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PCC clears ICTSI's acquisition of Manila North Harbour Port

The Philippine Competition Commission (PCC) has approved the acquisition by International Container Terminal Services, Inc. (ICTSI) of additional shares in Manila North Harbour Port, Inc. (MNHPI) from Harbour Centre Port Terminal, Inc. (HCPTI).

ICTSI is a domestic corporation engaged in the business of port operations and related services for containerized and non-containerized cargoes worldwide. ICTSI and its subsidiaries currently operate nine ports and one inland container terminal in the Philippines, including the Manila International Container Terminal (MICT). MNHPI, meanwhile, is a domestic company that operates the Manila North Harbour Port Terminal (North Harbour). Its largest shareholders are San Miguel Holdings Corp. and ICTSI, which own 43.33% and 34.83% of MNHPI's outstanding shares, respectively.

ICTSI proposed to acquire additional 15.17% shares in MNHPI to increase its shareholding to 50% post-transaction. PCC reviewed the transaction to check whether ICTSI's acquisition would eliminate the potential entry of a provider of port operations services for foreign containerized cargoes in the Port of Manila.

In a Commission Decision issued on March 14, PCC cleared the transaction after acknowledging the differences in the markets that MICT and North Harbour cater to. The PCC found that the proposed transaction will likely result in a substantial lessening of competition in the relevant market for the provision of port operations services for foreign containerized cargoes in the Port of Manila, if not for the existing regulatory barriers to entry.

The PCC cited the concession agreements entered into by MICT and North Harbour with the Philippine Ports Authority (PPA), which restrict the type of cargo that may be coursed through MICT and North Harbour. The PPA, through its memorandum order, also reiterated MNHPI's contractual limitations and prohibited it from providing terminal services to foreign vessels at the North Harbour.

Given the current regulatory regime wherein North Harbour can only cater to domestic vessels transporting domestic containerized, bulk, and break-bulk cargo, the



PCC found that MNHPI is not a likely entrant in the relevant market and the proposed transaction will not lead to a loss of potential competition.

“The transaction approval was hinged on the concession agreements with the PPA and the current regulatory regime. The Commission approved the transaction but noted that it may exercise the powers of the antitrust law if there were changes in the circumstances relevant to the transaction,” said PCC Chairman Arsenio M. Balisacan.

To date, PCC has received 177 transactions with a combined worth of P2.82 trillion, and has approved 165 of them. PCC, the country’s antitrust body, is mandated under the Philippine Competition Act to review mergers and acquisitions to ensure that these deals will not prejudice competition in the market and the interest of the consumers.

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REFERENCE:

Penelope P. Endozo
publicaffairs@phcc.gov.ph
Public Affairs Division
Philippine Competition Commission