

# Maritime

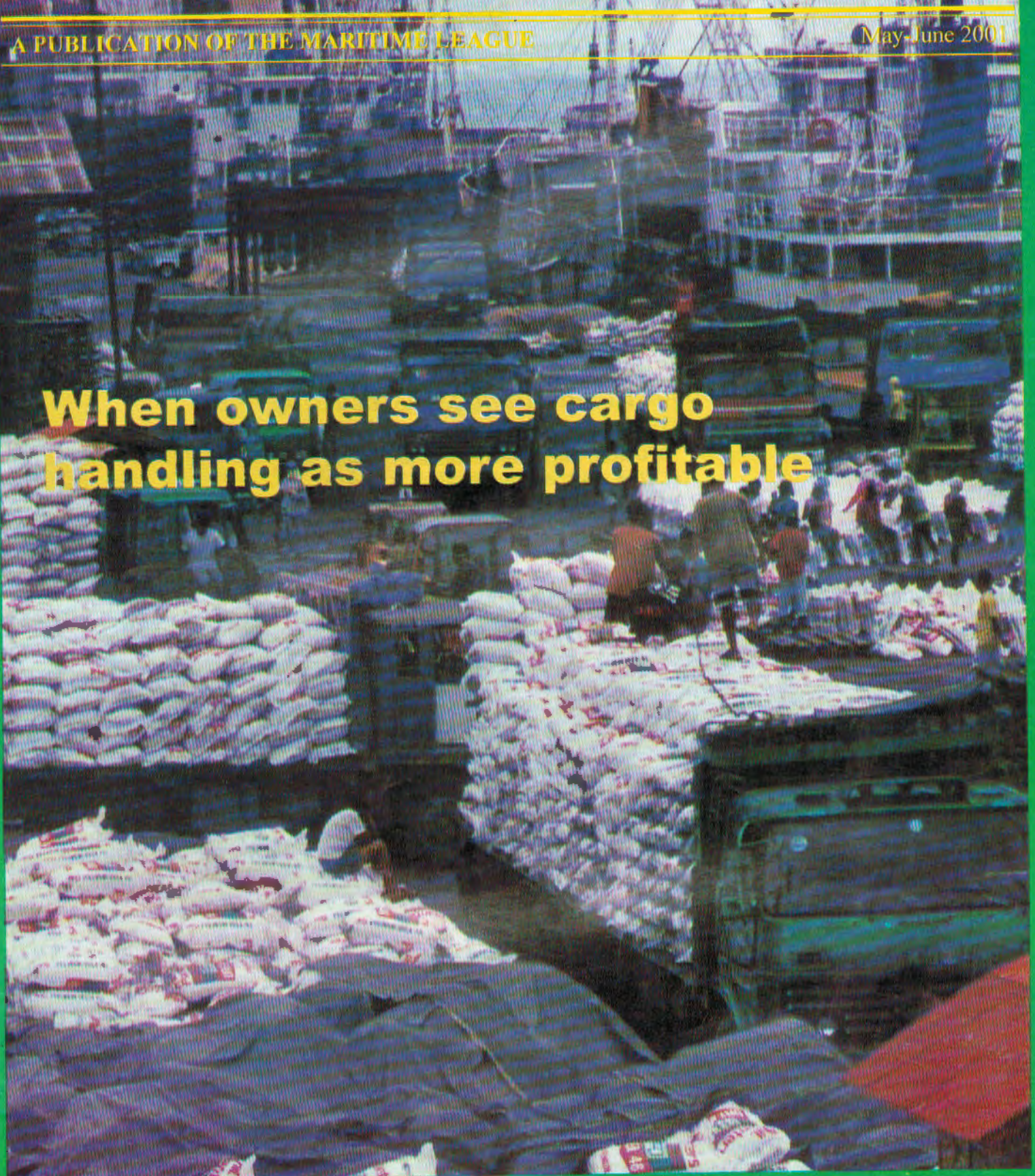
## REVIEW



A PUBLICATION OF THE MARITIME LEAGUE

May-June 2001

**When owners see cargo handling as more profitable**



**D S A**



*sailing across barriers*

*Domestic Shipowners Association*

G/F Stanford Tower Condominium  
1870 M.H. del Pilar St., Malate, Manila  
Tel. Nos.: 521-4231, 521-4084, 521-8101  
Fax No.: 521-5817

*Alberto Gothong Enterprises, Inc.*  
71 F. Gonzales St.  
Cebu City

*Lapu-Lapu Shipping Lines Corp.*  
M.J. Cuenco Avenue  
Cebu City

*Sulpicio Lines, Inc.*  
Don Sulpicio Go Bldg. 415  
Sn. Fernando St. Binondo, Manila

*Cebu Ferries Corporation*  
Pier 4 North Reclamation Area  
Cebu City

*Lorenzo Shipping Corporation*  
6/F Birch Tree Bldg.  
825 Muelle dela Industria St.  
Binondo, Manila

*WG&A Philippines, Inc.*  
12/F Times Plaza Bldg.  
U.N. Avenue cor. Taft Avenue  
Ermita, Manila

*George & Peter Lines, Inc.*  
Lim Bldg. D. Jakosalem St.  
Cebu City

*Negros Navigation Company*  
Pier 2 North Harbor  
Tondo, Manila

*Batangas-Mindoro Ship Operators  
Association*  
Terminal 2 Bldg. Batangas  
International Port  
Sta. Clara, Batangas City

# The Maritime League

CHAIRMAN EMERITUS

**Hon. Fidel V. Ramos**

HONORARY CHAIRMAN

**Hon. Pantaleon D. Alvarez**

CHAIRMAN AND PRESIDENT

**Commo. Carlos L. Agustin AFP (Ret.)**

BOARD OF TRUSTEES

**Rep. Plaridel M. Abaya**

**Vicente F. Aldanese Jr.**

**RAdm Napoleon C. Baylon, AFP**

**Capt. Alberto C. Compas, MM**

**Herminio S. Esguerra**

**Edgar S. Go**

**Doris Teresa M. Ho**

**RAdm. Reuben S. Lista, PCG**

**Hector E. Miole**

**Carlos C. Salinas**

**Rep. Vicente A. Sandoval**

**Philip S. Tuazon**

## Editorial Board

CHAIRMAN

**Commo. Carlos L. Agustin AFP (Ret.)**

MEMBERS

**Edgar S. Go**

**Doris Teresa M. Ho**

**Dante La Jimenez**

**Ernest Villareal**

## Editorial Staff

EDITOR

**Andy G. Dalisay**

EDITORIAL ASSISTANTS

**Let Amante-Capatoy**

**Joy J. Fabro**

**M**aritime  
REVIEW

The Maritime Review  
Rm. 201 Marine Technology Center  
Aduana cor. Arzobispo Street  
Intramuros, Manila 1002  
Tel: (632) 527-9049, 527-6865  
E-mail: [mleague@compass.com.ph](mailto:mleague@compass.com.ph)

## 8 SHIP OPERATIONS

Vicente Gambito explains how ship owners dipped their resources in cargo handling

## 10 CREWING AND TRAINING

Windsor Genova writes on the booming business of seafarers training

WG&A launches training venture to cater for merchant marine cadets

## 16 MARINE SAFETY

Commission reveals findings and recommendations on crew safety

## 21 MARINE INSURANCE

Malayan Towage & Salvage Corp wins the second round of its court battle with the UK-based Terra Nova

## 24 CRUISE SHIPPING

Emerson Lorenzo writes about the potential of cruising in the domestic scene to boost tourism

## REGULARS

05 Chairman's page

06 News Update

20 Case Digest

22 Commentary

28 Maritime Issues

30 Word from FVR



## FRONT COVER

Cargo handling at the port of Davao

The *Maritime Review* is published on behalf of the Maritime League and is supplied to members as part of their annual membership package. However, the opinions expressed by the writers do not necessarily reflect those of the Maritime League.

Certified by:



Recognized & Accredited by:



## PHILIPPINE MERCHANT MARINE SCHOOL OF LAS PIÑAS CITY

### COURSES OFFERED:

- ✓ BS in Marine Transportation
- ✓ BS in Marine Engineering
- ✓ BS in Customs Administration
- ✓ BA in Port Management
- ✓ Computer Secretarial
- ✓ Associate in Marine Electronics
- ✓ Marine Electronic Technician Course
- ✓ Reefer Technician Course
- ✓ Basic Seaman Course
- ✓ Pumpman Tanker Vessel Course
- ✓ Marine Welding Course
- ✓ Machinery Repairman Course

### ADMISSION REQUIREMENTS:

#### FRESHMAN

(A graduate from High School)

- a. Form 138 duly accomplished and signed by school authority
- b. Certificate of Good Moral Character
- c. 2 pcs. 1½" x 1½" pictures

#### TRANSFEREES

- a. Honorable Dismissal
- b. Transcript of Records
- c. 2 pcs. 1½" x 1½" pictures
- d. Certificate of Good Moral Character

FOR PARTICULARS, Inquire now at the Registrar's Office, PMMS-LPC, San Antonio Valley Road, Talon I, Las Piñas City • Tel. 805-0239/41 Loc. 15 or 805-0243.



