period:

Period	Date	Inclusive Serial No.		Total TFTs Issued	Per Audit – Total TFTs Issued per Inclusive Serial No. [b – a +1]	Discrepancy [b - a]
		From	To			
		(a)	(b)			
May 2021	05/17/2021	333366	333517	52	152	100
May 2021	05/25/2021	333401	333600	38	200	62
June 2021	06/03/2021	333456	333615	60	160	100
November 2021	11/25/2021	337320	337553	94	234	140
December 2021	12/01/2021	337421	337650	130	230	100
Total				374	976	602

The Audit Team issued AQ No. 2024-07 dated March 22, 2024 to PCBSI PTMC on the noted discrepancies. In its reply, PCBSI PTMC claimed that “the discrepancies were a result of misuse and issuance of sequential booklet series, leading to inaccuracies in the tracking and recording of ticket issuance.” No document was submitted to justify such claim, thus, the Audit Team considered said TFTs as unreported.

In effect, the unreported TFTs resulted in unremitted 10 percent government share in the amount of ₱1,075, computed as follows:

Period	Date	TFT Rate	Unreported Amounts				10% Unremitted Government Share
			No. of Tickets	Collection	Revenue	12% VAT	
			(a)	(b)	(c)	(d)	
May 2021	5/17/2021	₱20.00	100	₱ 2,000.00	₱ 1,785.71	₱ 214.29	₱ 178.57
	5/25/2021		162	3,240.00	2,892.86	347.14	289.29
June 2021	6/3/2021		100	2,000.00	1,785.71	214.29	178.57
November 2021	11/25/2021		140	2,800.00	2,500.00	300.00	250.00
December 2021	12/1/2021		100	2,000.00	1,785.71	214.29	178.57
Total			602	₱ 12,040.00	₱ 10,750.00	₱ 1,290.00	₱ 1,075.00

As a result, the corresponding VAT, interest, and penalties of ₱129, ₱350.62 and ₱730.46, respectively, were also unpaid:

Table 32. Total Amount Due for Unremitted Government Share from PTB Operations for CY 2021

Date Unreported	Number of days delayed ¹	10% Unremitted government share	Interest [12% x a/360 x b]	Penalty [25% x a/360 x b]	VAT [12% x b]	Total amount due [b + c + d + e]
05/17/2021	1,061	₱ 178.57	₱ 63.15	₱ 131.57	₱ 21.43	₱ 394.73
05/25/2021	1,053	289.29	101.54	211.54	34.71	637.08
06/03/2021	1,044	178.57	62.14	129.46	21.43	391.61
11/25/2021	869	250.00	72.42	150.87	30.00	503.28
12/01/2021	863	178.57	51.37	107.02	21.43	358.39
Total		₱1,075.00	₱ 350.62	₱ 730.46	₱ 129.00	₱ 2,285.09

¹Days delayed calculated from date unreported until Exit Conference Date of April 12, 2024

B. Variable concession fee for the period June 2022 to December 2023

The audit also disclosed several discrepancies which resulted in unreported revenues and non-remittance of variable concession fees from PTB operations, plus VAT, and incurrence of interest and penalty charges. These are discussed in the succeeding paragraphs.

i. Unreported/Unaccounted number of TFT series

There were missing or unaccounted series in the TFT issued. The Audit Team issued AQ No. 2024-07 dated March 22, 2024 seeking explanation from PCBSI on the said missing series. In their reply, PCBSI PTMC claimed that the missing series “are ORs issued to clients for other services and not for PTB Terminal Fees.” However, the documents provided under their reply, pertained only to ORs covering multiple passengers or individuals who were supposed to be issued with individual tickets but were not issued separate tickets due to the unavailability of the same during the time of transaction.

The claim of PCBSI PTMC is unfounded as the passenger TFTs are issued/used for specific purposes only. There are TFTs for outbound passengers. Also, the 350 missing TFTs were substantial quantity to be used for “Other Services”. No other documents were submitted to the Audit Team to support their claim. The missing series follows:

Table 33. Missing Series of TFTs

Period	Series		Number of TFT per series [b – a + 1]
	From	To	
	(a)	(b)	(c)
June 2022	114701	114750	50
	114851	115150	300
Total			350

ii. Unreported vessel of foreign cruise ship

The Audit Team also verified and validated the PTS from PPA on foreign cruise ships. It was observed that a vessel named Star Breeze, with Voyage No. V498A, was not reported during March 2023. This vessel had a total of 190 outbound or embarking passengers. Thus, resulting in unreported collection of the corresponding terminal fees by PCBSI PTMC in their Summary of PTB Collection Reports.

iii. Outbound passengers not charged with TFT fee

Furthermore, examination of the Passenger Sailing List/Departure List, which supports transactions involving foreign cruise ships, revealed that there were 1,882 outbound passengers from M/V Queen Elizabeth. Out of these, only 1,500 were charged terminal fees during the period June 2022 to May 2023.

PCBSI PTMC claimed that the discrepancy could be attributed to crew members who did not disembark from the ship and therefore did not pay terminal fees. However, the Passenger Sailing List/Departure List indicated that the 1,882 passengers are guests. Hence, the number of passengers as the basis for variable fee computation is understated by 382, which corresponds to the understatement of TFTs.

From June 2022 to May 2023, PCBSI PTMC’s total unreported volume of outbound passengers is computed at 922, shown below:

Source of Discrepancy	Period	Volume of Outbound Passengers
Unreported number per TFT series	June 2022	350
Unreported vessel of foreign cruise ship	March 2023	190
Outbound passengers not charged with TFT fee	April 2023	382
Total		922

Thus, the unreported volume of 922 resulted in an excess volume of 514 over its 110 percent annual volume thresholds in May 2023, as computed below:

Year	Month	110% Volume Threshold (a)	No. of Passengers Charged with TFT		Per Audit		
			Monthly (b)	Cumulative (c)	Unreported (d)	Cumulative with Unreported e= (c+d)	Excess Volume (Volume Threshold Not Exceeded) a - e
2022	June	58,315	5,029	5,029	350	5,379	(52,936)

Table 35. Excess Volume Over 110% Volume Threshold in May 2023 from Unreported Volume of Outbound Passengers

Year	Month	110% Volume Threshold (a)	No. of Passengers Charged with TFT		Per Audit		
			Monthly (b)	Cumulative (c)	Unreported (d)	Cumulative with Unreported e= (c+d)	Excess Volume (Volume Threshold Not Exceeded) [a - e]
	July		6,635	11,664		12,014	(46,301)
	August		5,652	17,316		17,666	(40,649)
	September		3,065	20,381		20,731	(37,584)
	October		2,995	23,376		23,726	(34,589)
	November		2,573	25,949		26,299	(32,016)
	December		4,873	30,822		31,172	(27,143)
2023	January		4,627	35,449		35,799	(22,516)
	February		4,057	39,506		39,856	(18,459)
	March		9,598	49,104	190	49,644	(8,671)
	April		5,537	54,641	382	55,563	(2,752)
	May ¹		3,266	57,907		58,829	514
Total			57,907			922	

