



CLEARED FOR TAKE OFF:

COALITIONS FOR CHANGE AND THE DEVELOPMENT OF CLARK INTERNATIONAL AIRPORT

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COALITIONS for **CHANGE**

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INTRODUCTION

THE COALITIONS FOR CHANGE RESEARCH PAPER SERIES

The Coalitions for Change (CfC) Research Paper Series provides a platform for independent perspectives on reforms supported by the Coalitions for Change program. Each paper in the series examines one reform on a development challenge for the Philippines, and explores the process of change, from defining the development problem, zeroing in on possible solutions, to the conclusion of CfC's involvement in the reform.

The Series is written for those who are interested in lessons gathered from the journey towards specific reforms, or for development practitioners interested in learning from the process of investing in change. The Series aims to contribute to the growing body of work exploring the interface between politics and development, to the communities of practice on adaptive management, doing development differently, and thinking and working politically. Through this product, ideas and experiences on improving the effectiveness of development programs are told. A theme throughout the Series will be an exploration of the challenges in balancing a reform's technical soundness with its political feasibility, a defining strategy of the Coalitions for Change program.

THIS PAPER - COALITIONS FOR CHANGE AND THE DEVELOPMENT OF CLARK INTERNATIONAL AIRPORT

The third paper in this Series explores the conditions that gave rise to the development of Clark International Airport as a complimentary airport to Ninoy Aquino International Airport (NAIA). It traced CfC's subtle but significant role in supporting a coalition and individual champions that pushed for Clark Airport prioritization, amidst political shifts in 2016.

There are three interesting overtures in the Clark Development experience. First is how an administration's decisive action on prioritizing a development agenda, sans new legislation, created an almost immediate effect on the market. Second is how private interests and connections inadvertently or overtly (re)shapes goods and services. The third is how a group of motivated people, in this instance, CfC's partner, Advocacy for Dual Airport Priority (ADAPT), can and has redirected attention to a significant public concern.

All in all, this paper offers lessons on the importance of finding the right network, supporting the advocacy through technical rigor, and checking the political feasibility and timing of a reform agenda. As infrastructure development is closely linked to economic development, we hope that the Clark International Airport experience can make a case for the flexible, local-led reforms, not only for the Philippines but also for the rest of the developing world.

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In August 2015, against the backdrop of worsening congestion in Metro Manila's Ninoy Aquino International Airport (NAIA) and rising costs of air traffic problems elsewhere across the Philippine archipelago, the *Coalitions for Change (CfC)* program in the Philippines embarked on a new set of activities to promote "Airport Infrastructure for Economic Growth". These included one initiative focused on the promotion of Clark International Airport in Pampanga as a second air gateway to complement NAIA.

This initiative was designed to "develop and explore technically sound, politically possible options to create and institutionalize a twin airport concept where NAIA and Clark are developed and considered as one." In terms of specific activities, "the project will develop policy and regulatory proposals and host roundtables and workshops with key constituents in Clark and Manila." The proposal also adopted a strategy in line with the political context of late 2015 to mid 2016:

"The attention of leaders in this administration may be limited due to the May 2016 elections. The major policy reforms will likely be introduced by the next administration. As such the majority of the current phase is to 1) sharpen the key technical issues and recommendations and 2) build networks with key leaders in the public and private sector as well as with the various Presidential aspirants."

CfC enlisted a team of experienced aviation reform advocates and held a series of exploratory consultations with government officials and private sector representatives in Clark, elsewhere in Pampanga, and Metro Manila. By late 2015 and early 2016, contacts were established with key senators and staff members on the campaign teams of the leading presidential candidates in the May 2016 elections. In April 2016, with CfC support, the Advocacy for Dual Airport Priority (ADAPT) was officially launched by a group of Pampanga-based (serving and former) government officials and businessmen. ADAPT called for the next administration to adopt a dual airport strategy for NAIA and Clark, to invest in a new terminal and other infrastructure for Clark, and to commit to a range of other policies to support the development of Clark International Airport as a complement to NAIA.

Within a few short months, this initiative had already begun to bear fruit. By late May 2016, president-elect Rodrigo Duterte was signalling his public support for the development of Clark as a second airport for Metro Manila. In mid-June 2016, moreover, a key member of ADAPT, Alex Caguiran, former Executive Vice-President and Chief Operating Officer of the government-owned Clark International Airport Corporation (CIAC), met with Duterte in Davao City. Caguiran passed on ADAPT's six-point manifesto and was subsequently appointed as CIAC President and CEO. Progress accelerated rapidly with Duterte's assumption of the presidency, with Clark meriting the President's attention in his first Cabinet meeting and extensive discussion in his first State of the Nation Address (SONA) in late July 2016.

Soon thereafter, the Duterte administration approved plans for construction of a new terminal for Clark International Airport which could accommodate eight (8) million more passengers per year, with construction due to be completed by mid-2020. The administration further initiated plans for the creation of a new passenger rail link between Clark International Airport and Metro Manila, as well as a cargo rail link between the Clark Freeport Zone and the Subic Bay Freeport Zone in nearby Zambales Province. By the end of 2018, the Duterte administration had allocated USD1 billion to the development of Clark International Airport, while clearly and consistently signalling its commitment to Clark as a complement to NAIA.

In response to these signals and substantive investments on the part of the government, passenger traffic at Clark and private-sector commitments to the airport also skyrocketed. Within weeks of President Duterte's July 2016 SONA, Philippine Air Lines (PAL) abandoned its longstanding aversion to Clark and committed to establish a raft of new routes at the airport. Other airlines followed with similarly quick moves to expand their traffic through Clark. More than 2.6 million airline passengers passed through Clark International Airport over the course of 2018, a dramatic increase from 868,000 in 2015, just over 950,000 in 2016, and 1.5 million in 2017.

As of this writing, contracts for the construction of the new terminal and for its operation and management have been signed, loans from the Japan International Cooperation Agency (JICA) and the Asian Development Bank (ADB) have been secured for a rail link to Metro Manila, and the Department of Transportation (DOTr) is bidding out components of the railway project to private contractors. Meanwhile, airlines, real estate developers, and other investors have

This paper intends to provide an in-depth, independent analysis of the role of CfC in promoting the development of Clark International Airport.

likewise committed substantial amount of funding for the development of Clark and its environs.

In the few short years since CfC launched its initiative to help promote Clark as a complement to NAIA in a dual airport strategy, it appears that self-sustaining and arguably irreversible success has been achieved.

This paper intends to provide an in-depth, independent analysis of the role of CfC in promoting the development of Clark International Airport. CfC's work on Clark is understood as exemplifying the program's signature focus on a set of problems arising

in the context of sustained economic growth, industrialization, and urbanization in the Philippines. This set of challenges is understood to be distinct to the country's ascendancy towards the bracket of upper middle-income countries in the developing world, and provides a context on why it is imperative to address these challenges to avoid the dangers of the much feared 'middle income trap'. Alongside CfC's work on Clark, for example, the program has likewise devoted considerable energy and resources to initiatives that aim to address school congestion and traffic congestion, which have arisen amidst urban sprawl and 'motorization' in Metro Manila and elsewhere in the Philippines.

CfC's work on Clark further illustrates the program's ability to draw on the experience, expertise, political access, and policy influence of pre-existing reform advocacy networks in the country, much as it has done in its work on land governance and tax reform in recent years. CfC's engagements in the legislative arena and with various national government agencies were mostly in support of the passage of new laws and the promulgation of new regulations. As in these other initiatives, CfC's work on Clark has built on earlier efforts on reform advocacy to advance and refine a pre-existing reform agenda which has stalled and stagnated in an inhospitable political environment, but which may find traction with shifts in political opportunity and renewed effort and interest on the part of the program and its partners.

That said, CfC's work on Clark is also understood here as distinctive and different from many of its other efforts to enable and encourage 'transformative change' through reform advocacy. CfC's support for Clark International Airport as a complement to NAIA in a dual airport policy for Metro Manila appears to have helped to promote an important, irreversible, and self-sustaining policy change with measurable impact, *without new legislation or regulations*. The key indicators of self-sustaining 'transformative change' in the development of Clark International Airport have instead been embodied in major public infrastructure investments and the subsequent (and related) commitments made by private investors.

CfC's work on Clark thus suggests a broader array of mechanisms and processes through which the program's support for reform advocacy work can bear fruit in self-sustaining 'transformative change'.

But what claims can really be made for CfC's role in the development of Clark International Airport over the past three years? In order to provide a clear, coherent, and compelling answer to this question, this paper presents key shifts in economic and political circumstances in the Philippines to contextualise and analyse CfC's work.

Firstly, the paper considers the proverbial 'null hypothesis', which in this case is that economic and/or political circumstances in the Philippines might have led to the development of Clark International Airport over 2016-2018 *even without the initiative and involvement of CfC*. In order to identify the precise set of economic and political circumstances which combined to produce effective policy change, a longitudinal analysis of developments and trends of relevance to Clark since the early 1990s is thus in order.

Secondly, the paper traces the activities of CfC over the course of late 2015 and early-mid 2016 to identify the specific mechanisms and processes through which the reform advocacy work of the program unfolded in various policy arenas and achieved access and influence within the incoming Duterte administration. The timeline of CfC activities and the causal pathways through which they impacted on policymakers is closely examined.

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Thirdly, the paper examines the evidence with regard to the impact of the government's policy decisions on the development of Clark International Airport and the irreversibility of the trends observed to date. Only through contextualization, comparative and counterfactual analysis, and careful consideration of impact and irreversibility, can the nature and extent of CfC's contribution to the development of Clark International Airport and the alleviation of air traffic congestion in and around Metro Manila be properly evaluated.

CLARK INTERNATIONAL AIRPORT AS AN ECONOMIC INEVITABILITY?