# Chairman's Page

IT has generally been acknowledged that China will be the next superpower – by the first quarter of this century. American investment and the U.S. market will certainly do it, as they did for most of Europe and Japan in the '50s and '60s, for Taiwan, Singapore, Hong Kong and Korea from the '60s, the 70s, and for most of the fast developing countries of recent years. Between these lines I can not help but keep asking why we have missed the boat, with our advantage as a former colony and as a country where many US companies leap-frogged from in seeking footholds in most of South East Asia from the '40s and early '50s.

*NOSI*, a small US-based information community of active and inactive US and Philippine military personnel, from which most of the information here is sourced, briefs that China has had nuclear weapons for over 30 years, but they only have a dozen or so missiles that can deliver them to the United States. Until the Soviet Union fell apart, this was not a big issue. The Soviet Union was seen as the major danger and China's shorter-range missiles could reach much of the Soviet Union.

Now America is seen as the major foe and China is working hard to upgrade it's ICBMs and build nuclear submarines that can carry shorter-range ballistic missiles to North American coastal waters. For all practical purposes, China can hit a few American cities with nukes. This would result in a U.S. response that would obliterate China, bringing, as one writer describes, thousands of years of Chinese civilization to a fiery end. This is why China insists in its position that America should not build ICBM defenses. While the U.S. system is meant to stop a small attack from a small ("and clearly suicidal") state, these defenses would also stop any Chinese ICBMs for some years to come. While China is unlikely to choose national destruction by firing nukes at America, analysts feel that China's just having the possibility to do this provides a powerful diplomatic weapon. Actually, this "weapon" has already been used when a Chinese general publicly asked: "Is America willing to trade Taiwan for Los Angeles?" (Meaning that U.S. coming to

the defense of Taiwan during a Chinese attack could result in one of those Chinese ICBM's hitting one or more U.S. cities.) For the moment, Chinese nukes are more effective when used by their diplomats.

The recent incident involving a reconnaissance aircraft, an EP-3C has made the US military more aware of the forthcoming standoff that will likely occur in the future as China, seeking to show its strength as the military power in Asia becomes much stronger. To me, the question for the Philippines is clear, and the strategy (for the Philippines and the United States) much clearer.

## CRACKDOWN ON THE NET

Going back to the recent EP-3 crisis, recent news threads on the Internet show that the Chinese government had suffered a considerable loss of face with the Chinese population as the text of the US "apology" became known. Years of anti-American propaganda, the reports state, "have created a population ready to think the worst of any situation involving America. But faced with long-term economic problems from America if the EP-3 crew continued to be held, the government had to make a decision. The fact that it would eventually come out that the Chinese J-8 pilots caused the collision probably caused the Chinese government to accept the American 'apology'." Debriefings of the EP-3 crew indicate that the collision was caused solely by the dangerous maneuvers of the Chinese pilots. If the Chinese do not release the plane, the growing anti-Chinese feelings in America will cause China much more diplomatic and economic difficulty in the future.

But the internal backlash came, both from those angry about politicians being "soft on America" and a larger number disgusted with the clumsy attempts to manipulate popular opinion. The fun and games will continue as meetings take place to determine when the US gets the EP-3 aircraft back.

How did all these information become available and shared among those not privy to developments in the controlled political climate of China? The answer, of course, is the Internet.

Shortly after the EP-3 incident, the PROC government surprised a lot of diplomats in Beijing when it cracked down on Internet cafes. Alarmed as the speed and accuracy of Internet messages contradicting government propaganda during the EP-3 crises, the government

ordered 600 public Internet outlets closed. Chat rooms were monitored and messages noted to contradict current government controlled media reporting were quickly deleted.

The public Internet outlets are seen as particularly dangerous, because teenagers and adults who normally do not have Internet access can obtain information the government does not want to be made available. While the government has had some success in controlling the Internet, they have not been able to stop the free flow of information. Communist party officials are quite aware that their continued rule depends on controlling the flow of information. With the Internet, the government is losing the fight.

## LESSON FOR RP

A review of the balance of trade between China and the United States shows tremendous lopsidedness in favor of China. US investors hope to penetrate the "great Chinese market", hence the emphasis to invest in China. Yet while China strengthens economically because of US investment, its advantage is even accelerated because it sells the goods produced in the US market. US-China trade shows a great disparity of 80%-20% in favor of the erstwhile sleeping giant.

Even as I participated in times past in the renegotiations (particularly during the first round, in 1976) on the bases (Subic, Clark and nearly a hundred other minor installations and reservations) here present in those days, I had always wondered why the preoccupation with the term "rental". Of course, the Yanks would not have any of it, and insisted on the term "economic support" fund in addition to the MAP program. The crucial trade off should have been in terms of US investment here, and unlimited access to the US market by Philippine products (sugar, for instance, which had quota allocations controlled). The almost unlimited powers of Ferdinand Marcos could almost certainly have made any preconditions on investment easy to satisfy. But that is water under the bridge. Now that the EP-3 issue has underscored certain reservations, it is time to take stock.

The Arroyo administration must address this issue. And it must address it in close coordination with the American business community, with the support and cooperation of the US Embassy in Manila. A strong Philippine economy makes for a stronger ally on the American side.

# Maritime update

## HUTCHISON BUYS ICTSI DIVISION

HONG Kong's Hutchison Port Holdings and other investors are to buy ICTSI's overseas division for an undisclosed sum. But analysts said HPH could pay between \$200 million and \$600 million to acquire ICTSI International Holdings of the Philippines.

HPH has not revealed details of the deal to buy IIHC, which is 71 per cent owned by parent International Container Terminal Services Inc. Most estimates are based on the 1999 sale of a 29 per cent stake in IIHC for \$70M to US funds, which implied a valuation of \$241M.

IIHC operates container and bulk cargo in Mexico, Argentina, Saudi Arabia, Pakistan, Tanzania and Thailand. These ports will give HPH, already the world's largest private container terminal operator, another 23 container and general cargo berths.

DBS Securities put forward a price tag of \$200M, Morgan Stanley of between

\$300M and \$600M, and Salomon Smith Barney of \$250M. Goldman Sachs, which advised HPH on the deal, estimated it is worth \$300-\$350M, about 17-20 times historic 2000 earnings of \$17M for the eight container ports involved in the deal, which still are at early stages of development.

The transaction includes ICTSI's cruise terminal at Ensenada, Mexico, but not the Suape terminal in Brazil, for which it won a 30-year operating concession earlier this month. None of ICTSI's Philippines port assets are involved. ICTSI has been trying to sell its overseas division for about two years to raise money and repay debt, including \$130M in bonds that can be converted into stock. Six of the eight ports involved in the deal handled 1.56M TEU last year, compared with 25.3M TEU handled by HPH.

ICTSI said it decided to sell IIHC to reduce ICTSI's debt level. The move follows a difficult period for the group when foreign exchange losses last year amounted to PhP459M (\$9.2M) due to a

24 per cent deterioration of the Philippine peso against the US dollar. In addition, accretion of the put premium of ICTSI's \$130 million convertible notes totalled PhP725 million (\$14.5M). In 1997 when the convertible notes were issued, the peso/dollar exchange rate was around 26 per US dollar.

The sale of IIHC will enable ICTSI to become a substantially debt free group with the liquidity and cash reserves required to be able to respond quickly to opportunities in the global marketplace. ICTSI chairman and ceo Enrique K. Razon Jr said "this transaction strengthens the financial structure of the ICTSI Group and will put the company to aggressively pursue new container terminal projects around the world to add to its existing network in the Philippines."

## BURNED WG&A FERRIES SCRAP BOUND

TWO ships of WG&A Philippines, the country's largest domestic shipping operator, have been taken for demolition. The 9,847 GRT *SuperFerry 6* was sold to Chinese shipbreaker last March, while the 9,757 GRT *SuperFerry 3* would be pulled out from the Keppel Philippines Marine Shipyard in Cebu this June by the same breaker. The two ships, which caught fire in separate incidents last year, reportedly fetched for \$800,000 each.

WG&A, which had owned and operated the ships since the merger of the three competitors in 1996, has reportedly claimed payments from their insurers for more than \$300 million each after to the incidents. The 1,880-passenger *SuperFerry 3* caught fire in February 2000 while the ship was on drydocked at Keppel Marine Shipyard while the vessel was undergoing repair. The 2,544 passenger *SuperFerry 6* caught fire while enroute to Manila at Verde Island near the Batangas port in October 2000.

WG&A says the loss of the two ships has been replaced by the recent acquisition of *SuperFerry 14*, its newest and most modern vessel now serving the Manila-Bacolod-Iloilo-Cebu route. Though the *SF 14* has only a total capacity of 1,126, three times lower than the combined accommodation of *SF 3* and *SF 6*, the changes in routing schedules and regular drydocking of the fleet cushioned the ill effect of lack of berths especially during peak seasons.



ICTSI has been trying to sell its overseas division for about two years to raise money and repay debt

## RP, NETHERLANDS PUSH MORE MARITIME VENTURES

The Philippines and Netherlands continue to hammer out a number of maritime ventures dealing with the implementation of seafarers training, establishment of quality ship registry and domestic traffic routing measures. A second meeting of the Philippines-Netherlands Joint Committee on Maritime Affairs recently evaluated and mapped out the progress of the projects leading to where the two countries could profit.

The formation of the committee was a result of a memorandum of understanding signed between the transport secretaries of the two countries in March last year in which cooperation on the recognition of seafarers certificates and hiring of more Filipino crew for the growing Dutch-flagged ships were conceptualised, among others.