¹Volume per audit amounting to 58,829 exceeded the volume threshold of 57,907 by 514 in May 2023

Therefore, the excess volume of 514 over the 110 percent volume threshold in May 2023 resulted in an unremitted variable fee of ₱8,260.71; VAT of ₱991.29; interest of ₱859.11 and penalties of ₱1,789.82, with a total amount due of ₱11,900.94, computed as follows:

Table 36. Total Amount Due from Unremitted Variable Fees based on Excess Volume on PTB Operations

Month Volume Exceeded Threshold	Due Date ¹	Days Delayed ²	Excess Volume	Unremitted Variable Fee [60% x ₱30.00 x c / 112%]	VAT [12% x c]	Interest [12% x a/360 x c]	Penalties [25% x a/360 x c]	Total Amount Due [c + d + e + f]
May 2023	6/5/2023	312	514	₱8,260.71	₱991.29	₱859.11	₱1,789.82	₱11,900.94

¹Due date is the 5th day of the first month of the succeeding quarter per Section 3.01 (b) of the Contract
²Days delayed calculated from due date prescribed by the Contract for the quarter where volume exceeded threshold until Exit Conference Date of April 12, 2024

Thus, the abovementioned discrepancies from PTB operations resulted in unremitted government shares and variable fees, VAT, interest and penalties amounting to ₱14,186.03 as shown in Table 37:

Table 37. Summary of Total Amount Due from Unremitted Government Share and Variable Fees on PTB Operations						
Audit Observation	Period Covered	Unremitted Amount	Interest	Penalties	VAT	Total Amount Due [a + b + c + d]
		(a)	(b)	(c)	(d)	(e)
A	January 2021 to May 2022	₱1,075.00	₱350.62	₱730.46	₱129.00	₱2,285.09
B	June 2022 to December 2023	8,260.71	859.11	1,789.82	991.29	11,900.94
	Total	₱9,335.71	₱1,209.73	₱2,520.28	₱1,120.29	₱14,186.03

In summary, the total unremitted government share and variable concession fees, inclusive of VAT, interests and penalties amounted to ₱11,640,167.67 million, as computed below:

Table 38. Total Amount Due from Unremitted Government Shares and Variable Fees inclusive of VAT, Interest and Penalties					
Source	Amount	VAT	Interest	Penalties	Total Amount Due
Equipment Rental	₱835.00	₱100.20	₱295.18	₱614.95	₱1,845.33
Additional Services not included in concession fees	121,333.59	14,560.03	₱15,146.68	₱31,555.59	182,595.89
Containerized Cargoes	7,941,837.40	953,020.49	₱825,951.09	₱1,720,731.44	11,441,540.42
PTB Operations	9,335.71	1,120.29	1,209.73	2,520.28	14,186.03
Total	₱8,073,341.70	₱968,801.01	₱842,602.68	₱1,755,422.26	₱11,640,167.67

MANAGEMENT’S COMMENTS AND AUDIT TEAM’S REJOINER

Below are the Management’s comments and Audit Team’s rejoinder:

Management’s Comments	Audit Team’s Rejoinder
<i>On full remittance of government shares, fixed and variable fees</i>	
3. Unremitted government shares from Equipment Rental	
<i>Comments dated May 27, 2024</i>	
PCBSI PTMC confirms that there are unpaid government shares relating to equipment rental charges in the total amount of	The Audit Team recommends PCBSI PTMC to remit the unpaid government shares from equipment rental for the

Management's Comments	Audit Team's Rejoinder
<p>₱2,680.33 including its corresponding interests and penalties.</p>	<p>period of January and February 2021 and March 2022 totaling to ₱1,845.33.</p>
<p>4. Unremitted variable fees from additional services</p>	
<p><i>Comments dated May 27, 2024</i> Respectfully, it is submitted that services falling under “additional services” is already considered in the determination of MCF pursuant to PPA AO No. 009-2019 “Guidelines on the Adoption of Uniform Procedure in the Determination of MCF and Variable for Contract under PTMRF.” PPA AO No. 009-2019 provides that services provided by the cargo handling operator that was charged a corresponding government share such as PTB, RORO operations and other services offered by the operator has already been considered in the determination of the MCF. The aforementioned section provides, to wit:</p> <p>Section 2.1 in determining the base figure of the MCF, 2.1.1.1 Government share paid by the cargo handling operator is included along with all other revenue shares from PTB, RORO operations, and services other than being offered by the existing cargo handling operator.</p> <p>PCBSI PTMC religiously remits the corresponding 10% government share on all revenues being collected along with the submission of Gross Income Report monthly. Therefore, we respectfully submit that there are no variable fees due to PPA.</p>	<p>The Audit Team recognizes PCBSI PTMC’s timely and religious payment of government shares, fixed and variable fees, however, variable fees arising from additional services must be remitted as these are not considered in the determination of the MCF.</p> <p>Additional services which include shipping/stuffing, mooring/unmooring, hustling, equipment hire, shifting services, lift on/lift off, and truckscale/weighbridge have been deemed part of the determination of PCBSI PTMC’s MCF.</p> <p>This was further concurred by PMO-Palawan in their reply to AQ No. 2024-09 dated March 22, 2024 and during the exit conference that the historical revenue from MRGI was considered in the determination of MCF from July 2019 to July 2020. However, no revenue was reported in the MRGI for additional services on lashing/unlashing, bagging/rebagging, sweeping, standby time and extra labor charge, during that period. Hence, the revenue from those services were not included in the determination of MCF even if they were already specified in the tariff. Therefore, such revenues are subject to remittance of variable fees and the corresponding VAT, interests and penalties.</p>

