

New Shipping Route Reflects Regional Cooperation and Presents Opportunities for Shipping Industry

The launch in April of a “roll-on, roll-off” (RoRo) shipping route¹ between the Philippines and Indonesia reflects efforts within the Philippines to work with regional partners to increase its trade infrastructure, which in the long term should help grow its economy and provide opportunities for companies linked to the transportation sector. This RoRo service will transport passengers and cargo between the cities of Davao and General Santos, which are on the Philippine island of Mindanao, and Bitung City, which is on the Indonesian island of Sulawesi, [according to the Manila Bulletin](#).

- The announcement of this route follows the summit in November between officials of “BIMP-EAGA,” which is the Brunei, Indonesia, Malaysia, and Philippines East ASEAN Growth Area. This meeting held discussions on improving transportation connectivity and strengthening trade infrastructure, to include the impending RoRo route, [according to Business World Online](#), a Philippine business newspaper.
- Also in November, the Philippine Ports Authority used an ASEAN meeting on regional ports to request ASEAN assistance in modernizing five Philippine ports that Manila views as essential to the country’s international trade, [according to Sun Star Manila](#).
- Philippine President Rodrigo Duterte is expected to travel to China in May and

¹ RoRo vessels are designed to transport cargo that can roll on and roll off the ship,

attend a One Belt, One Road (OBOR) summit, [according to the International Business Times](#). OBOR currently does not extend to the Philippines, but Duterte’s attendance suggests future OBOR plans could include the Philippines, and these plans probably would pertain to shipping infrastructure.



Map of the Philippines and Indonesia, with tags for Davao City (purple), General Santos City (orange), and Bitung City (green). Map courtesy of Google Maps.

The relatively poor shipping infrastructure in the Philippines almost certainly drives Manila’s efforts to engage regional partners to enhance its shipping routes and services. The government also recognizes that enhanced shipping routes and improved infrastructure will grow the economy.

- The Philippines ranks seventh out of the ten Southeast Asian countries scored in [The World Bank’s Logistics Performance](#)

which obviates the need for cranes and therefore saves time loading and unloading.

[Index \(LPI\) of 2016](#), behind Singapore, Malaysia, Thailand, Indonesia, Vietnam, and Brunei. The LPI ranks 160 countries on the efficiency of international supply chains.

- The future RoRo route between Indonesia and the Philippines is more time efficient than previous routes between the two countries and is expected to reduce costs, [according to Rappler](#), a Philippine news site. The new route also is expected to increase trade between Mindanao and Sulawesi, as well as increase tourism and investment, [according to manilastandard.net](#).

Increased regional cooperation on shipping infrastructure and the impending RoRo route should benefit at least three of the few publically traded shipping-related companies traded on the Philippine Stock Exchange.

- Harbor Star Shipping Services provides a range of shipping support services at 67 Philippine ports and sub-ports, and it has started to prepare for operations in Indonesia and Malaysia, [according to its company profile](#), suggesting it will benefit from increased regional infrastructure cooperation and trade. The company might also benefit from the new RoRo route because it serves Davao and General Santos cities.
- International Container Terminal Services (ICT) has a 90% operating stake in the Davos port, [according to its website](#), indicating the company should benefit from increased port traffic. ICT also is working with a Chinese engineering company to develop a container terminal in Central America, [according to JOC.com](#), an international shipping and logistics

news site, suggesting the company could be a preferred partner for any OBOR initiatives in the Philippines.

- Asian Terminals is Philippines-based port operator and developer, and it operates six ports, including the port at General Santos, [according to its website](#), suggesting it should benefit from increased port traffic.

The following chart shows the five-year performance for International Terminal Services (ICT), Harbor Star Shipping Services (TUGS), Asia Terminals Incorporated (ATI), and the Philippine Stock Exchange Index (PSEi). During this same period, the Dow Jones Global Shipping Index declined approximately 35%.