In pursuit of training, delegates from the Netherlands led by Reinoud Pijpers, manager of Maritime Research and Education for Maritime Transport of the Transportation Ministry, cited the assistance to be granted to the Leyte-based Palompon Institute of Technology (PIT).

## GOV'T BUCKS PLAN TO UPGRADE NMP

THE government has rejected a proposal to expand and upgrade the state-run National Maritime Polytechnic's (NMP) training facilities, reportedly because of irregularities in a property deal associated with the project. The Department of Labor and Employment (DOLE) also shelved a request by NMP to avail itself of a P2.5 million loan from the Japanese government for the planned expansion.

NMP executive director Ronaldo R. Abella has filed a complaint against the respondents over falsification of documents in the sale of a building intended to house the training facilities and equipment. The training institution, which has its own training centre in Tacloban, had planned to set up the proposed new facilities in Tanza, Cavite and upgrade its existing facilities in Tacloban as part of a compliance effort to the revised Standard of Training Certification and Watchkeeping Convention.

Another reason for the rejection of the project is the current poor performance of ongoing Official Development Assistance and the huge budget deficit being faced by the Arroyo administration. The loan that would be used in the training expansion project has proposed to be sourced from the 24<sup>th</sup> yen loan, which the Investment Coordination Commitment sought for

reconfirmation from the DOLE.

However, in response to a recent decision from DOLE secretary Patricia Sto. Tomas over the suspension of the NMP expansion, the NMP is said to be in the process of reviewing and re-packaging of the project. The repackage will determine the urgency and necessity as well as justify its suitability for any kind of investment that the NMP can fulfill in accordance with its mandate.

## ICTSI LAUNCHES MICT PORTAL

PORT operator International Container Terminal Services, Inc. (ICTSI) has launched an Internet based client services portal for shipping lines and cargo brokers using the Manila International Container Terminal (MICT), marking another milestone in the country's terminal management. Accessed via [www.mictweb.com](http://www.mictweb.com), and known as the Client Access System, the portal provides information vital for enhanced and more efficient transactions with the MICT, including vessel schedules (estimated and actual times of arrivals and departures), container information, loading/discharge status, manifest information, container inventory, gate pass information, fees payable to ICTSI.

Accomplished in a secure and real-time environment, the Client Access System is accessed with a unique user name and password assigned by the MICT to ensure privacy and the security of the information about to be viewed. Once inside, the navigational menu allows users to access their desired information. If required, more specific and detailed information is available by simply clicking on the highlighted buttons. Users can begin at the Vessel Schedule area, and select a particular container, and eventually get the specifics of the container.

In addition "Filters" and "Sort" options allow users to customize the presentation of information according to their needs. A feature of the system is the MICT's e-Payment section called Payments Online, Real Time (PORTS). This is a payment gateway setup maintained by Unionbank to facilitate electronic payments of MICT customers.

After logging onto the website, port users can find the amount to be paid for their shipment. By clicking on "Pay", the system will send the request to the payment gateway, and deducts the amount from the user's existing Megalink bank account. Once confirmed, a gate pass may be issued (for containers), and the amount is accounted in MICT's billing system. In the future, PORT will also be incorporated into

the MICT's e-Procurement system.

## PRS SHOCKED BY MARINA SNUB

THE Philippines' classification society, PRS, said it was "devastated" by the recent government decision to accredit more local classification societies, and is planning to protest over the decision. The Philippine Register of Shipping, the first locally established class society accredited by the Philippine Coast Guard, said the Maritime Industry Authority (Marina) denied its request for consultation before the adoption of rules on class society accreditation that will cater mainly to the country's domestic shipping fleet.

Marina administrator Oscar M Sevilla told the society that its draft memo was "properly deliberated and approved by the board (of Marina)... and is now in effect." The state agency has ordered PRS to apply for its own accreditation. Members of the International Association of Classification Societies are not required accreditation under the new guidelines and the certificates issued by the IACS members are valid and accepted by Marina.

PRS legal counsel P Vergel De Dios said that the class society is not against the looming competition that could result, even if Marina is prepared to accredit three or more other societies. Albeit, a new locally established applicant class society is said to have been refused accreditation since it could not comply with the requirements.

PRS is however expecting a resolution of the legal and policy issues PRS raised to Marina in its appeal. But Marina's reply did not mention those issues.

PRS president Jose Pascual told in his letter to Marina Board took pains in arguing their case which they believes a "strong one" but the same had been ignored.

Aside from citing the applicable provision of the revised Administrative Code on the need for prior consultations before the adoption of rules, Pascual also submitted an earlier letter of Marina promising to consult them prior to the adoption of a memo circular on the accreditation rules.

Because the class society was expecting a resolution of the appeal by the Marina Board and not by the Marina administrator, PRS is confused about the state-body's decision. "Instead, what we received is a reply from the Administrator to consider the same as the reply of the DOTC Secretary." The DOTC Secretary, who is the Marina Board chairman, was only mentioned under "Attention" in his capacity as ex-officio Chairman of the board, Pascual said.

## DOMESTIC SHIPPING PERFORMANCE

# When owners prefer cargo handling

Vicente Gambito explains how government allows cargo handling to be more profitable than operating a fleet of inter-island vessels

THE whole economy is dependent on the sea transport mode to promote progress and development. A weak domestic shipping industry is akin to a gaping hole in an otherwise seaworthy vessel. With the configuration of the Philippine islands, there is only so much opportunity to develop alternative land transport modes for the general movement of cargo and people. Hence, the importance of sea transport to the economy cannot be over emphasized.

## Maritime safety focus

The present situation of the industry offers a lot of room for improvement. However, because of the spate of maritime disasters that have caught the attention of the public, government has concentrated on sea safety as its major concern for the industry. We have come to develop some of the most stringent rules on maritime safety worldwide but recent disasters show that we have not really learned from the accidents of the past to be able to show that indeed our vessels are a lot safer.

Safety is good business, but when the business is not good, safety concerns also suffer. Vessel inspection, under the sternest rules can only provide so much to



Rate setting has been more politically attuned rather than based on sound transport economics.

promote the safe condition of the craft. At the bottom of everything lies the human factor, not just among the men and officers of the vessel but also including the land-based workers as well as the managers and owners. Something goes out of the window whenever the business enterprise is unable to generate enough profit to sustain its public service and business objectives.

## Poor economic performance

Due to the bad publicity generated by the poor maritime safety record of the domestic shipping industry, the government's control over the level of freight and passage rates have been more inclined towards serving political ends instead of the actual economic needs of the industry. Rate setting has been more

Table 1 - RORB, Assets and Sales

	RORB%	ASSETS	Growth	SALES	Growth	TURN-OVER
1990	-2.45	1,676.4	6.45	,305.9	24.54	2.57
1991	-1.51	1,784.6	70.07	5,362.5	3.67	3.00
1992	-1.94	3,035.0	58.21	5,559.1	12.30	1.83
1993	0.85	4,801.8	51.82	6,242.9	18.55	1.30
1994	0.25	7,290.1	32.12	7,401.2	14.20	1.02
1995	2.98	9,632.0	41.56	8,452.0	15.41	0.88
1996	2.23	13,634.8	7.26	9,754.1	3.76	0.72
1997	-1.82	14,624	.71	0,120.7		0.69

Source MARINA



politically attuned rather than based on sound transport economics. As a result of this predisposition on the part of government officials having control over the industry, not even the advent of liberalization, which was welcomed by ship owners and investors, was able to improve the industry.

For almost 10 years, the Rate of Return on Rate Base (RORB) as measured by the MARINA annually has never gone over 3% for the major shipping companies, even though the maximum allowable under existing rules is 12%. During most of the decade, the RORB has been negative and the ship owners have consistently clamored for higher rates ( See Table 1 on RORB%, assets and sales in thousand peso.

Records show that MARINA has been giving adjustments to the industry. However, it has appeared as if these adjustments were too little, too late. If indeed this is what has happened, why is it that these companies are still operating? The RORB is only indicative of the relative profitability of the shipping operations, it is not a measure of profitability in terms of return on investments or the internal rate of return. However, other things being equal, it seems that the industry would have to really need a lot of catching up on its tariff levels if only to compensate for the impairment of its ability to generate sales revenues from the increased investments in assets. Where the industry was able to generate sales revenues equivalent to three times the assets deployed during the early part of the decade, the ratio has gone down to barely one.

## How shipping companies survive

The question could be partly answered by the "growth" of investments and operations of these shipping companies into cargo handling. Most Domestic Shipowners Association (DSA) companies handle containerized cargo. Over the years, they have expanded cargo handling outside of the congested piers into container yards catering only to their own shipments. The large disparity in cargo handling tariff between break bulk and container tariff makes such expansion profitable. The magnitude of savings on the part of shipping companies that are able to accept break bulk cargo at their container yards or private terminals and bring to the piers fully laden containers only is so large. The amount ranges from P45 to P71 per revenue ton of break bulk cargo (1998 rates at the North Harbor).

It is not certain whether the break bulk arrastre differential is treated as part of

"Freight Revenues" or not. Ostensibly, this amount is not reported as "Other Vessel Revenue" either. Herein, perhaps, lies the reason why DSA members are able to sustain operations no matter that RORBs have been close to 0 and UR's below the break-even point. One thing is evident though, most additional cargo handling

**For the shorter port-links  
(below 200 nautical miles) one can  
readily see the disparity between the  
sea freight rates and the cargo  
handling rates.**

equipment (owned by shipping operators) are brand new, while operators continue to add only second-hand new tonnage to the fleet. This indicates that cargo handling is more profitable than operating ships.