Management's Comments	Audit Team's Rejoinder
<p><i>Comments dated February 6, 2025</i></p> <p>PCBSI PTMC acknowledges receipt of the audit finding regarding the imposition of the variable fee on services that were allegedly not considered in the computation of the MCF specifically, lashing/unlashing, bagging/re-bagging, sweeping, stand-by time and extra labor charge. PCBSI PTMC would like to respectfully provide the following clarifications:</p> <ul style="list-style-type: none"> • Computation of the MCF Under PPA AO No. 09-2019, the base figure for the MCF computation should encompass all revenues derived from the last three (3) to five (5) years historical data. The traditional services in question have historically been part of the revenue base and, therefore, is reasonably expected to have been included in the MCF determination pursuant to its guidelines under AO No. 09-2019. A breakdown of the computation of the MCF was not provided to the bidders, however, relying on AO 09-2019 in the inclusions of what must be considered in the determination of the MCF coupled with the subject services as traditional services of the subject Port, there was no reasonable expectation on the part of the bidder to infer that such subject services were not included in the determination of the MCF. From July 2019 to July 2020, no services were provided under this category, which might have led to an assumption that these services were not included in the computation. The services in question have been provided in the past, and whenever revenue was generated from these services, the corresponding government share was duly remitted. 	<p>The Audit Team maintains its position that the revenues from lashing/unlashing, bagging/rebagging, sweeping, standby time and extra labor charge are not included in the determination of MCF.</p> <p>Though PCBSI PTMC claims that such services have traditionally been part of its historical data, the Audit team cannot assume that indeed such inclusion is valid in the absence of an actual financial report supporting thereof.</p> <p>The Audit Team based its position on the following points:</p> <ol style="list-style-type: none"> a. While PPA AO No. 09-2019 is clear on the base figure to be used in the determination of the MCF which is the highest recorded and audited revenue of the Authority, for the last five years, the proposed MCF, the final amount used in the bidding, did not include revenues from lashing/unlashing, bagging/rebagging, sweeping, standby time and extra labor charge. b. The revenue sources mentioned were also not reported by PCBSI PTMC in the Monthly Report of Gross Income (MRGI) that is submitted to PMO-Palawan and the basis of the historical data used by PPA in the determination of the MCF. c. Though PCBSI PTMC has no reasonable expectation to infer that the subject services were not inclusive of MCF and claims to have no access of the breakdown of

Management's Comments	Audit Team's Rejoinder
<p>Respectfully, PCBSI PTMC submits that AO-2019 is clear and telling on how the MCF shall be determined which includes the subject services as these are historical and traditional services at the subject port and was likewise historically subjected to revenue-sharing mechanisms.</p> <ul style="list-style-type: none"> <p>Clarification on Bid Assumptions and PMO's Position</p> <p>Additionally, during a pre-bid conference, a direct inquiry was raised by PCBSI regarding the triggering points for variable fee payments. The response provided was those ancillary services (which are the services in question) are not subject to the variable fee. Considering the pre-bid conference is an official forum to formally present to the bidders the contents of the Terms of Reference and to address questions, discussions and information gathered in such forum are characterized as official responses and are of public record. Given this, we respectfully submit that any imposition of a 60% variable fee on the subject services is inconsistent to the information provided to bidders during the pre-bid conference made part of public record.</p> <p>For reference, this discussion can be reviewed in the recorded pre-bid conference video available at: https://www.youtube.com/watch?v=wR0iHbf5AQ (HO BAC PTMC No. 030-2021) specifically at [14:00] where this matter was addressed.</p> <p>PCBSI PTMC remains committed and steadfast in the faithful compliance with the terms of the Port Terminal Management Contract and other regulatory requirements which includes all commitments and discussion made in</p> 	<p>computation of the MCF, PMO-Palawan upon the Audit Team's inquiry, states that such services have been included in the Supplemental Bid Bulletin for the information of all bidders, thus the PCBSI PTMC was properly informed.</p> <p>d. The pre-bid conference, in the absence of the appropriate minutes of the meeting and its resolution supporting exclusion of the subject services for exclusion in the computation of the MCF as claimed by PCBSI PTMC, is not sufficient to justify PMO's position on the matter.</p> <p>Thus, the Audit Team maintains that PCBSI PTMC remit the variable fees from additional services plus the corresponding interests and penalties.</p>

Management's Comments	Audit Team's Rejoinder
<p>official public forums such as pre-bid conferences throughout the bid proceedings.</p>	
<p>5. Unremitted variable fees arising from the excess of actual traffic volume over the annual volume threshold for containerized cargoes</p>	
<p><i>Comments dated May 27, 2024</i></p> <p>Respectfully, pursuant to PPA AO No. 009-2019 as stated in item 4 above, PCBSI PTMC likewise respectfully submit that there are no variable fees due in the amount of Php 11.44 million from alleged excess of actual traffic volume over its projected volume stated herein. It is observed that based on the Volume Threshold attached as Annex D in Port Terminal Management Contract for the Port of Puerto Princesa, the threshold is categorized as Non-Containerized and Containerized cargoes whereas in Uniform Port Tariff Rate it is further classified into LO-LO and CHA-RO/STO-RO.</p> <p>Upon verification, and also as part of respective report specifically Table 7 on Mode of Collection of Revenue Sources, it is clearly stated that all revenues derived from Containerized cargoes, whether handled as Arrastre/Stevedoring or CHA-RO/STO-RO, direct collections of government share were being done. PCBSI PTMC respectfully concludes that based on PPA AO No. 009-2019, all government share paid by the cargo handling operator is already included in MCF, hence, no variable fee is due to the authority.</p>	<p>The Audit Team understands that AO 09-2019 includes cargo handling operations in the determination of the MCF. However, the Team also wants to emphasize that the concession fee is considered the minimum amount. That is why, Section 3.1 of the 2022 Contract clearly states that the operator is obligated to remit variable fees to PPA when the actual traffic volume exceeded the projected volume by 10 percent, which is equivalent to 60 percent of the income earned.</p> <p>While Item No. 4 of AO No. 09-2019 clearly sets out how should the variable fee be computed and when should it be remitted, the same only serves as a guideline on how and when should the remittance be done. This AO ensures there is a proper and uniform procedure in determining the MCF and variable fee for all Port Terminal Management Contract.</p> <p>In addition, the Audit Team considered the following points in its evaluation:</p> <p>a. PMO-Palawan, when asked regarding the pre-established formula and projected basis for the computation of volume threshold and quarterly variable fees, replied to the Audit Team's Query (AQ) No. 2024-03 dated March 15, 2024 that</p>

Management's Comments	Audit Team's Rejoinder
	<p>the baseline data for projected statistics were composed of the following information from actual transactions covering period of July 2019 to June 2020:</p> <ol style="list-style-type: none"> 1. Non-containerized cargo (MT)- domestic & foreign; 2. RORO cargoes (in units) -Type 1,2,3&4; 3. Containerized cargo (in TEU) - domestic; and 4. Passenger- Outbound <p>Based on the above, the PMO prepared the capacity calculation taking into account the maximum capacity of the port at the end of 15 years, thus, arriving in the annual volume projection.;</p> <ol style="list-style-type: none"> b. The classification of containerized cargoes per Uniform Port Tariffs cover the rates to be imposed for Tier 3 ports under the PTMRF and not a consideration in determining the threshold set in the Contract.; c. With regards to volume determination, containerized cargo, specifically, is measured in Twenty Foot Equivalent Units (TEU), instead of specifications like CHA-RO, STO-RO and others. Therefore, all cargo containers which are measured, recorded and presented in TEU shall be subject to the computation of the excess of actual traffic over projected volume threshold.; d. Even if the CHA-RO or STO-RO services are charged with handling fee, these will not affect the computation of the excess, as all