In considering the role of CfC in the development of Clark International Airport since 2016, a careful consideration of enabling economic and political pre-conditions is necessary to determine whether the reform advocacy work supported by the program was significant or superfluous in terms of actual impact. In economic terms, for example, it could be argued that the Duterte administration's decision to commit to the development of Clark was the combined product of necessity and opportunity.

By 2016, air traffic at NAIA had reached unprecedented – and unsustainable – levels, having increased from less than 10 million passengers in 1994, to 15 million in 2004, and to more than double by 2014¹ at 34 million passengers, with total air passenger demand predicted to grow to nearly 80 million by 2030.

NAIA had also been included among the top 10 worst airports in the world since 2011 as listed by “The Guide to Sleeping in Airports”.² In a June 2016 report, the International Air Transport Association (IATA) expressed “grave concern” about the “severe capacity crunch,” “the safety of ground movement operations at the airport,” and the “increasing number of airline safety reports” about NAIA, while noting that “airline feedback continues to suggest that Manila operations are becoming more difficult and that some services appear to be struggling to cope with the volume of traffic.”³

¹ Over 2004-2014, NAIA's domestic traffic increased at an average rate of 6.5% per annum, while international traffic increased at an average rate of 8.3% per annum. See: JICA's Information Collection Survey for New Manila International Airport in the Republic of the Philippines: Final Report (Tokyo: Japan International Cooperation Agency, May 2016).

² See: <https://www.sleepinginairports.net/>. NAIA was rated the world's worst airport in 2011-2013, the 4th worst in 2014, the 8th worst in Asia in 2015, and the 5th worst in 2016. See also: “NAIA, Still the 'Worst Airport' According to Pilots, Flight Crews,” GMA News Online, 17 March 2016, at: <http://www.gmanetwork.com/news/lifestyle/content/559342/naia-still-the-worst-airport-according-to-pilots-flight-crews/story/>.

³ Immediate and Long-Term Priorities for Manila Airports (Montreal: International Air Transport Association, June 2016).

Increasing air traffic congestion at NAIA impacted not only passenger experience and air safety, but also airline profit margins and the overall health of the economy. The Civil Aviation Authority of the Philippines (CAAP) estimated that extra fuel costs and other expenses due to landing delays amounted to more than Php 7.4 billion in 2014 (USD 165 million at the time).⁴

Thus it might be suggested that the development of Clark International Airport as a complement to NAIA was an historical inevitability, given the infrastructure and other built-in advantages of Clark dating back to the establishment of the airfield in 1919, the use and expansion of Clark Air Base by the United States Air Force before and after World War II, up to the conversion of the base into Clark Freeport Zone in late 1991.

On the other hand, by 2016, the fiscal resources available to the Philippine government and the financial incentives influencing private airlines and other investors had accumulated in ways which likewise increasingly favoured the development of Clark.

In terms of government finances, sustained economic growth averaging above 6% per annum over the Aquino administration (2010-2016) combined with increased tax revenues and enhanced fiscal discipline (indeed, chronic underspending) provided the fiscal basis for the Duterte administration's 'Build Build Build' program and the ramping up of infrastructure spending in the Philippines since 2016.⁵

At the same time, China's One Belt One Road (OBOR) initiative and its establishment of the Asian Infrastructure Investment Bank (AIIB), the substantial increase in loans to the Philippines from the ADB, and abiding if not increasing interest on the part of JICA, combined to create an environment in which Overseas Development Assistance (ODA) became abundantly available for the funding of large-scale transport infrastructure projects in the Philippines, including airports.⁶

⁴ "Airlines Losing P7 Billion Due to Congested Airport," *Philippine Daily Inquirer*, 29 May 2014.

⁵ For background, see: Adoracion M. Navarro and Gilberto M. Llanto, *Financing Infrastructure in the Philippines: Fiscal Landscape and Resources Mobilization* (Quezon City: Philippine Institute for Development Studies Discussion Paper Series, January 2014).

⁶ See, for example, Zhao Hong, *Chinese and Japanese Infrastructure Investment in Southeast Asia: From Rivalry to Cooperation?* (Tokyo: Institute for Developing Economies Discussion Paper No. 689, February 2018); "ADB Shifts PhL Lending Focus to Transport Infrastructure," *Philippine Star*, 21 September 2018; "ADB Oks Bigger PHL Program," *Business Mirror*, 21-22 September 2018; and "Infrastructure: Japan and China Fight Over the 'Soul' of Asia," *AsiaMoney*, 25 September 2018.

Meanwhile, rapid economic growth in the Philippines sustained over the Aquino administration produced substantial financial liquidity among the major diversified conglomerates in the country. The increasing congestion at NAIA incentivized further development of Clark, given its existing infrastructure and other in-built advantages, whether by air carriers or investors in infrastructure and real estate.

The development of Clark International Airport since 2016 may thus be viewed as the inevitable outcome of structural economic trends: rising prosperity and expanding tourism in the Philippines producing accelerating increases in air passenger traffic, intensifying congestion at NAIA, and inducing investment by the government and the private sector in the single largest pre-existing airport facility in the environs of Metro Manila.

Viewed from this perspective, no reform advocacy work was required to ensure that the Philippine government would eventually commit to the development of Clark. This kind of *post facto* economic determinism, however, fails to convince in at least three ways.

First, government efforts to promote the development of Clark International Airport since the closure of the U.S. military facility in 1991 have unfolded in fits and starts, rather than following a linear progression in line with secular economic trends.

For example, air passenger traffic at Clark under President Gloria Macapagal-Arroyo grew from a mere 4,000 in 2001 to more than 650,000 in 2010, increased under President Benigno Aquino to just over 1.3 million in 2012 but then fell below to 900,000 from 2014-2015, only to pick up once again from 2016. Thus, there is evidence that economic trends do not in and of themselves produce specific policy outcomes such as the development of Clark in the face of rising air traffic congestion at NAIA.

Second, alongside the apparent obviousness and inevitability of Clark's increasing attractiveness in the clear light of hindsight, there is the historical reality of uncertainty surrounding government policies regarding airport development in and around

Metro Manila by the first half of 2016. The Aquino administration dithered and deferred a decision on a second airport even as problems and scandals at NAIA continued to mount over its six years in office. The Aquino administration demonstrated aversion to further investment in Clark, as seen in its downgrading of investment in a new terminal

for the Clark International Airport in 2015, while signalling its support for an alternative new airport based at Sangley Point, Cavite.

As late as May 2016, a JICA report commissioned by the Aquino administration focused attention on the task of evaluating a range of possible sites for a new airport for Metro Manila, while suggesting that Clark's development beyond its role of "accommodating over spilled [sic] air traffic demand of NAIA" was only possible once demographic and economic growth in and around Pampanga and improved infrastructure links (and thus reduced travel time) between Clark and Metro Manila created sufficient demand.⁷ Before the election of Rodrigo Duterte to the presidency in mid-May 2016, policy

deadlock prevailed, alternatives to Clark were under serious consideration, and reservations about Clark impeded government and private-sector commitments and investments in and around the airport. The putative inevitability of Clark's development since July 2016 is undermined by the 'facts on the ground' just a few months earlier.

Looking farther afield, it is evident that the economic logic of timely investment in expanded airport capacity to alleviate congestion is often not enough to guarantee effective government policy decisions, substantial investments, and other enduring commitments which would trigger private-sector responses along similar and supportive lines.



Government efforts to promote the development of Clark International Airport since the closure of the U.S. military facility in 1991 have unfolded in fits and starts, rather than following a linear progression.



⁷ See: JICA's Information Collection Survey for New Manila International Airport in the Republic of the Philippines: Final Report (Tokyo: Japan International Cooperation Agency, May 2016), pp. 3-4.

Pressures for expanded airport capacity for the greater metropolitan region of London, for example, grew over the course of more than two decades from the 1960s before plans for the development of Stansted Airport were finally agreed in 1984.⁸ More recently, increasing air traffic congestion and intensifying business concern about the costs to the British economy since the turn of the 21st century have failed to produce firm commitments, decisions, or investments in expanded airport capacity for London and its environs, even after the July 2015 publication of the long-awaited report by the government-appointed Airport Commission headed by Sir Howard Davies.⁹

Meanwhile, in Los Angeles, California, pressure continued to build up over the duration of the 1990s before increasingly urgent decisions on airport expansion were made, a pattern which appears to be recurring in the city today.¹⁰

Closer to the Philippines, plans for a second Bangkok International Airport stalled under a rapid succession of short-lived coalition governments in the 1990s and suffered subsequent delays and difficulties up to the belated opening of Suvarnabhumi Airport in 2006.¹¹ When it comes to airports, economic 'necessity' clearly does not automatically produce prompt policy decision-making, especially under conditions of democracy.¹²

Third, an economic determinist argument for the inevitability of Clark International Airport's development since 2016 must be considered in the light of counterfactual scenarios in which candidates other than Rodrigo Duterte won the presidency in the May elections and assumed office at the end of June of that year.

If Clark's development were inevitable, then it would have proceeded regardless of the outcome of the May 2016 presidential elections. Indeed, CfC undertook its promotion of reform advocacy work from late 2015 through early May without foreknowledge of the election results, as seen in its efforts to lobby key staff on all the major presidential campaign teams. But if, for example, the second-place candidate, Manuel 'Mar' Roxas II of the Liberal Party (LP), had won the presidency, his previous stint as Secretary

⁸ Peter Hall, *Great Planning Disasters* (Berkeley: University of California Press, 1980), pp. 15-55.

⁹ Airports Commission: Final Report (London: Airports Commission, July 2015).

¹⁰ Steven P. Erie, *Globalizing L.A.: Trade, Infrastructure, and Regional Development* (Stanford, CA: Stanford University Press, 2004), pp. 172-200.

¹¹ For background, see: Thongchai Roachanakanan, "Bangkok and the Second Bangkok International Airport: Politics of Planning and Development" (PhD thesis, Australian National University, 1999); and John Kasarda and Greg Lindsay, *Aerotropolis: The Way We'll Live Now* (New York: Penguin Books, 2011), pp. 245-265.