This situation shows that MARINA has not really been able to address the profitability of running and operating vessels. It has allowed earnings from cargo handling operations to subsidize shipping operations, thereby giving the impression that transport rates have been kept low. What has escaped their attention is that the ship owners have been able to include in the RORB evaluation terminal operating expenses largely related to cargo handling. The total sea transport cost has been high owing to the uncontrolled and highly inflated cost of cargo handling services resulting from inefficient operations.

## High cost of cargo handling

While the sea freight varies with the distance between the ports, the distance between ports in a given port-link does not affect the cargo handling rates. For selected port-links, we have the following rates (for 1998). See table on

page 10.

For the shorter port-links (below 200 nautical miles) one can readily see the disparity between the sea freight rates and the cargo handling rates. Moving the cargo from the trucks to the ship, then from the ship to the trucks for final delivery to the consignees is more expensive than transporting the same cargo over a longer distance by sea. The disproportionate revenues derived from investing in floating stock versus investing in cargo handling equipment has given rise to a situation where cargo handling, as a business enterprise, has become more desirable than operating vessels.

## PPA prefers high handling cost

Rate setting for public utilities has been greatly influenced by political considerations rather than economic realities. In the case of PPA's regulation of cargo handling rates, political and economic considerations had lesser impacts on this regulatory function since PPA itself benefits from any increase in rates. Generally, PPA receives 10% on the cargo handling gross receipts. The higher the rate, the more PPA earns.

Over the past 25 years, the ship operators learned about the higher returns on investment



## SOLID SHIPPING LINES CORPORATION

TERMINAL OFFICE  
PIER 8, NORTH HARBOR  
TOMBO, MANILA  
Tel. Nos. 245-0585 to 87  
Fax No. 245-3023

MAIN OFFICE  
471 SAN FERNANDO ST.  
BINHONG, MANILA  
Tel. Nos. 241-9787  
Fax No. 242-2974

NAVIGAS CYCLES  
42 NORTH BAY BOULEVARD  
accepting FCL/CL Cargoes  
Tel. Nos. 282-7374  
Fax No. 282-7376

PORTS OF CALL	DEPARTURE MANILA
MANILA TO DAVAO (3 X weekly direct service)	Every Tuesday, Thursday & Saturday 10:00 P.M.
MANILA TO GEN. SANTOS (2 X weekly direct service)	Every Tuesday & Friday 10:00 P.M.
MANILA TO CAGAYAN DE ORO (2 X weekly direct service)	Every Wednesday & Saturday 10:00 P.M.

### Names of Vessels:

Solid Ace  
Solid Bay  
Solid Gold  
Solid Jade

Solid Link  
Solid Moon  
Solid Pearl

Solid Sky  
Solid Star  
Solid Sun

## Comparison between freight and cargo handling rates

	FREIGHT PER ARRASTRE PER REVENUE TON			PERCENTAGE REVENUE TON TO FREIGHT		
	N. Miles	Min	Max	Amount	%Min.	%Max
Manila/Tilik	66.00	105.00	208.91	150.30	143.14	71.94
Manila/Marinduque	140.00	126.93	252.43	150.30	118.41	59.54
Manila/Romblon	184.00	148.70	295.68	150.30	101.08	50.83
Manila/Batan	244.00	178.38	354.67	150.30	84.26	42.38
Manila/Cebu	392.00	225.25	448.07	150.30	66.73	33.54
Manila/Cagayan	504.00	276.66	550.32	150.30	54.33	27.31
Manila/Davao	829.00	425.84	847.01	150.30	35.29	17.74

*(Sea freights vary according to the type of commodity being shipped. Also, the sea freight tariff allows for rates to be charged -15% to +10% from a base rate.)*

in cargo handling. Going around the PPA move to integrate the cargo handling services, the shipping companies made arrangements with cargo handling operators to provide equipment and operate on a "unitized" basis. Instead of improving the cargo handling efficiency in the ports, there existed a situation where each shipping company that was able to complete a tie-up with the cargo handling operator was making investments in equipment and manpower. In other words, the real situation at the ports is that there are as many who are cargo handling operators as there are different shipping companies calling at a particular port.

### Impact of high cargo handling rates

A closer scrutiny of the financial operating results of the major shipping companies, members of the Domestic Shipping Association (DSA), shows that what is spent for "Terminal Operating Expenses" is about 30 per cent of their combined freight revenues. This means that cargo handling equipment, container yards and other land-based cargo handling facilities and their related expenses are being charged as part of providing the sea freight service. On the other hand, there is no indication (in the reported financial statements) that revenues



# GOLDEN CITY ENGINEERING AND CONSTRUCTION

Homer S. Guintu  
General Manager

3368 Harvard Street  
Pinagkaisahan, Makati City  
Tel. No. 882-0252  
Fax No. 882-0239

earned and shared from investments in cargo handling operations are also reported by said shipping companies.

Taking the average distance between port-links as the distance between Cebu and Manila, the cost of transporting goods by sea are:

	%
Sea freight, (net)	54.29
Terminal expenses	6.80
Stevedoring	6.55
Arrastre charges	22.36
<b>Total</b>	<b>100.00</b>

Without going into the merits of whether sea transport is cheaper than land transportation of goods, there exists a current bias against transport of goods by sea-going vessels. This bias against the most common transport mode between islands in an archipelagic country does not help us in our quest for global competitiveness. The above analysis shows that just preparing the goods for transport and finally delivering them to the consignee already amounts to almost 50% of the total transport cost.

This condition cannot be allowed to prevail if we have to satisfactorily meet the WTO conditionalities in the new trade order for global competitiveness. Take for example the agricultural sector. It is not just the produce like grains, vegetables, fruits, meat, eggs or their derivatives that are affected by this inflationary cost. Agricultural inputs are also affected and even the farmer's requirement for food, clothing and shelter for his family is affected leaving him little income or none at all for his farming efforts.

Farm to market roads, currently one of the safety net projects for agriculture in response to WTO demands, can only work between the rural farms and an island's urban centers. When the agricultural output surpasses that which is demanded and consumed by the island's population, there is a need to transport the excess production to other island economies and eventually to the world market. Thus, the farm to market roads will not be of much help towards global competitiveness of our produce if the sea transport portion is left to lag behind in all aspects of its operation.

### The ro-ro solution

Ten years ago, studies by foreign consultants (JICA, SHIPDECO, USAID) were made on how to make the Philippine fleet more efficient as the major transport mode within the islands. The operation of roll-on roll-off (ro-ro) vessels was identified and accepted as a workable alternative to the



**There is a need to view sea crossings at ro-ro port links as part of the national road network system.**

conventional operation of cargo and passenger vessels, more so with the so-called containerized service.

There is a need to view sea crossings at ro-ro port links as part of the national road network system. Given such classification, operating a ro-ro vessel between two port-links would be similar to constructing and operating toll highways or toll bridges. No consideration is given whether the vehicle utilizing the facility is carrying cargo or not. Usage of the facility is based on the length, weight or any easily measurable attribute of the vehicle. Anti-carnapping clearances are no longer necessary, and so also for cargo manifests and complicated cargo tariff structures that only add to the bureaucracy and misdeclaration of facts to evade paying the proper tariff. The bias against cargo transport by sea must be removed and the treatment of users of this mode made at par with that of land transport.

The MARINA can easily come up with equivalent lane-meter rates instead of cargo commodity rates. Also, the PPA can restructure port usage fees into just one equivalent usage fee based on the length of the pier used and the duration of usage, thereby encouraging the fast turn-around of the vessels allowing more vessels to use the same facility. Wharfage dues computed on 100% cargo carriage of the vehicle capacity of the vessel could also be incorporated in

the port usage fee as a kind of fixed fee, each time the vessel docks.

Initially, only port-links where the total cargo handling cost is already above 40% of the maximum sea freight may be declared as port-links forming part of the national road network system. The port authorities will declare additional port-links as such only when demanded by the shipping operators or the public.

In order to facilitate the deployment and usage of ro-ro tonnage, it might also be necessary to introduce an amendment to PD 857 allowing municipalities to approve the construction of either municipal or private ro-ro berthing facilities. This should allow for healthy competition among similarly situated facilities and even with the existing port facilities under the PPA.

Among the major advantages of this workable alternative are total elimination of cargo handling at the ports, faster turn around of vessels, reduced effort to collect usage and freight charges, lesser investments in and maintenance of port facilities, no need to inspect and verify quantity of cargo at the ports.

This could result in a substantial reduction in the cost of maritime transport and could eventually lead to a viable operation of brand new tonnage. Then, global competitiveness of our sea borne traffic can become a reality.

# White List boosts training ventures

BY WINDSOR GENOVA

AFTER making it on to the IMO White List last December, the Philippines has switched to preserving its gain to maintain its rank as the world's leading supplier of seafarers. Aware that the real challenge is not the inclusion on the list per se, government and private companies involved in crewing are said to have been taking serious initiatives to adopt their training courses based on the revised Standards of Training, Certification and Watchkeeping Convention (STCW).