Management's Comments	Audit Team's Rejoinder
	<p>containers that arrived are measured in TEUs and they are all actual traffic volume subject to comparison against the 110 percent projected volume threshold; and</p> <p>e. The provisions of the 2022 Contract clearly distinguish as to when the variable fee will be due, on top of the MCF paid monthly by the Operator. In the absence of any amendment in the Contract or any Administrative Order, Memorandum or Circular issued by PPA governing the arguments of PCBSI PTMC, the Audit Team solely relies on the provisions of the Contract and all existing issuances of PPA relative to the PTMC.</p> <p>f. Lastly, since the period under audit cover both transactions governed by the 2007 and 2022 contracts, the excess actual traffic over 110% projected volume has occurred in May 2023, hence, shall no longer be covered by the old contract and collected directly by the PMO. AO No. 03-2016, Item No. 5.a, provides that, "In consideration of the rights and privileges granted to the Contractor, the latter shall remit to PPA a periodic concession and/or management fee and a variable fee as specified in the Agreement. Such amount for the concession and/or management fee shall be increased periodically, subject to a pre-established formula to be determined by PPA."</p> <p>In view of the foregoing, the Audit Team maintains that PCBSI PTMC</p>

Management's Comments	Audit Team's Rejoinder
	<p>remit the variable fee arising from the excess actual traffic over 110% projected in compliance with the provisions of the Contract.</p>
<p><i>Comments dated February 6, 2025</i></p> <p>PCBSI PTMC acknowledges receipt of the audit findings regarding the alleged excess volume threshold for containerized cargoes. Given our extensive experience in port operations at Puerto Princesa Port for over 50 years, we have carefully reviewed the basis of this threshold and its applicability. Upon thorough examination, PCBSI PTMC wishes to respectfully clarify critical issues regarding the methodology used to determine excess in the volume threshold.</p> <p>Clarification on Excess in Volume Threshold Computation</p> <p>It is important to note that the volume threshold for both domestic and foreign containerized and non-containerized cargoes only accounts for cargoes that were subjected to stevedoring fees.</p> <p>While this is not explicitly stated in any PPA Administrative Order or ruling, the computation methodology itself reflects this treatment. The authority determined the MCF where revenues from services such as portage, waste management and shore reception facility, line handling fees and other ancillary services were included in the total revenue base as part of determination of the MCF. These services were part of the computation but they are not subjected to variable fee. This is also consistent with the statement made by the authority during pre-bid conference where clarifications on variable fee were made.</p>	<p>PMO-Palawan has clarified, in their response to AQ No. 2024-03 dated March 15, 2024, that the projected volume threshold is determined by the PMO's average annual growth rate over the past five years, as well as the current trend compared to pre-pandemic levels. Containerized cargo, specifically, is measured in TEUs, instead of specifications like CHA-RO, STO-RO and others. Therefore, all cargo containers which are measured, recorded and presented in TEU shall be subject to the computation of the excess of actual traffic over projected volume threshold.</p> <p>Even if the CHA-RO or STO-RO services are charged with handling fee, these will not affect the computation of the excess, as all containers that arrived are measured in TEUs and they are all actual traffic volume subject to comparison against the 110 percent projected volume threshold.</p> <p>In addition, the Audit Team would like to reiterate the following provisions stated in the 2022 Contract, Section 3.01 item (b), Art. III,</p> <p>“Annual Variable Fee - The Operator shall remit to the Authority a variable fee under the following circumstances:</p> <ol style="list-style-type: none"> i. If the actual traffic volume exceeded the projected volume by 10%, a variable fee equivalent to

Management's Comments	Audit Team's Rejoinder
<p>Container units arising from CHARO services are charged with a handling fee. Therefore, given these circumstances, the volume from CHARO should not be included to determine whether the volume threshold set by PPA has been exceeded. If CHARO-handled containers are included in the threshold computation, this will result in an inaccurate determination of excess volume leading to an imposition of a variable fee not actually due from the Operator.</p> <p>By following the same principle, the volume threshold for containerized cargo should also be aligned with the revenue components considered in the concession fee. If the revenues from these services were considered in setting the MCF but their corresponding volumes were excluded in the volume threshold set by PPA, this creates an inconsistency in methodology. This inconsistency raises concerns about the accuracy of the excess volume determination and the resulting imposition of the variable fee. Based on these arguments, PCBSI PTMC submit its computation for the volume threshold of containerized cargoes as supporting documentation.</p>	<p>sixty percent (60%) from cargo handling operation and/or PTB operation shall be computed on the actual traffic in excess of the one hundred and ten percent (110%) projected volume;</p> <p>ii. If the actual traffic volume exceeded the projected volume by 10%, variable fee equivalent to eighty percent (80%) from RORO operations shall be computed on the actual traffic in excess of the one hundred and ten percent (110%) projected volume; and</p> <p>iii. A variable fee equivalent to sixty (60%) of gross revenue earned from additional services which are not included in the determination of MCF.”</p> <p>The provisions of the 2022 Contract clearly distinguish as to when the variable fee will be due, on top of the MCF paid monthly by the Operator.</p> <p>In the absence of any amendment in the Contract or any Administrative Order, Memorandum or Circular issued by PPA governing the arguments of PCBSI PTMC, the Audit Team solely relies on the provisions of the Contract and all the existing issuances of PPA relative to the PTMC.</p> <p>In view of the foregoing and after evaluation of the Management's Comments, the Audit Team maintains its position and recommends that PCBSI PTMC remit to the PPA variable fees amounting to ₱11,441,540.42, inclusive of VAT, interests and penalties arising from the excess of actual traffic of containerized cargoes</p>

Management's Comments	Audit Team's Rejoinder														
	<p>over 110 percent projected volume threshold in compliance with the provisions of the Contract, as shown below:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2" style="background-color: #ADD8E6;">Variable Fees arising from the excess of actual traffic over 110% projected volume threshold</th> </tr> </thead> <tbody> <tr> <td>Period when Revenue was earned</td> <td align="right">May 2023</td> </tr> <tr> <td>Revenue</td> <td align="right">₱7,941,837.40</td> </tr> <tr> <td>Government Share</td> <td align="right">₱825,951.09</td> </tr> <tr> <td>Interests and Penalties</td> <td align="right">₱2,546,682.53</td> </tr> <tr> <td>VAT</td> <td align="right">₱953,020.49</td> </tr> <tr> <td>Total amount due</td> <td align="right">₱11,441,540.42</td> </tr> </tbody> </table>	Variable Fees arising from the excess of actual traffic over 110% projected volume threshold		Period when Revenue was earned	May 2023	Revenue	₱7,941,837.40	Government Share	₱825,951.09	Interests and Penalties	₱2,546,682.53	VAT	₱953,020.49	Total amount due	₱11,441,540.42
Variable Fees arising from the excess of actual traffic over 110% projected volume threshold															
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Interests and Penalties	₱2,546,682.53														
VAT	₱953,020.49														
Total amount due	₱11,441,540.42														