¹² For a broader critique of 'rationality' as the basis for democratic decision-making in transport infrastructure policy-making, see the instructive account of the making of a new bus terminal in the Danish city of Aalborg in Bent Flyvbjerg, *Rationality and Power: Democracy in Practice* (Chicago, IL: University of Chicago Press, 1998).

of the Department of Transportation and Communications (DOTC) from 2011-2012, and his close association with his DOTC successor, the Caviteño politician and Liberal Party Secretary-General Joseph Emilio 'Jun' Abaya, suggested a pronounced predilection for indecisiveness on major airport investment decisions as well as a strong preference for Sangley Point, Cavite over Clark.

Like Roxas, the third-place candidate, Senator Grace Poe, signalled her support for the “full use” of Clark during the presidential campaign, while noting that a railway system was needed to connect the airport to Metro Manila. But her campaign, it is perhaps also worth noting, was initially supported by San Miguel Corporation (SMC) President Ramon Ang, who was already engaged in large-scale land acquisition efforts in anticipation of a proposal for a privately-owned airport in Bulacan Province as an alternative site to Clark (see more below).¹³

Finally, the fourth-place presidential contender, then vice-president Jejomar 'Jojo' Binay, made similarly supportive comments about Clark Airport while campaigning in Pampanga before the elections, but without articulating any clear commitment or coherent strategy. Up until late April 2016, moreover, Binay had enlisted Cavite

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Governor (2010-2016) Juanito 'JonVic' Remulla, Jr. as his campaign spokesman and reportedly promised him the powerful position of Secretary of the Interior and Local Government if he won the presidency.¹⁴

Thus, a presidential victory for Roxas or Binay in 2016 would have empowered the lobby for Sangley Point within the new administration, while a Poe presidency might likewise have favoured Ramon Ang's proposal for a privately-owned airport in Bulacan. It was thus only in the context of the victory of Rodrigo Duterte in the May 2016 presidential elections that the political pathway was cleared for the development of Clark.

¹³ See: "Grace Poe: Aquino Borrows Planes from Same Companies," Rappler, 24 February 2016 and "Duterte: San Miguel's Ramon Ang Was Campaign Donor," Rappler, 21 December 2016.

¹⁴ Remulla 'junked' Binay on the eve of the election and announced his support for Duterte, but in all likelihood he would have remained with Binay – and enjoyed influence in his administration – if Binay had been on course to victory.

CLARK INTERNATIONAL AIRPORT AS A POLITICAL INEVITABILITY UNDER THE DUTERTE ADMINISTRATION?

Given the above context, it is necessary to consider a second alternative ‘null hypothesis’, which is that the development of Clark International Airport was the inevitable result of the incoming Duterte administration’s in-built policy proclivities and preferences, rather than the outcome of reform advocacy work supported by CfC. In other words, once elected, the Duterte administration would have undertaken to develop Clark as a complement to NAIA even in the absence of the advocacy campaign enabled and encouraged by CfC.

Viewed from this perspective, CfC’s support for advocacy in favour of the development of Clark International Airport proved unnecessary and had no actual impact. It may be that political stars aligned in favour of Clark International Airport in mid-2016, and it was this conjuncture, rather than CfC-backed reform advocacy work, which made all the difference for Clark.

Indeed, looking back over the history of Clark International Airport since the conversion of Clark Air Base to Clark Freeport Zone in the early 1990s, it is undeniable that the fortunes of the airport have been profoundly shaped by political circumstances and considerations. For example, President Fidel V. Ramos signed a set of executive orders in 1994 which envisaged Clark as a “major aviation complex for international passengers and/or cargo” and established the CIAC as a subsidiary of the government-owned Clark Development Corporation (CDC) with jurisdiction over its operations and

development. But throughout the Ramos presidency (1992-98), efforts to liberalize aviation in the Philippines to enable airline competition and the opening of airports other than NAIA to international air traffic were repeatedly opposed and undermined by PAL, which enjoyed an effective monopoly over air travel in the archipelago.

PAL's protectionist policies continued to impede the development of Clark Airport over the course of the Estrada Administration (1998-2001), thanks to the influence which PAL's owner, Lucio Tan, enjoyed with the President.¹⁵ In 2001, only 4,118 air passengers travelled through Clark.

This situation began to improve over the long presidency of Gloria Macapagal-Arroyo (2001-2010), who hailed from Pampanga province and was a strong supporter of the development of the airport. Indeed, passenger traffic at Clark rose precipitously over the course of the Arroyo administration, from just over 4,000 in 2001 to more than 650,000 in 2010, with low-cost carriers (LCCs) using Clark as an entry point into the Philippine aviation market.

Air cargo traffic also dramatically increased, thanks to the use of Clark by international courier and cargo service company UPS as a regional hub throughout much of the 2000s.



Passenger traffic at Clark rose precipitously over the course of the Arroyo administration, from just over 4,000 in 2001 to more than 650,000 in 2010.



¹⁵ See: John T. Bowen, Jr., Thomas R. Leinbach, and Daniel Mabazza, "Air Cargo services, the State and Industrialization Strategies in the Philippines: The Redevelopment of Subic Bay," *Regional Studies*, Volume 36, Number 5 (2002), pp. 451-467, at pp. 461-463.

Efforts to open Clark to more international air traffic foundered, however, in the face of resistance from PAL and Cebu Pacific, which by the 2000s had settled into an aviation duopoly after the belated, partial liberalization of aviation initiated under the Ramos administration in the 1990s.

Some of Clark’s gains over the decade, moreover, proved reversible. UPS moved its Asian hub to Shenzhen in 2008, and airlines began to shift their aircraft and passenger routes through Clark to NAIA as opportunities arose.

Shenzhen



Amid rising concerns about the mid-term elections of 2007, the Arroyo administration abandoned its unilateral offer of unlimited air rights to foreign carriers at Clark in a concession to the wealthy, powerful owners of PAL and Cebu Pacific who favoured NAIA and restricted access for rival airlines. Thus, after the spectacular growth of the early 2000s, the expansion of air passenger traffic began to taper off over the last few years of the Macapagal-Arroyo presidency.¹⁶

Some of Clark's gains over the decade, moreover, proved reversible. UPS (United Parcel Service) moved its Asian hub to Shenzhen in 2008, and airlines began to shift their aircraft and passenger routes through Clark to NAIA as opportunities arose. Air passenger traffic continued to grow in the early years of the Aquino administration (2010-2016) and congestion at NAIA worsened. After a peak of 1.3 million passengers in 2012, air traffic at Clark began to decline, falling to less than 870,000 in 2015.

This decline reflected a decisive shift on the part of the Aquino administration. At first,

prospects for the development of Clark under the new president appeared bright: then incoming Secretary of the DoTC, José 'Ping' de Jesus, had family roots in Pampanga and was supportive of Clark, and initial strategy for airport development included large-scale investment in a new terminal for the airport. These plans were in line with advice and assistance from JICA, which noted the in-built advantages of Clark as a second international gateway airport for Metro Manila in a May 2011 report commissioned by the DOTC.¹⁷

Clark's fortunes began to wane, however, following the resignation of de Jesus in mid-2011 and his replacement by Mar Roxas and then Jun Abaya. The shift in government policy was evident in a 2014 report co-published by JICA and NEDA (the Philippines' National Economic and Development Authority), which derided the May 2011 JICA report as "unduly biased towards Clark." The role of the airport was now demoted from "complement to NAIA" in a dual airport strategy to the function of "absorb[ing] the overflow air traffic from NAIA" and the limited "market niche" of servicing low-cost carriers.¹⁸

¹⁶ For an insightful and illuminating overview of civil aviation reform efforts and outcomes, and their impact on the development of Clark, over the course of the 1990s and 2000s, see: Maria Cherry Lyn Salazar-Rodolfo, "Exploring the Political Economy of Civil Aviation Reforms in the Philippines," in Jaime Faustino and Raul V. Fabella (eds.), *Built on Dreams, Grounded in Reality: Economic Policy Reform in the Philippines* (Makati City: The Asia Foundation, 2011), pp. 41-62.

¹⁷ Study on Airport Strategy for Greater Capital Region in the Republic of the Philippines: Progress Report (Tokyo: Japan International Cooperation Agency, May 2011), pp. 2-124, 3-21.

¹⁸ Roadmap for Transport Infrastructure Development for Metro Manila and its Surrounding Areas (Region III and Region IV-A): Final Report (Tokyo/Pasig City: Japan International Cooperation Agency/Republic of the Philippines National Economic and Development Authority, March 2014), pp. 3-35, 3-37.

In the wake of the North Rail fiasco of the Arroyo administration, proposals for the high-speed rail link to Metro Manila, deemed necessary for the further development of Clark as an international gateway airport, were now said to be “too costly” for the government to consider.¹⁹

The Aquino administration’s scaling back of plans for a new terminal – from its original eight (8) million passenger per annum capacity to three (3) million passenger per year – combined with signals and speculations about airport development prospects at Sangley Point, Cavite to diminish private-sector confidence in the government’s commitment to Clark.

Whether it was due to an aversion to an airport closely associated with the preceding president,²⁰ general policy incoherence and indecisiveness, or a preference for Sangley, the Aquino administration clearly restrained the development of Clark Airport even in the face of rising congestion at NAIA.

Overall, the historical importance of presidential policy proclivities and preferences for the rather fitful pattern of Clark’s development has been amply demonstrated and well documented.

The Duterte administration’s strong support for Clark since mid-2016 must then be considered as a decisively fortuitous shift in political environment and opportunity in its own right, without reference to or reliance on the advocacy campaign in support of Clark’s development supported by CfC. It could be pointed out that political and personal circumstances combined to enable and encourage President Duterte’s strong endorsement of Clark as a complement international air gateway to NAIA. Duterte, after all, won election to the presidency by a large margin over Aquino’s anointed successor Mar Roxas. The latter was closely associated with controversies in the realm of traffic and transport infrastructure policy over the six years of the Aquino administration.