The no-nonsense scrutiny of training certificates by the National Assessment Center (NAC) and the Technical Education and Skills Development Authority (TESDA), which began early this year, validate the training and STCW endorsement certificates of all officers and ratings. They see to it that seafarers are properly documented and qualified in accordance with the more stringent rules of the STCW 95. The NAC has started working double time to replace all endorsement certificates based on the 1978 STCW Convention before the STCW 95 takes full effect in February next year.

The NAC reported to have validated over 20,000 certificates as of June, while TESDA has issued 32,000 certificates of competency (COCs) for ratings under the STCW 95 as of April. TESDA took over the function of issuing COCs for ratings from the Maritime Industry Authority starting January. The continuing training programs of manning agencies, the sprouting of simulator centers and the expansion of other training centers in terms of equipment and courses are a reflection of how the industry dipped their resources onto training.

For instance, Aenaos Shipping Services Inc. is now training and deploying 100 senior officers annually since last year. Aenaos crewing manager Capt. Diosdado R. Sable says that from only 10 vessels in December 1999, Aenaos now crews 100 ships. The company has one management level officer for every ship it mans, he said. It conducts in-house training on bridge team management, deck and engine watchkeeping, bridge simulation, and Safety Management System (SMS) for officer recruits. Sable said his company spent about P1 million for this training with the purchase of training software, set up training rooms at its

Makati office and hire instructors.

Capt. Hernando Eusebio, president of Acomarit Philippines Inc., anticipates a 10-15 percent increase in the number of the agency's trainees this year. Acomarit conducts SMS course, pre-departure orientation seminar, English language test, and computer testing system. The firm deploys at least 120 seamen every month, 30 per cent of them are officers. Acomarit pays for the training and retraining of its crews deployed in 250 ocean-going vessels. The estimated \$75,000 cost of annual training is charged to the \$250,000 training fund pooled by the agency's principals, according to Eusebio.

The STCW 95's emphasis on simulator training prompted the emergence of simulator training centers. Some of them are the New Simulator Center of the Philippines Inc. (NSCPI) and Protect Marine Deck and Engine Officers of the Philippines. NSCPI offers introductory courses for Ships Bridge Simulator and Engine Room Simulator, Simulator Training in Collision Avoidance, Simulator Training in Electric Power Plant Remote Operation, Ship Simulator and Bridge Teamwork (SSBT) and Engine Room Simulator. The center, which uses seven bridge and eight engine room simulators, acquired equipment from the Norwegian firm Kongsberg Norcontrol Simulation AS.

Similarly, the two-year-old Protect offers such simulator training as SSBT and ERS after investing multi-million pesos on equipment consisting of one full mission, six blind bridge and nine engine room Kongsberg simulators. It also conducts computer-based training on cargo handling for deck management and operation level and Maritime Law for Ship Officers for deck and engine management level based on IMO Model Course. Protect President and General Manager Engr. Antonino R. Gascon Jr. says his center trains 40 students on SSBT per week and seven students on ERS per week. Protect plans



**They see to it that seafarers are properly documented and qualified in accordance with the more stringent rules of the revised STCW.**

establish branches in the Visayas where to client-base will expand in the future.

Seatech Maritime Training Center offers computer-based IMO Model Courses 1.28 (Crowd Management Training, Familiarization Training and Safety Training for Personnel Providing Direct Services to Passengers in Passenger Spaces) and 1.29 (Crisis Management and Human Behavior Training including Passenger Safety, Cargo Safety and Hull Integrity Training). Paul Faller, Seatech operations manager, says the center currently trains 24 students in each of the two-day 1.28 and 1.29 courses. The center, which became operational last September, also conducts three-day night classes for the courses. There are two classrooms used for training.

Seatech will start offering in June or July stewardship, messman and International Safety Management courses. For these courses, Seatech is building three additional classrooms for bar, pantry and cabin service training.

Joining the simulator and revised IMO Model Course training bandwagon is Admiral Maritime Training Institute of the Philippines. Admiral avp for Testing, Certification and Accreditation Darrel S. Sevilla says the training center acquired

seven Kongsberg simulators worth P55 million for the conduct of various revised IMO Model Courses. The seven new courses bring to 68 the total number of courses that Admiral offers. The training center currently conducts 42 STCW 95 courses and 19 Professional Regulation Commission-approved Continuing Professional Education courses for deck officers. The additional courses will certainly boost Admiral's number of enrollees. Sevilla notes that last year, Admiral trained 31,133 officers. As of April this year, he says the number of Admiral officer enrollees have already reached 16,439.

The Magsaysay Training Center (MTC) has transferred to a bigger office, upgraded its simulators and added new courses this year in a bid to increase its number of trainees to 8,000 this year from 7,500 in 2000. Training Manager Capt. Severo P. Cuizon says the number of MTC trainees is slowly increasing because the center's more spacious new office at Times Plaza Building in Manila can accommodate more trainees and is now conducting four new courses, including fire fighting and radar and ARPA simulator training.

The Maritime Training Center of the Philippines (TMTCP) will soon open two additional courses including SSBT. Florencio T. Ventosa, training director of TMTCP, says the center has bought a simulator for the SSBT course worth not less than \$58,000. With the new courses, TMTCP expects to increase its number of trainees to more than 5,000 per month. The center currently offers 27 courses for officers and ratings. TMTCP is building more classrooms at its training site in Sta. Rosa, Laguna as part of its plan to offer special training package to graduating maritime students.

Aside from manning agents and training centers, seamen's groups such as the Masters and Mates Association of the Philippines (MMA) have their own training programs for members. MMA continues to conduct values formation seminar and computer training for its 13,000 members. MMA secretary Mizpah Sarino says seven MMA members are trained on basic computer operation, Internet and e-mail every week from Monday to Friday. An instructor from a computer school lectures the trainees and let them do hands-on exercises. Sarino said the training is tempo-

rarily conducted at the Klavness Maritime Agency Inc. or at a venue requested by a member pending the establishment of a new training site.

While upgrading courses do not come cheaper these days, the government and private sector have their way of sustaining the mandatory training for seafarers. The Overseas Workers Welfare Administration (OWWA) has issued new policies to grant training assistance to more seafarers. In its memorandum circular issued last March 26, OWWA allows a seaman who has one OWWA contribution to avail of a training loan. The circular also provides that a seaman with two to three OWWA contributions can avail of a P1,500 and P4,500 training loan, respectively. A seafarer who has already availed of a training grant can loan again after completing another four employment contracts and four OWWA contributions. The OWWA training grant is applicable until February 2002 to the following courses: Hazardous Material Familiarization, Inert Gas System and Crude Oil Washing, MARPOL I, MARPOL II and Medical Emergency and First Aid.

The different simulator centers charge

Turn to page 14

QUALITY TRAINING FOR SEAFARERS WHO SAIL TO LIVE . . . SO THAT OTHERS MAY LIVE TO SAIL.



## THE MARITIME TRAINING CENTER OF THE PHILIPPINES

HQS OF THE 120<sup>TH</sup> SQUADRON, PHIL. COAST GUARD AUXILIARY

*Embracing the Principles of Quality Management :*

- Customer-focused organization
- Leadership
- Involvement of people
- Process approach
- Continuous improvement
- System approach management
- Factual approach to decision-making
- Mutually beneficial supplier relationship



*Offices and Classrooms:*  
3<sup>rd</sup> & 4<sup>th</sup> Flrs., G.E. Antonino Bldg. T.M.  
Kalaw cor. J. Bocobo Sts. Ermita, Manila  
■ 521-0071 • 524-7909 • 526-6740  
Fax: 526-6739



PRACTICUM SITE : BARANGAY CAINGIN, STA. ROSA, LAGUNA

# WG&A launches training venture

WG&A Philippines, the country's largest domestic shipping operator, has launched a training venture intended to help cadets of various maritime schools in gaining berths for the required apprenticeship programme.

The on-the-job training, which will be conducted on the SuperFerry fleet of WG&A in joint venture with its ship manager Aboitiz Jebsens is the first scheme to be launched in the domestic shipping sector.

Capt. Erden Ferrer, Aboitiz safety manager & lead assessor, told a launching programme that the training encompasses the paramount concern over safety of the industry both afloat and ashore.

Four of the SuperFerry ships have been scheduled to accommodate the apprenticeship as the vessels trade in domestic waters, Ferrer said. WG&A has a fleet of 23 vessels.

The shipping company plans to market

the training programme, which is required for BS Marine Engineering and BS Marine Transportation courses, to the country's 50-plus accredited maritime schools which have long been clamouring for availability of training ships for their merchant marine cadets.

For Marine Engineering, the programme includes safety and shipboard familiarization, operational level, maintaining a safe engine watch, responding to emergencies, communication, and pollution prevention. The Marine Transportation OJT will also cover planning a passage and determining a position, maintaining a safe navigational watch, steering, loading/discharging operations, and pollution prevention, among others.

The training is said to have been rigid based on the testimonies of the initial batch of cadets who went through with the programme. Each Super Ferry can accommodate more than 100 trainees at a time to complete the required 168 hours apprenticeship requirement per cadet.

The shipping firm also hopes to have the training programme as a manpower source to cope with the shortage of officers being experienced by both domestic and overseas shipping sectors.



Four of the SuperFerry ships have been scheduled to accommodate the apprenticeship program.

## White List from page 13

varying fees to give trainees and manning agents options on where to train according to their capacity to pay. Gascon claims that Protect charges the cheapest simulator seetraining fees. "One training center is charging \$950 for the SSBT course. Another is charging \$750 and another \$650 for the same course. Others charge \$500. The Protect boss explains that he was able to lower his training fees by not having foreign consultants in his business.