6. Under/Non-Remittance of Government share/Variable Fees from PTB

Comments dated May 27, 2024

A. Government Share from PTB TFTs for the period January 2021 to May 2022

As the audit disclosed the unremitted government share from PTB operations and indicated the series number of TFTs, PCBSI PTMC have already answered to the audit query that there were no missing or unused TFTs. The mentioned TFT serial numbers were reported in the monthly gross income (MGI) and remitted already the government share. During the audit, all PTB TFTs were submitted to the audit team for verification including the alleged unremitted TFTs. Please see Table 3 for more details.

The Audit Team acknowledges that the series of PTB TFTs were submitted to the Audit Team. However, the corresponding quantity reported for these series based on the Summary of PTB Collection Report was lesser than the total TFTs per their serial numbers.

Moreover, the justification did not include any other report to support the mistakenly used booklet series. In effect, these are considered by the Audit Team as unreported TFTs.

Date	Ticket No.		Ticket Issued	Total Ticket Issued	REMARKS
16-May-21	333353	333365	13	13	
17-May-21	333366	333400	35	52	
			17		Mistakenly used booklet series no. 333501-333600
17-May-21			37	37	Continue to use booklet series no. 333501-333600

Management's Comments					Audit Team's Rejoinder
			32	32	Continue to use booklet series no. 333501-333600
17-May-21	333401	333424	24	38	Continue to use proper sequence booklet series no. 333401-333500
			14		Finished booklet series no. 333501-333600
25-May-21	333425	333455	31	31	Continue to use proper sequence booklet series no. 333401-333500
30-May-24	333456	333500	45	60	Finished proper booklet series no. 333401-333500
3-Jun-21	333601	333615	15		Back to a sequence of the booklet series sequence of the booklet series
22-Nov-22	337201	337319	199	199	
23-Nov-22			40	40	Mistakenly used booklet series no. 337501-337600
25-Nov-22	337320	337400	81	94	Continue to use booklet series no. 337301-337400
			13		Continue to use booklet series no. 337501-337600 after finishing booklet no. 337301-337400
25-Nov-22			22	22	Continue to use booklet series no. 337501-337600
27-Nov-22			25	45	Finished booklet series no.337501-337600
	337401	337420	20		Start with unused booklet sequence 337401-337500
1-Dec-22	337421	337500	80	130	
1-Dec-22	337601	337650	50		Back to a sequence of the booklet series
B. Variable concession fee for the period June 2022 to December 2023					
i. Unreported/Unaccounted number of TFT series					
<p>The alleged missing series of TFTs in the Audit findings were not a TFT but an Official Receipt (OR) and the issuance of this OR was for other services as explained in the Audit Query. PCBSI PTMC will submit the scanned copy of OR to substantiate our claims that the issuance was not intended for PTB Terminal Fees.</p>					<p>The Audit Team maintains its findings in the absence of supporting documents to justify PCBSI PTMC's claims.</p>
ii. Unreported vessel of foreign cruise ship					
<p>As per verification, the arrival of vessel Star Breeze was not included in the reports and it seems no collections have been made for the corresponding PTB terminal fees. Therefore, it was not included in the actual traffic volume report that was submitted to PPA.</p>					<p>Verification of the Port Traffic Statistics (PTS) from PPA disclosed that the vessel Star Breeze arrived at the Port of Puerto Princesa with 190 outbound passengers. Thus, collections for their corresponding PTB terminal fees, were unreported.</p>
iii. Outbound passengers are not charged with Terminal Fee					

Management's Comments	Audit Team's Rejoinder
<p>There were lapses on PCBSI's part where the collection of the PTB Terminal Fee was not based on the passenger list but on the quantity that was given by the vessel agent. For the reason that all passengers and crew members did not disembark from the ship, that is why they were excluded upon payment. However, PCBSI PTMC have no supporting documents to justify our claim and no appropriate documentation.</p>	<p>The Audit Team maintains its findings due to the lack of appropriate documentation supporting the number of disembarking passengers who were not charged with PTB terminal fee.</p>
<p><i>Comments dated February 6, 2025</i></p> <p>PCBSI PTMC acknowledges and accepts the decision conveyed in your rejoinders under item 6 (ii) Unreported vessel of foreign cruise ship. As proof thereof, PCBSI PTMC immediately settled the PTB Terminal Fee for the 190 outbound passengers identified in the Audit Highlights.</p>	<p>The Audit Team recognizes PCBSI PTMC utmost efforts to submit all the requested documents and acknowledges the receipt thereof. However, based on the evaluation, supporting documents submitted are either insufficient and/or irrelevant as discussed:</p> <p>A. Unreported Terminal Fee Tickets (TFT) from period May 16, 2021 to December 1, 2022</p> <p>The "corrected" series provided to the Audit Team lacked sufficient documentary support to be relied on. While, PCBSI PTMC provided a new series of ticket numbers claiming the same to be correct, the Audit Team can only establish the accuracy of these "correct" ticket numbers upon submission of evidence supporting thereof. To date, no supporting document was submitted.</p> <p>B. Unreported TFTs covering the period from June 2022 to December 2023.</p>

Management's Comments	Audit Team's Rejoinder
	<p data-bbox="959 289 1349 359">i. Unreported/Unaccounted number of TFT series</p> <p data-bbox="998 401 1433 611">In relation to the issuance of OR to single and/or multiple passengers instead of actual TFTs, PCBSI PTMC failed to address the purpose for the issuance of these ORs.</p> <p data-bbox="998 653 1433 1304">In AQ-No. 2024-07 dated March 22, 2024, the Audit Team sought to clarify the discrepancies noted between the figures presented under total tickets issued and the number of issued per inclusive serial number which is the per audit count. In reply, PCBSI PTMC claimed, that the OR was used as a proof of transaction to single and/or multiple individuals and submitted the Terminal Collection Turn-In Report containing the list of ORs issued, the corresponding number of passengers per OR number, ticket price, VAT amount and the Gross of VAT amount.</p> <p data-bbox="998 1346 1433 1745">The Audit Team cannot ascertain the validity nor the correctness of the details per Terminal Collection Turn-In Report unless supported with documentary evidence that would corroborate the completeness of the number of passengers per Terminal Collection Turn-In Report and the proof of unavailability of tickets which led to the use of OR.</p> <p data-bbox="998 1787 1433 1892">Aside from the ORs issued to replace the actual TFTs, there were also ORs issued not</p>

