

Food Infrastructure

41. Slaughterhouse Redevelopment, Cagayan de Oro City, Philippines



Photo Credit⁸⁹

⁸⁹ Chicco111 (https://commons.wikimedia.org/wiki/File:CAG_Skyline_2017.jpg), <https://creativecommons.org/licenses/by-sa/4.0/legalcode>

⁹⁰ Republic of the Philippines. 2017. "Redevelopment of the CDO City Slaughterhouse PPP Project." Public-Private Partnership Center. Accessed June 24, 2019. https://ppp.gov.ph/press_releases/redevelopment-of-the-cdo-city-slaughterhouse-project/;

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Background

The livestock industry, particularly poultry, is at the heart of the economy of Cagayan de Oro City. In 1995 livestock production reached 158,000 heads, of which 135,000 were chickens. The only slaughterhouse in the city, however, was inadequate to cater to the needs of the growing industry and the demands from the population, as it also served neighboring towns. In 2000 the local government of Cagayan de Oro identified the need to upgrade and modernize the slaughterhouse and in 2003 it undertook a pre-feasibility study to prepare the project as a PPP.

Project Structure

The project was awarded to Mega Integrated Agro-Livestock Farm Corporation (MEGA FARM) in 2004, through a competitive bidding process, in the form of a 25-year Build-Operate-Transfer contract with a total investment value of USD 3 million. The project entailed converting the old slaughterhouse into a 2.45-hectare modern abattoir complex containing, inter alia, a slaughterhouse for small and large animals, as well as supporting facilities, such as water treatment, a livestock auction market, a deep well water source, and meat delivery vans.

Under the PPP agreement, the private operator pays the city a monthly facility usage fee in exchange for the right to operate the expanded facility. The revenue to pay this fee and recover the private partner's investment is derived from the slaughter and delivery fees the private operator collects from the users of the facility. These fees can be increased by not more than 10 percent,

provided that they are: (i) justified by increases in the actual cost of operations, and; (ii) they are no higher than the average fees charged by three comparable private slaughterhouses in Visayas and Mindanao. However, the periodicity in which such fees can be increased is not reported. The government also exempted the private operator from real property and business taxes, but not from regulatory fees.

Lessons Learned

This project benefited from several characteristics and steps taken by the municipality to improve its commercial appeal, including:

- The prime location of the facility, as the abattoir is located near to both livestock sources and the market, which helps limit transportation costs; and
- Direct incentives provided by the local government, namely the property and business tax exemptions.

The project was selected to be featured on the Philippines' PPP website as an example of the country's successful PPPs.⁹⁰