Ventosa says the upgrading courses that TMTCP plans to offer to graduating cadets will still be cheaper than the cost of individual on-the-job training because it is a package deal in which the maritime schools pay a single fee for the training of many students. Sarino says a MMAP member pays P1,000 for the computer training but the association subsidizes part of the cost of the training if the number of trainee is lesser than the required number and could not offset the cost of the instructor, who is paid P200 per hour for his service. Members that MMAP refers to training centers are entitled to discounts on training fee. With all the players of the crewing industry busy and focused in undergoing training required under the STCW 95, Filipino seafarers will be ready to face and get the nod of port state control authorities next year.

## New rules to ease crew shortage

THE Maritime Industry Authority, (Marina) is said to have resolved the current dilemma faced by domestic ship operators in the shortage of officers within the country's inter-island shipping sector. Marina issued memo circular 164, the rules governing the adoption and implementation of a qualification document certification system of crew in inter-island shipping.

The new rules serve as an alternative in the implementation of the revised Standards of Training, Certification and Watchkeeping (STCW) Convention, which has been blamed in the shortage of officers in the domestic trade.

Domestic owners claimed the implementation of the convention is lopsided and contentious, and argue that the convention should not be strictly enforced in the domestic trade.

This is because ship owners are being forced to shoulder the cost burden of sending their officers and crew for upgrading courses to keep them because seafarers would not spend their own money to pay the high cost training courses to work in an inter-island ship.

Marina administrator Oscar M. Sevilla said the rules under MC 164 are not as strict

as in the overseas shipping both on deck and engine departments, with the reduction of training requirements.

Minimum training requirements for officers under the circular include license from Professional Regulation Commission (PRC), basic safety course, deck/engine watchkeeping course and collision regulation (the last two are for non-graduate of maritime courses). Qualification Documentation Certificate shall be valid for three years from the date of issue.

The circular says "a seafarer who shall go on board ships and/or a shipping company/operator which shall allow a seafarer to go onboard/ join a ship without first securing a QDC shall be jointly liable and shall be subject to administrative fines."

It added "shipping companies/operators shall be held responsible for spurious or tampered documents submitted by any seafarer to Marina which were secured or tampered by the shipping company or any of their employees or liaison officers/messengers (who) have tampered or participated in securing the questioned documents from any source, and shall be made solidarily liable" to fines depending on the violations.

F A I R W I N D S .  
B L U E S K I E S .  
S W I F T C U R R E N T S .  
B R I S K T R A D E .



Our journey across vast, challenging seas has brought us to important trade destinations. Today, we operate container terminals in the Philippines, Argentina, Mexico, Pakistan, Saudi Arabia, Thailand and Tanzania. We manage these terminals in line with international best practice, making our name a by-word in the global port industry.

The voyage continues, and at the helm of a strong and sturdy ship is ICTSI.



**International  
Container Terminal  
Services, Inc.**

**EXCELLENCE UNCONTAINED**

[www.ictsi.com](http://www.ictsi.com)



Cert. No. 403172

MANILA / SUBIC / BATANGAS / GEN. SANTOS / BUENOS AIRES / VERACRUZ  
ENSENADA / KARACHI / DAMMAM / LAENCHABANG / DAR ES SALAAM

# Ships, slaves and competition

The International Commission on Shipping (ICONS) recently conducted an inquiry into ship safety, which produced two main blocks of recommendations directed at crew issues and port State control activities. A summary of the findings and recommendations are as follows

MODERN ship safety, labor and environment protection arrangements pose international problems that require international solutions. The international regulatory processes have delivered a body of treaties, codes and recommendation that, if properly implemented, would provide for safe, humane and environmentally responsible shipping operations.

The failure, however, of many flag States to implement international standards and inability of international organizations to enforce compliance with their rules had led to the establishment of national and regional actions to protect coastal and port environments. More recently, the role of the human factor in shipping accidents has been recognized and attention has been given to

management systems that will improve ship safety and prevent pollution.

The Commission notes that most of the recent progress in tackling sub-standard shipping has arisen when a port/coastal state or a regional group of states has taken a strong stand in enforcing international or local solutions on foreign ships. In the absence of better flag state compliance with international obligations, the Commission considers that the likelihood of regional or unilateral port/coastal state intervention inevitably will increase. The effect will be to commercially marginalise non-performing flags, as the financial benefits to ship owners of operating sub-standard ships are eroded. The International Maritime Organization may also be increasingly marginalised by such unilateral actions.

Little effective attention, however, has been given to the working conditions of seafarers on foreign ships. Although many ship owners act responsibly, the failure of many flag states and the international regulatory system to adequately implement international labor standards has exposed thousands of seafarers to exploitation and abuse. Concerted action is needed to redress this deficiency. Apart from the ethical and moral dimensions, mistreatment of crews affects safe operations of ships and imposes costs on port and coastal states. The human factor which has been identified

already as the principal cause of shipping accidents is of greater significance if crews are fatigued, malnourished and under personal or social pressure.

The underlying cause of sub-standard shipping is the commercial advantage that a ship owner can gain through avoiding international standards for safety, environment protection or labor conditions. Wherever possible, this element of the industry shifts its costs to other parties. The elimination of sub-standard shipping requires a sustained attack on this fiscal advantage, using commercial and regulatory mechanisms.

Governments of the main labor supplying countries have a duty to introduce the meaningful regulation of employment and training, including comprehensive regulation of manning agencies in line with international obligations. Particular attention must be given to eliminating the practice of blacklisting and the recruitment of non-qualified seafarers or "passport holders". Avenues for speedy considerations and redress of seafarers complaints about working conditions, and for repatriation in the event of abandonment, are also required. Current procedures for handling seafarers complaints and abandonment are difficult for them to access, costly and all too often practically non-existent.

Unions are the seafarers' best form of redress and protection in a competitive labor market. Many ship owners and administrations support the essential role played by unions, particularly in cases of abandonment and non-payment of wages. Developing countries will inevitably form the major source of seafarers for the foreseeable future and open registers will also remain a reality in the international shipping world. It is, therefore, in everyone's interests, especially those of the seafarers, the international and national labor supplying countries develop closer, positive working relationships.

Flag States have the primary responsibility for ensuring that ship owners maintain and crew their ships to international standards. The issue is not whether the flag State operates an open or a second register, or if it places competitive pressures on other flags, it is a question of whether the flag State is properly conducting its operations in accordance with international convention requirements. Flag States have flexibility in deciding how to administer their ship registers, but they have a responsibility also to ensure their choice of delegated authorities are fulfilling the States' international obligations.

The most prevalent gap in some flag States' administrations is the application of minimum international labor standards. The recommendations for delegating of labor

## NAESS Shipping Philippines, Inc.



Since 1980



*"A service-oriented corporation dedicated to the pursuit of excellence in crewing services and improvement by constant learning through experience & continuous training."*

CHARTERERS \* SHIP MANAGERS \* MANNING AGENTS

### TYPE OF VESSELS MANNED

YACHTS \* CAR CARRIERS \* BULK CARRIERS  
REEFER VESSELS \* OBO \* HEAVY LIFT VESSELS  
RO/RO \* CABLE-LAYING VESSELS \* TANKERS \* LPG CARRIERS  
OCEAN TUGS \* MULTIPURPOSE VESSELS \* CONTAINERSHIPS

NAESS House, 2215 Leon Guinto Street, Malate, Manila, Philippines  
Tel.Nos. 521-3361/3376/1592/1593/1594/1595  
Fax No.: (63-2) 521-0594  
E-mail Address: naess@qinet.net; naesscrew@qinet.net





Little effective attention, however, has been given to the working conditions of seafarers on foreign ships.

regulation verifications offers potential for additional commercial opportunities for those classification societies wishing to acquire the necessary skills.

Classification societies were the most widely criticized bodies in the course of the Commission's inquiries. Although their technical strengths were acknowledged and considered necessary by all parties, the extent of criticism of their commercial relationships with owners and flag States suggest classification societies must dramatically improve their performance. Unless classification societies re-establish their professionalism by strictly and consistently applying technical standards to all ships, they will face increasing regulations and commercial isolation. The Commission believes that at this stage, independent regulatory monitoring of classification societies' performance is required.

Port States also play a key role in ship safety regulation. Port State control data is essential in assisting the industry and regulators to identify and target sub-standard ships. Port State control activities can be enhanced through improved targeting regimes, harmonizing regional port State control systems, including labor matters in inspection and targeting programs, greater attention to the International Safety Management (ISM) Code compliance, and tougher penalties on sub-standard owners, charterers and/or cargo interests. The Commission recommends particularly that an assessment of whether or not a ship's flag State has satisfactorily completed the IMO Flag State Self Assessment Form be included in targeting systems. Penalties that could help to eliminate the financial advantages of sub-standard ships include more detailed inspections and enhanced safety system audits, fines banning from ports persistently offending ships and intervention in cargo operations until all deficiencies have been rectified.

The Commission has proposed the development of an insurance arrangements to

assist seafarers who have been abandoned and unpaid. For this proposal to be implemented, port States will have an important role in requiring ship owners to provide proof of adequate insurance cover.

There is also a need for improved communications between port State control authorities and those who can provide early warning of sub-standard shipping, such as pilots, unions and seafarer's missions. Funding of missions by port State authorities would alleviate concerns about compromise in the ability of missions to speak out about abuses, as a result of their current dependence on ship owners or agents for funding of their port services to seafarers.