Management's Comments	Audit Team's Rejoinder
	<p>intended for PTB Terminal Fees. The Audit Team requested for the correct series of OR or actual TFTs used for representing the sale of PTB Terminal Fee, but the same were not provided.</p> <p>As for the blank and unissued tickets, PCBSI PTMC did not identify which among the series of ticket number are "blank." The Audit Team cannot rely on mere statements that the printing shop is responsible for producing blank tickets. PCBSI PTMC did not submit any proof of supporting documents or confirmation from the printing shop that these tickets were actually blank and cannot be used in the operation. The Audit Team did not receive a separate list of these unsalable "blank" tickets.</p> <p>ii. Unreported vessel of foreign cruise ship</p> <p>The Audit Team acknowledges the payment made on the unreported PTB Terminal Fee for 190 outbound passengers of Star Breeze for the period of March 2023.</p> <p>PCBSI PTMC must submit proof of settlement made and always ensure collection of PTB Terminal Fee from all vessels with outbound passengers.</p> <p>iii. Outbound passengers are not charged with terminal fee</p> <p>PCBSI PTMC did not submit sufficient supporting documents,</p>

Management's Comments	Audit Team's Rejoinder
	<p>therefore, the Audit Team maintains its findings and recommends for payment of the under remittance of government share plus the corresponding VAT, interests and penalties.</p> <p>In view of the abovementioned, PCBSI PTMC must remit the unreported government share from PTB Terminal Fee as well as the corresponding interests and penalties.</p>

RECOMMENDATIONS

The Audit Team recommends that PCBSI PTMC:

- a. Remit to PPA the amount of ₱11,640,167.67, inclusive of VAT, interests and penalties, as of audit date;**
- b. Observe the payment schedule of quarterly variable concession fee remittance pursuant to the PTMC; and**
- c. Ensure regular submission of reports reflecting the actual and accurate traffic volume.**

Chapter III

Accurate Reporting

AUDIT OBSERVATIONS

RORO Cargoes

- 7. The reported actual traffic volume for RORO Cargoes for the period June 2022 to May 2023 used as basis for determination of variable fee is not reconciled or was inconsistent with the traffic volume reflected in the Monthly Cargo Throughput Summary, thus, casting doubt on the reliability or accuracy of data and basis used by PPA in the determination of variable fees, indicating weakness in internal control.**

Under PPA Administrative Order No. 02-2016 dated April 25, 2016 entitled “Port Terminal Management Regulatory Framework”, one of the operational obligations of a Contractor is to submit reports to PPA pertaining to port operations, finances, performance, productivity, engineering and maintenance plans, environmental and safety standard compliances, among others, in electronic format on a periodic basis.

Such reporting obligation is manifested under Section 4.10, Article IV of the 2022 contract between PPA and PCBSI PTMC which requires the latter to furnish PPA with detailed reports on the movement of cargo and vessels at the premises in the form, substance and frequency prescribed in existing PPA rules and regulations. Further, PCBSI shall submit the financial and operational reports prescribed by PPA.

As provided under Section 3.01 (b)(ii) of their Contract, PCBSI PTMC shall remit to PPA a variable fee equivalent to eighty percent (80%) from RORO operations if the actual traffic volume exceeded the projected volume by 10% and is computed on the actual traffic in excess of the one hundred and ten percent (110%) projected volume.

The PMO’s records showed that the actual traffic volume for RORO cargoes handled by PCBSI PTMC exceeded the projected volume stated in Annex D of the PTMC as tabulated in Table 39.

Table 39. Excess of Actual Volume over 110% Volume Threshold of RORO Cargoes				
Vehicle Type	Actual Volume Handled	Projected Volume/Threshold	110% of Projected Volume / Threshold	Excess of 110% Projected Volume over Actual Volume/ (Not Exceeded)
June 2022 to May 2023				
1	452	121	133	319
2	134	105	116	18
3	379	62	68	311
4	532	146	161	371
June 2023 to December 2023				
1	284	124	136	148

Table 39. Excess of Actual Volume over 110% Volume Threshold of RORO Cargoes

Vehicle Type	Actual Volume Handled	Projected Volume/Threshold	110% of Projected Volume / Threshold	Excess of 110% Projected Volume over Actual Volume/ (Not Exceeded)
2	53	107	118	(65)
3	186	71	78	108
4	243	153	168	75

For the determined excess traffic volume for RORO cargoes, PCBSI PTMC remitted variable fees to PMO amounting to ₱311,706.07 under the following ORs:

Table 40. Remittance of Variable Fees of RORO Cargoes

OR		Amount Paid
Date	No.	
07/18/2023	OR-BP20-000000303817	₱ 243,377.94
09/11/2023	OR-BP20-000000305752	34,055.83
12/12/2023	OR-M204-000000001226	34,272.30
Total		₱ 311,706.07

The Audit Team reviewed the actual volume handled by PCBSI PTMC on RORO cargoes for the period June 2022 to December 2023 and found that the actual volume was derived from the number of tickets issued per Summary of RORO Terminal Fee Collection Report.

To verify the consistency of records, the Audit Team validated the number of tickets issued as shown in the Summary of RORO Terminal Fee Collection Report with the Monthly Cargo Throughput Summary prepared by PCBSI PTMC. Comparison of the reports showed discrepancies as summarized in Table 45:

Table 41. Difference in Quantity of Reported RORO TFTs

Vehicle Type	Quantity		Difference [a- b]
	Per Summary of Terminal Fee Collection	Per Monthly Cargo Throughput Summary	
	(a)	(b)	
1	736	840	(104)
2	187	462	(275)
3	565	336	229
4	775	28	747

As shown above, discrepancies were noted, which were either overstatement or understatement of quantities reported, thus, casting doubt on the reliability of the basis used in the computation of variable fees for RORO cargoes.