¹⁹ See: Ibid., Supplementary Report No. 1: New NAIA Project, p. 4. On the North Rail project, see: Roel Landngin (ed.), *The Seven Deadly Sins: Can Aquino Fix Arroyo’s Legacy of Costly and Messy Projects?* (Quezon City: Newsbreak/Public Trust Media Group, 2011).

²⁰ In 2003, Clark was renamed Diosdado Macapagal International Airport in honor of then president Gloria-Macapagal-Arroyo’s father, who himself has served as President of the Philippines (1961-1965). The name reverted to Clark International Airport in February 2012 under the Aquino Administration.



Overall, the historical importance of presidential policy proclivities and preferences for the rather fitful pattern of Clark's development has been amply demonstrated and well documented.



From the outset, Duterte positioned himself as a more decisive policymaker than his erstwhile rival for the presidency and his predecessor in office, especially with regard to transport infrastructure. Duterte called for emergency powers to resolve traffic congestion in Metro Manila and his 'Build Build Build' initiative for accelerated investment in transport infrastructure across the Philippines.

Duterte was also unconstrained by any sympathy for PAL's longstanding aversion to Clark, as seen in his public aversion to PAL owner Lucio Tan and his administration's active efforts to collect unpaid airport fees and unpaid taxes from PAL and other companies in the Lucio Tan Group.²¹ Thus Duterte's quick commitment to Clark at the beginning of his term in office and the coherence and consistency of his administration's policies in support of Clark's development arguably reflected a broader set of distinctive features of his presidency.

²¹ See, for example, Tony Lopez, "Duterte and PAL," Manila Standard, 4 October 2017.

At the same time, President Duterte's proclivity in favour of the development of Clark also arguably reflected his close personal association with proponents of the airport's development over the years preceding his election to national office.

For example, Duterte enjoyed close links to Edgardo Pamintuan ('EdPam'), who served as Mayor of Angeles City, Pampanga in 1992-1998 and again since 2010, holding a number of different posts during the intervening period in the Macapagal-Arroyo Administration. Pamintuan was involved in the advocacy group MOVE Clark Now (Movement for the Full Operation of Clark International Airport) in the late 1990s, and he headed the inter-agency Subic-Clark Alliance for Development Council (SCADC) for several years in the 2000s. A fellow alumnus of the San Beda University College of Law, Pamintuan allegedly urged Duterte to run for the presidency as early as December 2014, signed a sister city agreement with then Davao City Mayor Duterte in 2015, and was one of only three city mayors across the Philippines who publicly endorsed Duterte's candidacy in the 2016 election campaign.

Pamintuan's support for Duterte stood in contrast with Pampanga Governor Lilia Pineda's endorsement of Mar Roxas and (at least retrospectively) assumed significance on election day, when Duterte defied expectations of a Roxas sweep of Central Luzon and won Pampanga along with seven other provinces on Luzon, taking Angeles City by a 53,000-vote margin over Roxas.²²

Meanwhile, Duterte's close school ties also included his former San Beda Law School classmate Arthur Tugade, who served as CDC President and Chief Executive Officer under Aquino but resigned in April 2016 to join Duterte's presidential campaign and won appointment as Secretary of Transportation shortly after the election in May of that year. Tugade's strong support for Clark has been evident since the onset of the Duterte administration, as seen in his early decision to move the Department of Transportation to the Clark Freeport Zone, which was implemented in July 2017. The development of Clark under the Duterte administration has arguably reflected the fortuitous inclusion of experienced and enthusiastic advocates for Clark among the close-knit group of former

San Beda Law School classmates and fraternity brothers whom President Duterte famously relies on so heavily for advice and cabinet appointments in his administration.²³

Meanwhile, from the vantage point of hindsight in early 2019, it should be noted that Duterte may have enjoyed quiet but critical support from former president and Pampanga congresswoman Gloria Macapagal-Arroyo in the 2016 election campaign, both in terms of her network of local supporters in the province (including Pamintuan) and elsewhere across the country and in terms of financial assistance to his campaign.

Whatever the case may be, Duterte clearly assumed office in mid-2016 with a coterie of close advisors, top appointees, and other

administration insiders who included a number of well-placed advocates for the development of Clark Airport, rather than, say, proponents of Sangley and/or Bulacan as alternative sites for new airports.

Viewed from this perspective, it might be suggested, the advocacy campaign for Clark supported by CfC may have ultimately been unnecessary and unimpactful, and the development of Clark since mid-2016 may simply be understood as the inevitable outcome of the idiosyncratic features of the Duterte administration itself.

²² "Pineda Fails to Deliver for Aquino's Bets in Pampanga," Rappler, 13 May 2016.

²³ See: "Bond of Brothers: Lex Talionis Frat Members Get Key Gov't Posts," Philippine Daily Inquirer, 21 May 2017; and "Gallery: Who Are Duterte's San Beda Appointees to Gov't?," Rappler, 28 June 2017.

CfC AND ADAPT'S ADVOCACY CAMPAIGN: PROCESS TRACING AND CAUSAL ANALYSIS

Against this backdrop, a careful chronicling of CfC's activities and support for advocacy work is necessary in order to trace the processes and mechanisms – and to delineate the nature and extent – of causal influence and impact on the development of Clark International Airport. CfC's aviation reform initiative – and the inclusion of Clark – emerged, it is worth recalling, in the context of worsening air traffic congestion at NAIA, but with little evidence of growing interest in developing Clark as a second airport for Metro Manila.

Indeed, 2016 began with the publication of new data indicating that NAIA had serviced 36.7 million airline passengers in 2015, a 7% increase over the previous year, and well above its estimated maximum capacity of 32 million passengers per annum. Figures further indicated that 50% of all flights into NAIA were delayed by an average of 45 minutes, and that as many as 80% of all flights were delayed by an average of 20 minutes.

Public awareness and alarm with regard to the rising costs and dangers of congestion at NAIA escalated over 2015 amidst news reports of last-minute forced diversions of aircraft to Clark as well as other public scandals about the mistreatment of passengers in the airport's terminals extensively covered in the media. The Aquino administration, however, continued to ignore Clark's potential for development as a second airport for Metro Manila, invoking instead the JICA pre-feasibility studies focused on Sangley Point.²⁴

²⁴ "Congestion Worsens at NAIA; 4 Terminals at Bursting Point," Business Mirror, 24 January 2016.

By late 2015 CfC had identified the imperative – and the opportunity – to support a new advocacy campaign for the development of Clark in the months leading up to the May 2016 presidential elections. The economic costs of rising air traffic congestion at NAIA were increasing, and some means of alleviating the problem was urgently needed, not only for the sake of airline passengers but for the continuing health and sustainable future of the Philippine economy. Air traffic congestion was identified as a ‘binding constraint’ on economic growth.

For CfC, Clark represented the best – if not the only – available ‘technically sound’ solution, given that the airport was already operating, had spare capacity, and there was land – and plans on the shelf – for a new terminal which would vastly expand its facilities within a few short years.



Public awareness and alarm with regard to the rising costs and dangers of congestion at NAIA escalated over 2015 amidst news reports of last-minute forced diversions of aircraft to Clark as well as other public scandals about the mistreatment of passengers.

²⁵ See: Project for the Study on Airport Strategies for the Greater Capital Region in the Republic of the Philippines (Manila: Japan International Cooperation Agency and Department of Transportation and Communications (DOTC), March 2010); Feasibility Studies for the DMIA Master Development Plan (Seoul: Koean International Cooperation Agency, November 2008).



For CfC, Clark represented the best – if not the only – available ‘technically sound’ solution, given that the airport was already operating, had spare capacity, and there was land – and plans on the shelf – for a new terminal.



Expert studies of airport congestion in the Philippines by JICA and the Korean International Cooperation Agency (KOICA) in fact concurred that Clark was the most feasible option.²⁵

In addition, the development of Clark would also help to enable and accelerate investment and economic growth in Central Luzon, a region with enormous potential for further industrial and residential development. Developing Central Luzon is being considered a solution to overcrowding in Metro Manila and suburban spill over and saturation in southern provinces nearest to Cavite and Laguna. For CfC, moreover, the onset of the 2016 election campaign season offered an unparalleled opportunity to advocate for the development of Clark among the presidential candidates and other key policymakers in Manila.

Firmly convinced in the viability and value of advocating for Clark, CfC thus moved quickly in late 2015 to recruit a team of seasoned aviation reform advocates who combined academic expertise, experience in the airline industry, and service in relevant government positions, including key agencies involved in Clark.

Among those drawn into the CfC team’s early discussions were Alex Cauquiran, former Executive Vice President of CIAC in 2006-2010, and Linda Pamintuan, Executive Director of the inter-agency Subic-Clark Alliance for Development Council (SCADC). Both enjoyed

close ties to Angeles City Mayor Edgardo 'EdPam' Pamintuan, Linda Pamintuan as his sister-in-law, and Alex Cauguiran as his Chief of Staff since 2010 and, as of 2012, official President of the local *Partido Abe-Kapampangan*, which 'EdPam' chaired and led on the ballot in Angeles City.

Over the course of late 2015 and early 2016, CfC's team drew Cauguiran and Pamintuan into a series of meetings and workshops which helped to situate and stylize advocacy for the development of Clark within the broader contexts of national and international trends in aviation.