The lack of progress by the IMO in monitoring and auditing flag States' implementation of maritime conventions compares poorly with comparable action in the aviation sector by the International Civil Aviation Organization. Nevertheless, The Commission believes a commitment to compliance from flag States is essential. The IMO should vigorously pursue the Flag State Self

Assessment Form initiative with the aim of making its completion and return mandatory, and eventually work towards adopting comprehensive binding quality criteria for flag State administrations and ship registers. The IMO needs also to reinvigorate and strengthen application of the International Safety Management Code to address safety systems. Failure by the ISM to undertake positive action in these areas can only further corrode its credibility.

Many of the International Labor Organization's maritime conventions remain unratified by many countries, and the majority lack mechanisms for enforcing their provisions by port States. Many authorities feel that international labor rules are difficult to interpret and apply. There is an urgent need for the ILO to revise its guidelines for port State control under Convention No. 147. In the longer term, the ILO needs to consolidate and update its maritime conventions, including relevant and effective enforcement mechanisms.

The Commission is firmly of the view that the responsible elements of the industry itself must show leadership in promoting quality and disassociating themselves from sub-standard practices and operators. This

1. The European Commission request from the International Group of Protection and Indemnity (P&I) Clubs consolidated



**PANDIMAN**  
**PHILIPPINES, INC.**



Certificate No: 166507

Twenty-five years of dedicated service to the shipping industry as P&I Club Correspondent in the Philippines with competent staff, experienced in handling of claims involving P&I and other related matters.

**LIABILITIES TO SEAMEN**

Illness, Injury & Death  
Shipwreck Unemployment Indemnity  
Loss of Personal Effects  
Deserters, Strikers, Stowaways  
Wage Disputes  
Illegal Dismissal  
Provide Medical Escort Services Worldwide

**CARGO & VESSEL**

Loss, Shortage, Damage  
Damages to Fixed & Floating Objects  
Collision Liabilities  
Freight & Demurrage Claims  
Fines and Disputes  
Lifting of Arrest  
Oil Pollution  
Loss Prevention Surveys

Philippine Veterans Bank Bldg.  
General Luna Street  
Intramuros, Manila

Tels: 527-78-31 to 40  
Fax: 527-21-67 or 527-21-71  
E-mail: [pandiman@t-next.net](mailto:pandiman@t-next.net)  
[pandiman@skynet.net](mailto:pandiman@skynet.net)

# ICONS sets recommendations

1. The European Commission requested from the International Group of P&I Clubs consolidated statistics on loss of life and injury of crew members on ships entered into the Group's Members' clubs, and place this information on the EQUASIS data base.

2. The IMO develop a database of all seafarer certificates for open electronic access to assist the elimination of fraudulent certificates of qualification.

3. Governments of major labor supplying nations review maritime training and labor supply arrangements to ensure compliance with relevant IMO and the International Labor Organization (ILO) conventions.

4. Government of major labor supplying nations introduce legislation to license manning agents, addressing wages, hours of work, allotments, repatriation, job-finding fees, transportation charges and blacklisting.

5. Governments of major labor supplying nations prohibit the practice of blacklisting of seafarers, and prosecute and

publicly name those companies and organizations found to be involved in blacklisting.

6. Governments of major labor supplying nations urgently establish independent seafarer grievance agencies to provide speedy and accessible means of resolving seafarer claims relating to employment.

7. The International Transport Workers Federation (ITF), national maritime unions and relevant governments of flag and labor supplying States work cooperatively to implement appropriate working conditions for seafarers based on international conventions.

8. The International Chambers of Shipping, in consultation with organizations such as the Salvage Association and the Scandinavian Underwriters Association, develop a common inspection program to minimize multiple onboard commercial inspections which are burdensome to ships' management teams. The common inspection program should satisfy the individual onboard survey requirements of, inter alia:

a) The Oil Companies International Marine Forum (OCIMF) for the Ship Inspection

can be done by promoting Codes of best practice and transparency in their own operations, and by influencing classification societies to take a stronger role in the standing up to sub-standard owners and flag State administration in applying of class Rules and appropriate international maritime standards.

There was strong support throughout the industry for greater transparency and increased exposure of information on sub-standard ships. Full exchange of information can only assist in identifying and targeting the rogue operators and more responsible decisions making. While noting some concerns about the need for the relevance and accurate

information, as well as those of commercial confidentiality, the Commission considers considerable amounts of relevant data are in the public domain already and could be consolidated and made available to public data bases.

Environmental concerns have increasingly prompted action by port and coastal states to protect their marine environments. Although this has done much to redress regulatory lapses by non-performing flag States, the Commission notes with concern that many port States still fail to provide adequate port waste reception facilities or ports of refuge for ships in distress. These failures by port States only enhance the risks of pollution or loss of life.

Report Program (SIRE) b) Oil companies c) d) Chemical Distribution Institute e) Charterers f) P&I clubs g) Insurance; h) The Green Award and I) Cargo interest.

9. The international Group of P&I Clubs implement an appropriate ship-specific (non-mutual) bond system to cover crew repatriation and up to two months salary in the event of the ships abandonment. The P&I Clubs act as 'trustees' of this ship-specific fund and act on behalf of the crew in the event of abandonment.

10. Port State authorities require ships to provide, prior to port entry, evidence of a P&I guarantee that covers two months' crew salaries and costs of repatriation in the event of abandonment. Such coverage should extend for at least 30 days after the date of entry.

11. The United States Government  
(i) acknowledge the extensive exploitation of seafarers serving on US port-based cruise ships and ensure that minimum standards of decent work as contained in the ILO Convention No. 147 are applied; and  
(ii) ensure that representatives from seafarers' missions, welfare organizations and unions have free access to crew members.

12. The IMO and the ILO, in consultation with fishing industry representatives, investigate the reasons why the Torremolinos Convention and Protocol and STCW-F Convention have not been adopted and draft a new binding instrument for fishing vessel construction and manning, covering both safety and working conditions.

13. The IMO, and ILO and the Food and Agriculture Organization (FAO):

(i) establish a joint working group to develop voluntary guidelines for port State control of fishing vessels covering both safety and work conditions; and

(ii) expedite their joint efforts to update the codes and guidelines for smaller fishing vessels relating to the safety, design, construction of vessels and on fishermen's training and certification, including provision of specific authority for port State control.

14. Responsible owners promote industry best practice by informed, directed and widespread advocacy of quality shipping.

15. Quality owners support the maximum exposure of relevant information on their ships to assist the identification of sub-standard ships, so enabling port State control targeting to be more effective.

16. Shipowners, through their memberships of classification societies' boards and committees, influence these organizations to cease to act as Recognized Organizations for



**Strong support throughout the industry for greater transparency and increased exposure of information on sub-standard ships.**

cease to act as Recognized Organizations for consistently under-performing flag States.

17. Flag States rigorously apply the IMO Assembly Resolutions A. 739 (18) and A. 789 (18) concerning the monitoring of their Recognized Organizations.

18. Flag States, where they do not have their own arrangements, delegate to their Recognized Organizations the task of checking the application of national laws concerning crew working conditions and labor contracts.

19. The major classification societies, through the International Association of Classification Societies (IACS), pursue tougher policies by:

- adopting an unbending approach towards owners on conditions, subjects and extensions of class;

- dealing with quality lapses by the IACS members without regard to size;

- objectively identifying sub-standard flag States and providing technical assistance to aid their development and to remedy their procedures, practices, policies and performance, failing which, delegated authority would be cancelled by all the IACS members.

20. The European Commission establish a permanent Classification Society Oversight Committee to assess the performance of classification societies, with representation from other States and industry groups.

21. Classification societies declare the design life of ships 'as built', with this designation to be maintained throughout the life of the ship or until major life extension work and surveys are undertaken.

22. The Paris Memorandum of Understanding (MOU) adopt the US Coast Guard targeting matrix for port State control regimes harmonize their inspection procedures and accept each other's survey outcomes. The Paris MOU better focus its resources on targeting by removing its 25% inspection requirement.

23. Port State control regimes, led by the Paris MOU, implement reward systems for quality ships similar to the US Coast Guard "Qualship 21" program.

24. Port State authorities, led by the US Coast Guard, the Paris MOU and the Tokyo MOU include as a factor in the targeting of ships whether or not flag States have satisfactorily submitted and made public the IMO Self Assessment Form on Flag State Performance.

25. Port State authorities introduce penalties, to be applied when vessels are detained for serious safety, environmental or labor deficiencies, which will result in a substantial financial impact on the shipowners.

26. Port States exclude for two years



Coastal States designate ports of refuge for ships in distress.

any flying the flag of a State with an above the rolling average detention rate of the relevant regional MOU, where that ship has been detained twice within the preceding 24 months.

27. Port State authorities, led by the US Coast Guard, the Paris MOU and the Tokyo MOU develop a system of severe penalties to be applied to charterers and the major shippers found to be using vessels that are detained for serious safety, environmental and labor related deficiencies.

28. When a vessel is detained, wherever practicable, port State control authorities stop cargo operations until all deficiencies are rectified.

29. Port State control authorities, led by the US Coast Guard, the Paris MOU and the Tokyo MOU include in their ship inspections specific crew welfare elements under the ILO No. 147 provisions or their equivalent national regulations, and publish details of deficiencies and detentions for breaches of the ILO No. 147.