MANAGEMENT’S COMMENT AND AUDIT TEAM’S REJOINDER

Below are the Management’s comments and Audit Team’s rejoinder:

Management’s Comments	Team’s Rejoinder
<p>Our suggested corrective action to address the discrepancy is to discuss with Operations and Finance Teams the reporting details of Rolling Cargoes.</p> <p>For further discussions with Finance Officer and Port Operations Officer and the Branch Manager are the following points to include in the Tally Sheet:</p> <ul style="list-style-type: none"> • Identification of Rolling Cargoes driven by their own Passenger Drivers • Identification of Rolling Cargoes that were driven by PCBSI PTMC Drivers and therefore converted to general cargo • It is not suggested that RRTF be excluded in the list as this is where we indicate if the cargo handled has damage/s upon receiving it • Reconciliation of Finance & Operations Team after vessels' operation completion as to the detailed contents of the Tally Sheet so the Statistician can pick up the accurate data/information. 	<p>The Audit Team appreciates the Management’s efforts to address this matter.</p>

RECOMMENDATION

The Audit Team recommended that PCBSI PTMC conduct a regular reconciliation of their reports and for PPA to validate the reports submitted by PCBSI PTMC for accurate reporting and collection of government shares.

Part IV

Annexes

Levy Audit of Prudential Customs Brokerage Services Inc.
 Summary of Container Cargoes for the month of May 2023 (Excess of actual traffic over projected volume threshold)

CONVERSION OF UNITS TO TEUs																				
Count	Vessel Name	UNLOADING / INBOUND							LOADING / OUTBOUND								Total Containers in TEUs			
		CONTAINERIZED				RORO			CONTAINERIZED				RORO							
		FULLS			MTS	FULLS		MTS	FULLS			MTS	FULLS			MTS				
		10FT	20FT	40FT	10/20/40FT	10/40FT	20FT	10/20/40FT	10FT	20FT	40FT	10FT	20FT	40FT	10/40FT	20FT		10/40FT	20FT	
1	Meridian Queen	-	82.02	-	-	-	-	-	19.00	-	0.50	64.00	-	-	-	-	-	165.52		
4	San Rafael Dos	-	106.00	8.00	-	-	-	-	11.00	8.00	-	70.00	-	-	-	-	-	203.00		
5	Moreta Cargo Venture	-	181.00	6.00	-	-	-	-	8.00	-	-	100.00	6.00	-	-	-	-	301.00		
6	Ocean Serenity	-	64.00	6.00	-	-	-	-	4.00	-	-	-	4.00	-	-	-	-	78.00		
8	Lady Callista	-	74.00	-	-	-	-	-	8.00	-	-	22.00	-	-	-	-	-	104.00		
9	Meridian-Uno	-	201.00	-	-	-	-	-	13.00	-	-	202.00	-	-	-	-	-	416.00		
10	Moreta Pioneer	3.50	249.00	10.00	-	-	-	1.50	13.00	2.00	0.50	126.00	10.00	-	-	-	-	415.50		
12	Moreta Endeavor	-	183.00	6.00	-	-	-	-	7.00	-	1.50	84.00	4.00	-	-	-	-	285.50		
13	Lady Callista	-	-	-	-	-	-	-	-	-	-	50.00	-	-	-	-	-	50.00		
14	Moreta Pioneer	1.50	224.00	4.00	-	-	-	-	-	-	-	106.00	-	-	-	-	-	335.50		
15	Lady Alina	-	73.00	-	-	-	-	-	15.00	-	-	45.00	-	-	-	-	-	133.00		
16	Ocean Opportunity	-	64.00	14.00	-	-	-	-	23.00	10.00	-	83.00	44.00	-	-	-	-	238.00		
17	Meridian-Uno	-	204.00	-	-	-	-	-	38.00	-	-	189.00	-	-	-	-	-	431.00		
18	Meridian-7	-	130.00	-	-	-	-	-	81.00	-	-	-	-	-	-	-	-	211.00		
19	Moreta Endeavor	-	183.00	4.00	-	-	-	-	0.50	28.00	2.00	4.50	111.00	12.00	-	-	-	345.00		
21	MC Zion	4.50	195.00	12.00	-	-	-	-	8.00	2.00	-	72.00	2.00	-	-	-	-	295.50		
22	Ocean Kingdom	-	81.00	6.00	-	-	-	-	-	-	-	73.00	-	-	-	-	-	160.00		
23	Lady Callista	-	76.00	-	-	-	-	-	28.00	-	-	58.00	-	-	-	-	-	162.00		
24	Ocean Queenland	-	66.00	26.00	-	-	-	-	25.00	2.00	-	37.00	28.00	-	-	-	-	184.00		
25	Moreta Endeavor	2.00	170.00	-	-	-	-	-	-	-	-	150.00	-	-	-	-	-	322.00		
27	MC Zion	1.50	241.00	26.00	-	-	-	-	2.00	20.00	-	2.50	160.00	-	-	-	-	453.00		
28	Ocean Zenith	-	81.00	4.00	-	-	-	-	2.00	-	-	46.00	-	-	-	-	-	133.00		
29	Meridian-Uno	0.50	187.00	-	-	-	-	-	0.50	26.00	-	-	220.00	-	-	-	-	434.00		
30	Moreta Cargo Achiever	-	237.00	20.00	-	-	-	-	2.00	12.00	-	2.00	203.00	30.00	-	-	-	506.00		
31	Lady Callista	-	110.00	-	-	-	-	-	31.00	-	-	53.00	-	-	-	-	-	194.00		
32	Moreta Pioneer	1.50	263.00	12.00	-	-	-	-	0.50	7.00	6.00	1.00	117.00	10.00	-	-	-	418.00		
3	St. Agustin of Hippo	-	-	-	-	-	-	43.00	-	-	-	-	-	-	-	24.00	19.00	86.00		
7	St. Agustin of Hippo	-	-	-	-	-	-	40.00	-	-	-	-	-	-	14.00	-	29.00	83.00		
11	St. Agustin of Hippo	-	-	-	-	-	-	42.00	-	-	-	-	-	-	18.00	-	24.00	84.00		
26	St. Francis Xavier	-	-	-	-	-	-	98.00	-	-	-	-	-	-	19.00	-	121.00	238.00		
33	St. Francis Xavier	-	-	-	-	-	-	122.00	-	-	-	-	-	-	28.00	-	115.00	265.00		
		15.00	3,725.02	164.00	-	-	-	345.00	-	7.00	427.00	32.00	12.50	2,441.00	150.00	-	103.00	-	308.00	7,729.52