In late 2015, the lead of CfC's aviation team drafted a holistic policy paper for airports policy which included a multi-pronged strategy for the decongestion of NAIA and the expansion of airport capacity in and around the National Capital Region. The solid grounding of the CfC team's policy briefs in terms of up-to-date empirical data and academic and other expert literature, relevant institutional and regulatory frameworks, and econometric modelling of implications for the Philippine economy, helped Cauguiran, Pamintuan, and the team to strengthen advocacy for Clark among key policy-makers in Manila with a broader vision of Clark's role in the overall constellation of Philippine aviation problems and policy options, and with real credibility in terms of expertise and understanding in this highly complex and contentious policy arena.²⁶

By early 2016, the CfC team was actively engaged in promoting Clark among key presidential contenders in the lead-up to the elections in May of that year. In February 2016, for example, Alex Cauguiran met with Senator Grace Poe and her vice-presidential running mate Senator Francis 'Chiz' Escudero to advocate for Clark. The meeting inspired the two senators to file a Senate resolution expressing support for the development of the airport and urging legislative action in support of this goal.²⁷

²⁶ The policy paper first drafted in connection with CfC's work in late 2015 and early 2016 was subsequently published as a policy brief: Maria Cherry Lyn S. Rodolfo, Air Transport Infrastructure: A Policy Brief (Makati City: The Arangkada Philippines Project Policy Brief Number 6, February 2017), available at : http://www.investphilippines.info/arangkada/wp-content/uploads/2015/09/FINAL-POLICY-BRIEF_AIRPORT-FEB-91.pdf

²⁷ See: "Senate Resolution No. 1728, Expressing Support to the Development of Clark International Airport in Pampanga Under a Four-Pronged Approach and Urging in the Process the Appropriate Committee/s of the Senate to Look into the Matter with the End in View of Enacting Legislative Measures to Address the Same," 16 February 2016.

CfC team's policy brief helped Cauguiran, Pamintuan, and the team to strengthen advocacy for Clark among key policymakers in Manila with a broader vision of Clark's role in the overall constellation of Philippine aviation problems.

In late April 2016, moreover, CfC launched the ADAPT campaign – Advocacy for Dual Airport Priority – and to issue a public manifesto in its name. The manifesto identified six priorities for the development of Clark International Airport, which included the adoption of a dual airport strategy for NAIA and Clark as a national priority; terminal expansion to accommodate 15 million passengers per annum within the next three years; and establishment near Clark of facilities (ideally under a One-Stop Government Center) for pre-employment procedures and services required by/for departing Overseas Filipino Workers (OFWs).

The meeting – and the manifesto's signatories – included representatives of the Region III (Central Luzon) branch of the Philippine Chamber of Commerce and Industry, the Pampanga Chamber of Commerce and Industry (PamCham), the Hotels and Restaurants Association in Pampanga (HARP), Clark Investors and Locators Association (CILA), the Region III branch of the Philippine Exporters Confederation (PHILEXPORT), and other private-sector groups. The ADAPT meeting and manifesto attracted local and national media coverage, thus drawing the attention of candidates and voters to the issues raised.²⁸

²⁸ See, for example, "Group Calls for Clark Full Development; Banking on Next Administration," *Interaksyon*, 22 April 2016.

Through its promotion of ADAPT, CfC helped both to stimulate and to strengthen advocacy for the development of Clark. On the one hand, the formation of ADAPT demonstrated that strong support for the development of Clark extended beyond politicians like Alex Caguiran (and Edgardo ‘EdPam’ Pamintuan) to encompass a broad range of business and other interests in Pampanga and elsewhere in Central Luzon. On the other hand, ADAPT carefully honed its advocacy of Clark to emphasize the potential of the airport’s development not as a hub for Central Luzon, but as an international gateway and transit point for air traffic for the National Capital Region and the Philippines as a whole. ADAPT’s manifesto called for the next administration to make the development of Clark a *national* priority.

With the election of Rodrigo Duterte to the presidency in May 2016, the CfC team quickly focused its advocacy work on key figures in the incoming administration. In late May and again in mid-June the team met with incoming Department of Transportation (DOTr) Secretary Arthur Tugade and presented a proposed reform agenda, with its dual airport strategy for the joint development of NAIA and Clark as its first point of emphasis. The team also briefed

The formation of ADAPT demonstrated that strong support for the development of Clark extended beyond politicians like Alex Caguiran (and Edgardo ‘EdPam’ Pamintuan) to encompass a broad range of business and other interests in Pampanga and elsewhere in Central Luzon.

Senator Cynthia Villar, whose husband, former Senate President, presidential candidate, and billionaire real-estate mogul Manny Villar, had strongly supported Duterte’s presidential campaign, and whose son, former congressman Mark Villar, was in line for appointment as Secretary of the Department of Public Works and Highways (DPWH).

In mid-June 2016, as noted above, Angeles City Mayor Edgardo Pamintuan was accompanied by Alex Cauguiran to Davao City, where they met with president-elect Duterte. Cauguiran passed on the ADAPT manifesto to Duterte's staff and urged him to move quickly to shift airline routes from NAIA to Clark to alleviate growing air traffic congestion, while Pamintuan suggested Cauguiran as the new CEO and President of CIAC. Pamintuan, in short, chose to spend his political capital with Duterte on Clark.

The proposed appointment of Cauguiran as President and CEO of CIAC, it is worth noting, had already been mooted by local commentators during the 2016 election campaign in the context of his public advocacy for Clark and his prominence in the *Partido Abe- Kapampangan* in Angeles City.

Already in March 2016 one local newspaper columnist in Pampanga had noted Cauguiran's promotion of a dual airport strategy for Clark and suggested that "his plan has become the bible of national candidates in preaching their development gospels." The columnist posited that Cauguiran's appointment to head Clark should be a political priority for Pampanga in the upcoming May 2016 presidential election:

That the Clark airport development has been, and will be, the priority and endless agenda of the incoming President, a Pampango head and CEO of the Clark International Airport Corp. should be considered for the post.

But getting appointed to the CIAC presidency is not merely a matter of credentials such as Alex [Cauguiran] possesses. I suggest, therefore, that Mayor Pamintuan take the political risk, by throwing his political support to a "winning" candidate for president. He should not let this opportunity just go by.

That is the logical and practical investment if we want Cauguiran get the top job at CIAC. I understand that the leading Presidential bets have been courting the world-rated city mayor for his support. Although EdPam has intimated he was not committing himself to any candidate, he needs to do it for the sake of his friend and for the cause of airport development.²⁹

²⁹ Ram Mercado, "Mercado: Cauguiran and the CIAC," Sun Star Pampanga, 15 March 2016.

Whatever actually transpired in the meeting between Duterte, Pamintuan, and Cauguiran in Davao in mid-June 2016, subsequent developments clearly suggest its significance.

By June 30th of that year, President Duterte was discussing the development of Clark as part of a strategy to decongest NAIA in his very first Cabinet meeting. By late July, Duterte had focused attention on Clark in his State of the Nation Address (SONA), noting that “Clark Airport can be utilized to shift some operations of our domestic and international airlines,” promising the establishment of a one-stop shop for the processing of OFWs inside the Clark aviation complex, and also identifying the construction of a rail link between Clark and Metro Manila as a matter of government priority. As one commentator noted: “The meeting between President Rodrigo Duterte with airport advocate Alex Cauguiran in Davao may have resulted in a positive development after Digong [Duterte] delivered his first SONA last Monday. This is because everything that Duterte said about Clark Airport is included in the Clark-NAIA dual airport proposals of the group ADAPT.”³⁰

By the end of August 2016, not only had Cauguiran been appointed as President and CEO of CIAC, but PAL had announced that it was moving flights from NAIA to Clark. Mid-September 2016 saw Cebu Pacific following suit.

By the end of August 2016, not only had Cauguiran been appointed as President and CEO of CIAC, but PAL had announced that it was moving flights from NAIA to Clark. Mid-September 2016 saw Cebu Pacific following suit with well-publicized plans for expanded operations at Clark as well, even as an OFW One-Stop Center was inaugurated at Clark. CfC-supported advocacy beginning in late 2015 had already borne fruit in the new government’s policy in mid-late 2016.

³⁰ J. Pelayo IV, “Pelayo: Clark to be Fully Utilized,” Sun Star Pampanga, 26 July 2016.

FROM 'PIE IN THE SKY' TO 'IN THE PIPELINE': IRREVERSIBILITY AND IMPACT?

Indeed, since the Duterte administration assumed office in mid-2016, the development of Clark International Airport has accelerated into high gear. Previous administrations took office with initial plans to develop Clark, only for interest and momentum to subside in the face of doubts and diversions, obstacles and alternative options, thus impeding the expansion of Clark and the extension of its role as a complement to NAIA.

Has the development of Clark since mid-2016 reached some kind of 'tipping point' which will prove to be both decisive and irreversible? As of early 2019, how can we be certain that CfC's advocacy work has helped to 'lock in' a sustainable long-term dual airport strategy for the national capital region of the Philippines?



It is possible to identify a set of major investments in the development of Clark which suggest transformative and self-sustaining impact in terms of scale and irreversibility.



Looking back over the past two years since the Duterte administration assumed office, it is possible to identify a set of major investments in the development of Clark which suggest transformative and self-sustaining impact in terms of scale and irreversibility. First of all, in May 2017, the National Economic and Development Authority (NEDA) approved the government's proposal for a new terminal for the airport designed to accommodate an additional eight million passengers per year, with more than P15 billion (almost USD 285 million) allocated for the construction costs.

By the end of 2017, construction had commenced, with the project due to be completed by mid-2020. In January 2019, the Bases Conversion Development Authority (BCDA) signed an agreement with a consortium combining leading Philippine developers and the



Ongoing construction of Clark International Airport's Terminal 2 (Phase 1) that is expected to start operating in 2020 to accommodate 8 million travellers. Second runway is also in the pipeline (2nd Phase) to accommodate 22 million travellers. *Klipp.tv*

¹⁵ See: John T. Bowen, Jr., Thomas R. Leinbach, and Daniel Mabazza, "Air Cargo services, the State and Industrialization Strategies in the Philippines: The Redevelopment of Subic Bay," *Regional Studies*, Volume 36, Number 5 (2002), pp. 451-467, at pp. 461-463.

 **The new terminal will dramatically expand the capacity of Clark to handle air traffic, enabling a massive increase in the number of flights – and passengers – which the airport can accommodate.** 

Singapore-based Changi Airport Group for the operations and maintenance contract for the airport, based on a 25-year concession to operate both terminals.³¹

Terminal 2 commenced in 2017 and is expected to open its doors in 2020 to accommodate eight (8) million travelers. At full capacity, both these terminals could hold a total of 12 million passengers.

The essential infrastructure necessary to absorb increasing numbers of airline passengers at Clark over the years is finally being provided by the government and the private sector, and at an accelerated pace. The new terminal will dramatically expand the capacity of Clark to handle air traffic, enabling a massive increase in the number of flights – and passengers – which the airport can accommodate. Without the new terminal, Clark's development would remain seriously constrained and compromised for the foreseeable future.

Meanwhile, the Duterte administration has also moved expeditiously over the past two years to undertake other major infrastructure investments in support of Clark, most notably a new rail link between the airport and Metro Manila. As noted above, sceptics have long suggested that Clark's potential as an international air gateway for Metro Manila would remain constrained by the 100km distance between the airport in Pampanga and the national capital, with studies suggesting a minimum of two hours travel by bus or automobile.

³¹ "Filinvest-JG Consortium Inks O & M Deal for Clark," Business World, 23 January 2019; "North Luzon Airport Consortium Inks Clark Concession Agreement," Philippine Star, 23 January 2019.

Even before his assumption of office, Duterte had emphasized the importance of establishing a rail link between Clark and Metro Manila, a point he further stressed in his first SONA in July 2016.

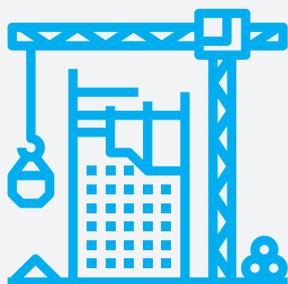
To this end, the Duterte administration initiated plans for a 100km railway connecting Clark to Tutuban, the main station of the Philippine National Railway in Manila, which should cut travel time from Manila to Clark to less than one hour. The project, which is funded mainly by loans from JICA, will cost more than Php300 billion (USD5.55 billion), and is expected to be completed by 2021 or 2022.³² The new rail link is anticipated to make Clark more accessible and attractive to airline passengers travelling to and from central areas of Metro Manila, especially if plans to extend the Light Rail Transit 2 (LRT2) line to Tutuban will push through in the future.

Meanwhile, in November 2016 the Duterte Administration awarded the contract for the construction of an eight (8)-kilometer elevated connector road linking the North Luzon Expressway (NLEX) – which runs to Clark – and the South Luzon Expressway (SLEX) in Manila, thus reducing traffic congestion and travel time on the roads between the airport and various parts of Metro Manila. As of early 2019, the contractor is still proceeding with Right of Way acquisition, with road construction scheduled to commence in May 2019 and to be completed by April 2021.³³

Thus beyond the opening of a One Stop Government Center for processing requirements of OFWs and the facilitation of Point-to-Point (P2P) buses between Clark, Metro Manila, and other major cities on Luzon by the Department of Transportation (DOTr), the Duterte administration has committed billions of pesos to major infrastructure projects specifically designed to enhance the handling capacity, the accessibility, and the attractiveness of Clark International Airport. No preceding administration ever invested so much money – and so much political capital – in Clark.

³² "DOTr Sets Bidding for Manila-Bulacan Railway link," Philippine Daily Inquirer, 17 September 2018.

³³ On concerns about Right Of Way, compensation and relocation of residents and businesses to be displaced by the road, see: "ROW Problems to Delay Start of NLEX Connector Project," Philippine Star, 6 August 2018; "De Lima Urges for Probe into Relocations," Business World, 4 November 2018; "De Lima Criticisms 'Inaccurate, Misleading' – DOTr, DPWH," Philippine Daily Inquirer, 6 November 2018.



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Beyond this dramatic and definitive demonstration of its commitment to Clark airport, the Duterte administration has also embarked on a much broader set of investments in the properties inherited from the United States Air Force-operated Clark Air Base and owned and overseen by the BCDA since the early 1990s. The Duterte administration appears to have adopted a holistic vision of Clark International Airport as part of an ‘aerotropolis’ – i.e., an airport-centered metropolis – encompassing the industrial park and tourist facilities of the Clark Freeport Zone as well as the adjacent New Clark City, a 9,450-hectare property owned by BCDA in Capas, Tarlac under the rubric of the Clark Special Economic Zone.³⁴ The 4,400-hectare Clark Freeport Zone, after all, has housed not only Clark International Airport but also large-scale production facilities of international companies such as Texas Instruments and subsidiaries of Samsung and Japan Display, as well as hotels, casinos, golf courses, resorts, and schools, including extension programs for Philippine Science High School, Ateneo de Manila University, and the University of the Philippines.

³⁴ On the ‘aerotropolis’ concept, see: John D. Kasarda, “Aerotropolis: Airport-Driven Urban Development,” *Urban Land*, Volume 59, Number 9, Supplement 1 (2000), pp. 32-41; John D. Kasarda, *Gateway Airports: Commercial Magnets and Critical Business Infrastructure* (McGraw Hill Financial Global Institute, November 2013); and Kasarda and Lindsay, *Aerotropolis: The Way We’ll Live Next*.

In July 2016, President Duterte appointed José 'Ping' de Jesus, a former DoTC Secretary with extensive experience heading major public utility and highway construction and management firms, to head the CDC, thus signalling the significance and seriousness the new administration attached to the development of Clark Freeport Zone.

By the end of 2017, the administration had approved plans for the construction of a new cargo railway linking the Clark Freeport Zone to the Subic Freeport Zone in nearby Zambales Province, which suggests further development of an industrial and logistics corridor between the sea and air ports in the two former US military bases.

Over the course of 2017, moreover, the Duterte administration had already begun to shift the offices of major government agencies to Clark Freeport Zone, beginning with the Department of Transportation (DOTr), thus symbolically and substantively reinforcing its commitment to the development of Clark as an economic, administrative, and aviation hub for the country as a whole.

Meanwhile, the Duterte administration has also worked hard to promote the development of New Clark City in the adjacent Clark Special Economic Zone in Capas, Tarlac. Since 2015 (under the Aquino administration) BCDA has partnered with the real-estate developer Filinvest to build a 288-hectare 'Clark Green City' on the property. Clark Green City is envisioned as a planned city that will combine environmental sensitivity and sustainability with high-tech sophistication and style to attract investors and residents as an alternative from Metro Manila and its increasingly crowded suburbs.

By early 2019, the government's efforts to boost the greater Clark area were approaching fever pitch. To this end, the Duterte administration has announced plans to move the central offices of the DPWH as well as those of key 'resiliency' (i.e., disaster response) agencies like the Department of the Interior and Local Government, the Office of Civil Defense, and the Department of Social Welfare and Development to a New Government Administrative Center in New Clark Green City. In addition, the Philippine government will be hosting the 2019 Southeast Asia Games later this year, with New Clark City serving as a hub for athletes' residences and sporting events, a new sports complex under construction for boxing, basketball, and volleyball and the nearby Clark International Sports Complex already providing facilities for baseball, softball, and soccer.

The significance of these broader efforts to promote the Clark Freeport Zone and New Clark City for the development of Clark International Airport became apparent by September 2018, in the context of evolving efforts to promote the construction and development of a new airport – and a broader ‘aerotropolis’ – in Bulacan, Bulacan. Under the leadership of chairman Ramon Ang, the San Miguel Corporation (SMC) had acquired some 2,500 hectares of land in the municipality, which lies more than 60 km south of Clark and within 27 km of the boundaries of Metro Manila.

In early 2018, SMC had submitted an unsolicited proposal to the government for the private construction and operation of a “New Manila Airport” based in Bulacan, Bulacan, designed to include four runways, an industrial estate and seaport, and a set of interconnecting highways and rail links to Metro Manila. The proposal claimed that the new airport could be operational by 2024 and could handle as many as 100 million passengers per year. This privately funded project was coupled with Ramon Ang’s promotion of plans for the government to close and sell NAIA, rendering its



The proposal claimed that the new airport could be operational by 2024 and could handle as many as 100 million passengers per year.



625 hectares available for development into a new business district and residential area enabling the government to reap hundreds of billions – if not a few trillions – of pesos in revenues.

By September 2018, SMC's proposal for the Bulacan airport was under serious consideration by the DOTr and other government agencies, with a media campaign in full swing and Senator Grace Poe chairing Senate hearings on the issue under the jurisdiction of the Committee on Public Services. By the end of 2018, a revised version of the proposal had been approved by the NEDA board, with a final review by the Office of the Solicitor General and the Department of Finance expected in 2019, subject to a 'Swiss challenge' (i.e., official solicitation of matching bids from other investors) prior to final approval.³⁵ As of early 2019, there has been little evidence of further movement on this front.

The Duterte administration appears to be holding fast to its commitment to Clark even while leaving open the possibility of allowing

SMC to pursue its plans for a new privately owned and operated airport in Bulacan. Most importantly, Secretary of Finance Carlos 'Sonny' Dominguez, the administration's economic czar and a close friend of President Duterte since childhood, has raised serious questions about the financial capacity of SMC to undertake the project.³⁶

When accused of favoring Clark over the SMC proposal, Dominguez denied any bias, but acknowledged: "It's obvious, our priority, and we have put our money in it, is the Clark Airport and the New Clark City development. That, we have set that, we have invested money, we started the project. Obviously, that's our priority."³⁷ Dominguez further noted:

All airport projects are real estate projects. The real estate value of the New Clark City is currently [USD] 14 billion and the government has committed an additional Php 12 billion. We wanted to know how the Bulacan airport, which is just 65 kilometers away from Clark, will affect the value of the New Clark City, which is, by the way, the property of the Filipino people.³⁸

³⁵ "SMC's P754-B Airport Plan up for Final Review by DOF, OSG after Approval by NEDA Board," Manila Bulletin, 24 December 2018.