Count	Vessel Name	Voyage No.	Date	Classification of Containers	Tariff Rate		No. of Containers in TEUs		Total TEUs	Revenues		Total Revenues	60% Variable Fee	Interest	Penalties	VAT	Total Amount Due to PPA	Variable Fee inclusive of VAT
					LOADED / FULLS	EMPTY / MT	LOADED / FULLS	EMPTY / MT		LOADED / FULLS	EMPTY / MT							
1	Meridian Queen	9	4/30/2024	LOLO	2,008	1,593	101.02	64.50	165.52	202,848.16	102,748.50	305,596.66	183,358.00	19,069.23	39,727.57	22,002.96	264,157.75	205,360.96
2	San Rafael Dos	7	5/3/2023				133.00	70.00	203.00	267,064.00	111,510.00	378,574.00	227,144.40	23,623.02	49,214.62	27,257.33	327,239.37	254,401.73
3	Moreta Cargo Venture	19	5/4/2023				195.00	106.00	301.00	391,560.00	168,858.00	560,418.00	336,250.80	34,970.08	72,854.34	40,350.10	484,425.32	376,600.90
4	Ocean Serenity	14	5/6/2023				74.00	4.00	78.00	148,592.00	6,372.00	154,964.00	92,978.40	9,669.75	20,145.32	11,157.41	133,950.88	104,135.81
5	Lady Callista	42	5/7/2023				82.00	22.00	104.00	164,656.00	35,046.00	199,702.00	119,821.20	12,461.40	25,961.26	14,378.54	172,622.41	134,199.74
6	Meridian-Uno	9	5/7/2023				214.00	202.00	416.00	429,712.00	321,786.00	751,498.00	450,898.80	46,893.48	97,694.74	54,107.86	649,594.87	505,006.66
7	Moreta Pioneer	13	5/8/2023				279.00	136.50	415.50	560,232.00	217,444.50	777,676.50	466,605.90	48,527.01	101,097.95	55,992.71	672,223.57	522,598.61
8	Moreta Endeavor	15	5/10/2023				196.00	89.50	285.50	393,568.00	142,573.50	536,141.50	321,684.90	33,455.23	69,698.40	38,602.19	463,440.71	360,287.09
9	Lady Callista	42	5/11/2023				-	50.00	50.00	-	79,650.00	79,650.00	47,790.00	4,970.16	10,354.50	5,734.80	68,849.46	53,524.80
10	Moreta Pioneer	14	5/13/2023				229.50	106.00	335.50	460,836.00	168,858.00	629,694.00	377,816.40	39,292.91	81,860.22	45,337.97	544,307.49	423,154.37
11	Lady Alina	191	5/13/2023				88.00	45.00	133.00	176,704.00	71,685.00	248,389.00	149,033.40	15,499.47	32,290.57	17,884.01	214,707.45	166,917.41
12	Ocean Opportunity	10	5/14/2023				111.00	127.00	238.00	222,888.00	202,311.00	425,199.00	255,119.40	26,532.42	55,275.87	30,614.33	367,542.02	285,733.73
13	Meridian-Uno	10	5/16/2023				242.00	189.00	431.00	485,936.00	301,077.00	787,013.00	472,207.80	49,109.61	102,311.69	56,664.94	680,294.04	528,872.74
14	Meridian-7	13	5/16/2023				211.00	-	211.00	423,688.00	-	423,688.00	254,212.80	26,438.13	55,079.44	30,505.54	366,235.91	284,718.34
15	Moreta Endeavor	16	5/17/2023				217.50	127.50	345.00	436,740.00	203,107.50	639,847.50	383,908.50	39,926.48	83,180.18	46,069.02	553,084.18	429,977.52
16	MC Zion	19	5/18/2023				221.50	74.00	295.50	444,772.00	117,882.00	562,654.00	337,592.40	35,109.61	73,145.02	40,511.09	486,358.12	378,103.49
17	Ocean Kingdom	1	5/19/2023				87.00	73.00	160.00	174,696.00	116,289.00	290,985.00	174,591.00	18,157.46	37,828.05	20,950.92	251,527.43	195,541.92
18	Lady Callista	43	5/19/2023				104.00	58.00	162.00	208,832.00	92,394.00	301,226.00	180,735.60	18,796.50	39,159.38	21,688.27	260,379.75	202,423.87
19	Ocean Queenland	14	5/21/2023				119.00	65.00	184.00	238,952.00	103,545.00	342,497.00	205,498.20	21,371.81	44,524.61	24,659.78	296,054.41	230,157.98
20	Moreta Endeavor	17	5/23/2023				172.00	150.00	322.00	345,376.00	238,950.00	584,326.00	350,595.60	36,461.94	75,962.38	42,071.47	505,091.39	392,667.07
21	MC Zion	20	5/24/2023				290.50	162.50	453.00	583,324.00	258,862.50	842,186.50	505,311.90	52,552.44	109,484.25	60,637.43	727,986.01	565,949.33
22	Ocean Zenith	11	5/24/2023				87.00	46.00	133.00	174,696.00	73,278.00	247,974.00	148,784.40	15,473.58	32,236.62	17,854.13	214,348.73	166,638.53
23	Meridian-Uno	11	5/25/2023				214.00	220.00	434.00	429,712.00	350,460.00	780,172.00	468,103.20	48,682.73	101,422.36	56,172.38	674,380.68	524,275.58
24	Moreta Cargo Achiever	15	5/27/2023				271.00	235.00	506.00	544,168.00	374,355.00	918,523.00	551,113.80	57,315.84	119,407.99	66,133.66	793,971.28	617,247.46
25	Lady Callista	44	5/29/2023				141.00	53.00	194.00	283,128.00	84,429.00	367,557.00	220,534.20	22,935.56	47,782.41	26,464.10	317,716.27	246,998.30
26	Moreta Pioneer	3	5/1/2023				290.00	128.00	418.00	582,320.00	203,904.00	786,224.00	471,734.40	49,060.38	102,209.12	56,608.13	679,612.03	528,342.53
27	St. Agustin of Hippo	39	5/4/2023	CHARO / STORO	549	221	67.00	19.00	86.00	36,783.00	4,199.00	40,982.00	24,589.20	2,557.28	5,327.66	2,950.70	35,424.84	27,539.90
28	St. Agustin of Hippo	40	5/7/2023				54.00	29.00	83.00	29,646.00	6,409.00	36,055.00	21,633.00	2,249.83	4,687.15	2,595.96	31,165.94	24,228.96
29	St. Agustin of Hippo	41	5/10/2023				60.00	24.00	84.00	32,940.00	5,304.00	38,244.00	22,946.40	2,386.43	4,971.72	2,753.57	33,058.11	25,699.97
30	St. Francis Xavier	42	5/24/2023				117.00	121.00	238.00	64,233.00	26,741.00	90,974.00	54,584.40	5,676.78	11,826.62	6,550.13	78,637.93	61,134.53
31	St. Francis Xavier	40	5/17/2023				150.00	115.00	265.00	82,350.00	25,415.00	107,765.00	64,659.00	6,724.54	14,009.45	7,759.08	93,152.07	72,418.08
									7,729.52	13,236,395.66	7,941,837.40	825,951.09	1,720,731.44	953,020.49	11,441,540.41	8,894,857.88		

Submitted in compliance with COA Office Order No. 2024-120 dated February 14, 2024.


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