³⁶ "DOF Raises Concern on Funding for SMC-led Bulacan Airport," Philippine Star, 11 September 2018.

³⁷ "DOF Favors Clark's Airport Over Bulacan's," Malaya Business Insight, 12 September 2018. See also: "Airport Choice: Dominguez Says Not Favoring Clark," Philippine Daily Inquirer, 14 September 2018.

³⁸ "DOF Chief Raises Concerns on Airport Plan," Philippine Daily Inquirer, 11 September 2018. See also: "DOF Sees Bulacan Airport Affecting Clark Investments," Malaya Business Insight, 11 September 2018.

As for the putative advantages of private-sector construction of a new airport at no expense to the government, Dominguez expressed doubts: “Everything is going to have a cost. There is no such thing as a free lunch. Either the passengers will pay for it, the airlines will pay for it, or the taxpayers will pay for it.”³⁹

With Ramon Ang reportedly enjoying direct access to, and influence on, President Duterte, SMC’s plans may prosper. Clark’s new terminal, rail and road links already built years before it faces actual competition from a new airport – and ‘aerotropolis’ – in nearby Bulacan. Indeed, some observers have suggested that opponents of the SMC Bulacan airport proposal have deliberately delayed the official approval process, so as to enable other airport projects – including but not exclusively Clark – to move forward.⁴⁰

Meanwhile, Ang’s ambitions for the proposed new SMC airport to replace NAIA and enable its closure and sale for private real-estate development have pitted him against other powerful business interests which are investing in the development of NAIA – the Ayala, Aboitiz, Gokongwei and Gotianun families, the Metro Pacific group of companies operated by Manny Pangilinan and owned by the Hong Kong-based Salim Group, and the diversified corporate empires of Andrew Tan and Lucio Tan.⁴¹

In early 2018 these business interests joined together in a ‘super-consortium’ – notably minus Ramon Ang’s SMC – to submit a separate unsolicited proposal for the rehabilitation, renovation, expansion, operation, and maintenance of NAIA. With a proposed investment of more than Php100 billion (USD 1.9 billion), the plan includes the expansion and interconnection of the airport’s four terminals to expand capacity and be able to accommodate as many as 65 million passengers per annum.⁴²

By the end of 2018, the consortium’s proposal had secured ‘original proponent status’ and conditional approval from the DOTr and the Manila International Airport Authority, with the proposal due for NEDA examination and approval in 2019.⁴³

³⁹ “Dominguez’s Choice: Clark Takes Precedence Over SMC’s Aerotropolis,” *Philippine Daily Inquirer*, 13 September 2018.

⁴⁰ See, for example, Cito Beltran, “Presidential Indigestion,” *Philippine Star*, 6 February 2019.

⁴¹ “Tycoons Bag P350-B NAIA Project,” *Philippine Daily Inquirer*, 11 September 2018.

⁴² “NAIA Consortium Clears Major Hurdle in Airport Bid,” *Philippine Star*, 14 September 2018.

⁴³ “NAIA Consortium Proposal to Reach NEDA Soon,” *Philippine Star*, 26 December 2018.

The potential challenge to Clark represented by Ramon Ang's proposed new airport in Bulacan also faces possible opposition from powerful business interests heavily investing in NAIA.

At the same time, additional alternatives for airport development in and around Sangley Point, Cavite also emerged over the course of 2018. On the one hand, the Province of Cavite submitted a Php 552 billion (USD 10.2 billion) unsolicited proposal to the government for the development of the former US naval facility at Sangley Point into a new airport, reportedly with promises of funding by a consortium of Chinese state-owned enterprises.⁴⁴ On the other hand, retail and real-estate mogul Henry Sy's Shoe Mart Group (SM) teamed up with the Tieng family's media-centered Solar Group of companies to submit a separate USD 12 billion unsolicited proposal for the development of Sangley Point and reclamation of adjacent land for a larger new airport facility.⁴⁵

Thus alongside – and against – the potential challenge to Clark posed by Ramon Ang's proposed new airport and 'aerotropolis' in Bulacan stand major business investment plans for the overhaul and expansion of NAIA and additional proposals for Sangley

Point, Cavite. It appears that the Duterte administration remains open to a wide range of unsolicited private-sector proposals for airport projects in and around Metro Manila, while continuing to commit its resources to the development of Clark.⁴⁶

As of early 2019 it seems apparent that the future of Clark as a complement to NAIA in a 'dual airport strategy' for Metro Manila is less than fully certain, to say the least. The years ahead may see the expansion, improvement, and enhanced accessibility of NAIA, and the opening of new airports in Bulacan and/or Sangley Point, with major business interests using private resources and political influence to compete for advantage, investment, and air traffic.

In this context, what if the Duterte administration's boosterism on behalf of Clark leads to ghost cities, white elephants, and black holes in government budgets?⁴⁷ What if the Duterte administration's initial enthusiasm for Clark wanes as lobbying on behalf of other airports shifts government priorities and policies, and if subsequent administrations are less committed to Clark and more compromised by ties to business interests invested in other airports?

⁴⁴ "World-Class Gateway Envisioned to Rise at Sangley," *Philippine Star*, 28 January 2019.

⁴⁵ "Detailed Sangley Airport Plan Due by Yearend," *BusinessWorld*, 14 October 2018.

⁴⁶ "Cabinet United: It's Sink or Swim for Bulacan, Sangley Airport Proponents," *Philippine Star*, 2 November 2018; "PAL Asks DOTr to Fast-Track PHL Airport Network," *Business Mirror*, 21 January 2019.

In response to these questions, concerns, and doubts, two reassuring answers suggest themselves. Firstly, since mid-2016, private-sector investment in Clark International Airport and more broadly in Clark Freeport Zone and Clark New City has skyrocketed, entailing increased commitment to the development of the airport and the greater 'aerotropolis' emerging around it on the part of powerful business interests.

In terms of the airport, by the end of 2017 PAL had established new routes from Clark to 13 domestic destinations, with four times weekly service to Bacolod and daily service to Tagbilaran, as well as flights to Seoul, South Korea, and adding an additional six domestic routes by mid-2018.⁴⁸

Cebu Pacific likewise expanded its domestic routes from Clark, with daily flights not only to Cebu but also Davao as well as Tagbilaran, plus flights to/from Hong Kong, Macau, and Singapore.⁴⁹ The airline's expansion represented a 75% increase of its air traffic in and out of Clark, with the total number of Cebu Pacific flights in and out of Clark estimated to have reached more than 3,700 by the end of 2018, with as many as 620,000 passengers on board.⁵⁰

With Asiana Airlines, Dragon Air, Emirates Airlines, Jin Air, Philippines AirAsia, Qatar Airways, and Tigerair also operating out of Clark, and international routes including flights to Doha, Dubai, Hong Kong, Macau, Seoul, Singapore, and Taipei, Clark now serves 168 international and 296 domestic flights per week, with 7,000 passengers going through the airport daily.

In the short term, increasing air traffic at Clark has helped to ease pressures on NAIA, even before the construction of the new terminal is completed. PAL's belated establishment of routes at Clark, coupled with Cebu Pacific's new routes and the return of Philippines Air Asia, signalled an unprecedented willingness to invest in the airport.

⁴⁷ On the dangers of ambitious transport infrastructure projects, see: Bent Flyvberg, Nils Bruzelius, and Werner Rothengatter, *Megaprojects and Risk: An Anatomy of Ambition* (Cambridge: Cambridge University Press, 2003).

⁴⁸ "PAL Opens More Routes From Clark," *Philippine Star*, 15 December 2017; "PAL to Mount Additional Domestic Routes from Clark," *BusinessWorld*, 2 July 2018.

⁴⁹ "Cebu Pacific Adds New Routes in Clark," *Philippine Star*, 26 August 2018.

⁵⁰ "Cebu Pacific to Boost Clark Flights by 75%," *ABS-CBN News*, 5 September 2018.

Indeed, among those who placed bids for the operations and maintenance contract for Clark International Airport were some of the leading companies in the Philippines, such as Andrew Tan's Megawide, the Metro Pacific Group, Filinvest, JG Summit Holdings, and, interestingly, the San Miguel Corporation.

With air traffic in and out of the National Capital Region continuing to grow at a rapid rate, the mid-2020 opening of a new terminal at Clark will provide the sole available mechanism for alleviating the strain on NAIA, years before the possible completion of SMC's proposed new airport in Bulacan, either of the two possible new airports at Sangley

Point, Cavite, or even the major overhaul of NAIA proposed by the 'super-consortium' of leading Philippine tycoons.

Thus, by the time new airports – and/or expanded NAIA terminals – become available for expanding air traffic, Clark will have had at least six years to develop, with considerable private-sector investment and interest in the future of the airport accumulating during this time.

Meanwhile, the development of the broader 'aerotropolis' will be continuing apace.

As noted above, Clark Freeport Zone has already attracted considerable



Clark now serves 168 international and 296 domestic flights per week, with 7,000 passengers going through the airport daily.

private-sector investment, with more than 100,000 employees and total export revenues for 2017 estimated at USD 7 billion.⁵¹ New investments in Clark Freeport Zone as of mid-2018 included a USD 6 billion, 177-hectare 'Clark Global City' acquired by the holding company of well-connected Davao-City-based logistics magnate Dennis Uy.⁵²

The proposed property will include office buildings, residential subdivisions, an SM shopping mall, a 5-star hotel, casino, and resort, schools, and a state-of-the-art hospital.⁵³ Over the next several years, private economic interests and investments in Clark International Airport, Clark Freeport Zone, and New Clark City are expected to expand, and the advantages of Clark as an existing airport will have been further enhanced by the establishment of rail and enhanced highway links to Metro Manila and Subic Bay.

Secondly and perhaps more significantly, the development of Clark International Airport and the broader Clark 'aerotropolis' promises to assist in the alleviation of air traffic congestion in the National Capital Region, regardless of the specific configuration of airports which emerge in and around Metro Manila over the years ahead. As it stands, Clark is today being marketed as 'the' air hub for Central Luzon and northern Luzon more broadly, with an estimated potential catchment area of 32 million set to expand with continuing population growth over the years to come.

Meanwhile, the imperative of developing Clark has inspired exceptional government investment in transport infrastructure that will strengthen links between

Metro Manila and Central Luzon and stimulate demographic and economic growth in Pampanga and beyond.

Arguably the Duterte administration's decisive moves to develop Clark International Airport have – intentionally or inadvertently – worked to stimulate a diverse set of private-sector responses supportive of airport development in and around the National Capital Region.

⁵¹ See: "Clark Freeport Zone," in Clark: The Vision of a Modern Philippines (Taguig: Bases Conversion Development Authority, 2017). pp. 16-17.

⁵² "How to Grow a Business, According to Dennis Uy," Rappler, 16 August 2017.

⁵³ "Dennis Uy to Bring BGC to Pampanga," Rappler, 29 May 2018; "Dennis Uy Firm Investing US\$6-billion in Clark," Manila Standard, 29 May 2018; "Uy, Antonios Parnter for Clark Global City Development," Philippine Star, 16 January 2019.

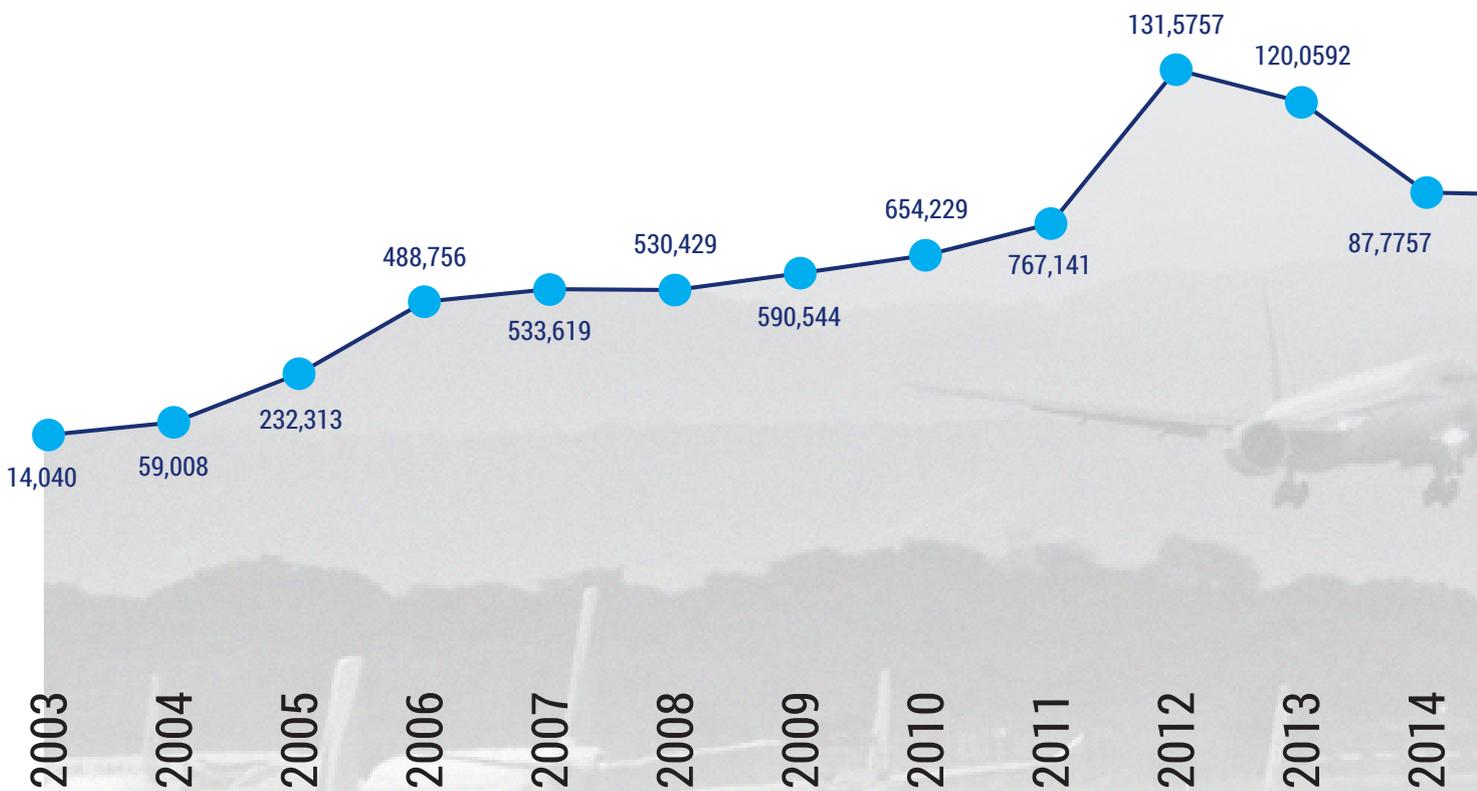
In a sense, the head start enjoyed by Clark and the advantages accorded to the airport by the government have constituted a challenge to the airlines and to other business interests invested in transport infrastructure. The response has been dramatic: rapid shifts of airline routes to Clark on the one hand, and a diverse set of [unsolicited] private-sector proposals for airport development elsewhere, whether in Bulacan, Cavite, or at NAIA. In all this private-sector competition – and, at times, cooperation if not cartelization – there will be winners and losers, even if the projections for continuing growth in air traffic prove to be accurate.

Given the modest estimates on which the new terminal at Clark is being built, however, neither the government nor the broader public interest stands likely to suffer even if there are other privately-owned interests

The imperative of developing Clark has inspired exceptional government investment in transport infrastructure.

emerge to compete for air traffic. Even if – amazingly – the National Capital Region is transformed from near crisis-level air traffic congestion to an oversupply of airport capacity, the biggest losers will probably be found among the private-sector investors in (over-)ambitious new airport/'aerotropolis' projects, and competition between airports should enhance the quality of service provision even as quantity of supply meets demand. Thus, all in all, the development of Clark since mid-2016 appears to meet the criteria of irreversibility and major impact.

CONCLUSIONS: CFC AND THE TAKE OFF OF CLARK



CLARK AIRPORT PASSENGER GROWTH THROUGH THE YEARS

Source: Clark International Airport Corporation (CIAC)



What, then, can we conclude with regard to the role of CfC in the 'take off' of Clark since mid-2016? As argued above, the dramatic development of Clark International Airport since the inauguration of President Rodrigo Duterte can be understood not as the inevitable result of economic trends, but rather as the contingent outcome of political circumstances.

In this case, the election of a new president whose administration has strong interests and inclinations to move expeditiously on transport infrastructure policies, in general, and to invest in Clark in particular. Insofar as this is the case, the specific role of CfC and its support for an advocacy campaign on behalf of Clark might be dismissed as ultimately superfluous rather than significant. In the Duterte administration, the stars were aligned in favour of Clark, given the fortuitous combination of Kapampangans and other supporters of Clark to be found among the close allies, advisors, and appointees of the newly elected president.

As argued above, however, CfC did play a significant if subtle role in the process through which the promotion of Clark International Airport – and of a dual airport strategy – was given prominence and priority during the 2016 election campaign, amidst uncertainty on the outcome and implications of the race for the presidency.

In Alex Caguiran in particular, CfC found an experienced, established, and impassioned advocate for Clark. Caguiran was able to aggregate and articulate the broad interests of the Pampanga business community in the development of the airport during the election campaign in a fashion which attracted the attention of leading presidential contenders. Moreover, CfC also found in Caguiran a politically well-connected figure who enjoyed access – via long-time Angeles City Mayor Edgardo ‘EdPam’ Pamintuan – to leading presidential candidates, most importantly Rodrigo Duterte, as seen in their crucial meeting in Davao City in June 2016.

By promoting the creation of ADAPT, moreover, CfC helped to strengthen advocacy for the development of Clark airport. The formation of ADAPT highlighted the breadth and depth of support for Clark across Pampanga and Central Luzon, elevating the airport to one of the most important issues for candidates seeking to win the vote-rich province and region in the 2016 presidential campaign. ADAPT’s manifesto re-framed the development of Clark as a national priority, focusing attention on the airport as a key complement to NAIA in a dual airport strategy, rather than as an alternative international gateway or as a regional hub. Instead of partisan or parochial cause, ADAPT embodied and articulated a vision of Clark as an international gateway for the National Capital Region and the Philippines as a whole.

CfC’s role in the development of Clark since mid-2016 was thus one of encouraging and enabling private-sector and political actors to focus their attention and energies on reviving, refining, and redirecting advocacy of a cause which had lain dormant for several years, amidst conflicting political actions and situations that curtailed an enabling environment in Clark.

For businessmen and politicians in Pampanga – and for presidential candidates (and the elected president) concerned with Pampanga voters – the clear prominence and prioritization of Clark as a campaign issue was important and effective in 2016, in no small measure thanks to the assistance and advice which CfC provided. What CfC’s role in the development of Clark suggests is that enabling and encouraging effective advocacy campaigns can help to promote technically sound, politically feasible solutions to some of the manifold problems facing countries like the Philippines.



CfC's role in the development of Clark since mid-2016 was thus one of encouraging and enabling private-sector and political actors to focus their attention and energies on reviving, refining, and redirecting advocacy of a cause which had lain dormant for several years.

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THE PROGRAM

Coalitions for Change (CfC) is a program of the Australian Embassy and The Asia Foundation Partnership in the Philippines. CfC strategically supports the development, introduction, adoption, and implementation of key policies consistent with the government's agenda on economic growth, improved governance, and social development.

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