30. Port State control authorities increase their efforts to ensure full compliance with all aspects of the ISM Code.

31. Port State control authorities establish toll free telephone services to enable ships' crew and others to confidentially alert port State control authorities to safety deficiencies and crew related problems.

32. Port State control authorities establish standing consultation arrangements with pilots, port authorities, unions and seafarers missions who could be expected to become aware at an early stage of the arrival of sub-standard ships.

33. Port State and port authorities introduce measures to provide a significant proportion of the costs of seafarers' support services for international seafarers.

34. Shippers' Councils develop best practice 'Codes of Conduct' and actively encourage their members to adopt the codes in the selection of ship.

35. The IMO vigorously pursue the

Flag State Self-Assessment Form initiative with the eventual aim of making its completion and return mandatory.

36. The IMO initiative concerted action for the adoption of comprehensive binding quality criteria for flag State administrations and ship registers.

37. IMO maintain and strengthen the momentum of the ISM Code and remove one of its weak points by amending Assembly Regulations A. 741 (18) and A. 788 (19) to increase the frequency of shipboard audits for Safety Management Certificate issuance to an annual basis.

38. Recognizing the reluctance of many ports State control inspectors to become involved in crew related matters, the ILO urgently revise their publication "Inspection of Labor Conditions On-board Ship-Guidelines for Procedure" with a view to making it more precise and easier to use.

39. The ILO expedite the update and consolidation of all seafarer related conventions, including effective monitoring and authority for port State control.

40. Coastal States designate ports of refuge for ships in distress.

41. All participants in the shipping industry, particularly owners, classification societies, P&I clubs, port State control organizations and cargo interests, support and promote transparency by full disclosure of relevant information to publicly accessible data bases.

42. Port State control authorities publish information on ship charterers and major owners, where a ship has been detained, and this information should also be included in the EQUASIS database.

43. Wherever possible, EQUASIS managers include in the database details of:

- the history of ship flag changes;
- beneficial owners;
- details of the ship manager; and
- the name of the designated person on the Safety Management Certificate under the ISM Code.

# Tips already included in monthly salary

A BARTENDER sought the payment of his unpaid tips in addition to his claims for vacation leave pay. His claim for tips was based on his contract that stated "overtime: plus tips of US \$2.00 per passenger". The Supreme Court held that the bartender could not collect from the employer tips in addition to his monthly salary. Tips are given by a customer and not by the employer. The tips stated in the contract are included in the monthly salary already paid to the bartender by the employer. Moreover, it is absurd that the employer intended to give a bartender a salary higher than that of the ship captain. As pointed out by the employer ACE Navigation, a ship captain only receives US \$3,000.00 per month while a bartender will receive US \$3,450.00 if the tip will be given in addition to his monthly salary.

Orlando Alonsagay was hired by ACE Navigation to work on board the vessel *M/V Orient Express* as a bartender for a period of one year. After the expiration of his contract, he returned to the Philippines and demanded from ACE his vacation leave pay. In his complaint with the NLRC, he demanded payment of unpaid tips in addition to vacation leave pay. The Labor Arbiter ordered the respondents to pay jointly and severally Alonsagay his vacation leave pay but dismissed his claims for the unpaid tips.

On appeal, NLRC ordered the payment of Alonsagay's tips in addition to his vacation leave pay. This is pursuant to the

employment contract, which provided that "overtime: plus tips of \$2.00 per passenger". The Motion for Reconsideration having been denied, respondents filed a petition for certiorari with the Court of Appeals (CA), which dismissed the petition. The Court of Appeals likewise dismissed ACE's motion for reconsideration on the ground of ACE's failure to attach the affidavit of proof of service to the motion. Hence, this petition where ACE alleged that the CA erred in rigidly and technically applying the Rules of Civil Procedure. They also contended that the CA erred in ruling that ACE is liable to pay the tips to Alonsagay.

affidavit of proof of service to the original petition, the Registry Receipt, however, was attached to the copy filed with the CA.

## PAYMENT OF TIPS

Customers out of benevolence or friendship give tips. The employer does not give tips. Extra payments made by the employer are not tips but are called bonuses.

Customers out of benevolence or friendship give tips. The employer does not give tips. Extra payments made by the employer are not tips but are called bonuses.

The contract of employment is categorical that the monthly salary of Alonsagay is \$450 flat rate. This already includes his overtime pay that is integrated in his 12 hours of work. This monthly salary also includes tips. The words "plus tips of \$2 per passenger per day" were written at the line for overtime. Since payment for overtime was included in the monthly salary of Alonsagay, the supposed tips mentioned in the contract should be deemed included thereat.

Moreover, Alonsagay did not complain about the non-payment of his tips during the entire duration of his employment. He did not seek immediate payment of his tips. It was only when he filed a complaint for vacation leave pay that he asked for payment of his tips. This shows that the alleged non-payment of tips was a mere afterthought to bloat up his claim. Furthermore, it is presumed that the parties were aware of the plain, ordinary and common meaning of the word "tip". As a bartender, Orlando cannot feign ignorance on the practice of tipping and that tips are normally paid by customers and not by the employer. It is also absurd that ACE intended to give a bartender a salary higher than that of the ship captain. As pointed out by ACE, a ship captain only receives \$3,000 per month while a bartender will receive \$3,450 if the tip will be given in addition to his monthly salary.

**Ace Navigation Co., Inc. and/or Conning Shipping Ltd. vs. CA, NLRC, Orlando Alonsagay, G.R. No. 140364, 15 August 2000.**

*Ruben T. Del Rosario is managing partner of Del Rosario & Del Rosario Law Offices and of its PANDIPHIL Claims Department. He is former president of the Maritime Law Association of the Philippines and is an accredited maritime arbitrator. Del Rosario is correspondent of several P & I Clubs.*



"Quality is our Bridge to the Future"

We provide the "Total Solution" to the unique and complex needs of our clients

Our CULTURE is one of performance and integrity. Clients rely on our absolute standards of QUALITY; and we continue to challenge the limits of technology and engineering.



Our AIM is to form a seamless partnership with our customers so that their requirements become our challenges and our multi-disciplined capabilities provide their solutions.

Corporate Office: 100 West Walnut Street., Pasadena, CA 91124  
Phone: (1-626) 440-2000  
Manila Regional Office: 375 Senator Gil Puyat Avenue, Makati City  
Phone: (632) 896-9066 • Fax (632) 897-9252

## TECHNICAL GROUNDS

The Rules of Procedure are mere tools designed to facilitate the attainment of justice, their strict and rigid application which would result in technicalities that tend to frustrate rather than to promote substantial justice must always be avoided. Thus, the dismissal of an appeal on purely technical grounds is frowned upon especially if it will result to unfairness.

In this case, there was substantial compliance with the rules. Although the ACE's counsel failed to attach the

# Insurer's second try for dismissal rejected

MALAYAN Towage & Salvage Corp (MTSC) has won the second round of its long drawn court battle with the London-based fixed premium P&I insurer Terra Nova Insurance Co to recover payment for an oil spill clean-up it undertook in July 1999.

The Makati regional trial court denied the motion of Terra Nova, insurer of the tanker Mary Anne that polluted Mariveles waters in Bataan after it ran aground, to reconsider the order it issued last February for lack of jurisdiction and that the pleading asserting the claim has "no cause of action against" the defendant. The court's February order denied Terra Nova's motion to dismiss the case.

The recent ruling, issued on April, also asserted the liability of Oil Shale Co, the owner of Mary Anne that spilled almost all its cargo of 780,000 litres of oil which is said to have cost a clean-up bill of \$1.03 million for the salvor. MTSC had alleged in its complaint that because of the oil spill, Oil Shale contracted the services of MTSC to conduct clean-up operations within the affected areas.

Negotiated by Terra Nova's Manila correspondent Pandiman Phils. Inc, MTSC said the contract had the approval of Terra Nova. At the same time, the insurer monitored the progress of the clean-up and made an "on account" initial payment of \$50,000 directly to MTSC.

However, Terra Nova has refused to pay MTSC's final bill, as certified by the Philippine Coast Guard. Oil Shale has denied responsibility for payment of MTSC's bill, alleging that Terra Nova promised to pay



MTC tug is contracted for clean up operation.

MTSC directly, leaving MTSC no option but to pursue both Terra Nova and Oil Shale before the court.

Terra Nova questioned the jurisdiction of the Philippine court claiming that the firm was not an insurance company but a P&I Club, and that it did not transact business in the Philippines since the business to cover the subject vessel was brought to its headquarters in London through a London broker.

In its order dated 02 February 2001, the court denied Terra Nova's plea, pointing out that Terra Nova's website makes clear that it is an insurance company and not a P&I Club. The Court likewise relied upon a receipt issued by Bel-Air Reasecura Brokers Corporation on 08 April 1999 acknowledging a payment for "Oil Pollution Liability Ins"

limited to Philippines trading of Oil Shale's three vessels, including Mary Anne.

The Court ruled that the "appointment of a person or entity to accept premium payment [in the Philippines] is a clear indication of intent to engage in business in the Philippines".

With the court's adverse ruling, Terra Nova moved the Makati court to reconsider its order, but this was likewise denied. In rejecting Terra Nova's Motion for Reconsideration, the Court noted the entries in the 08 April 1999 receipt of local brokers Bel-Air Reasecura which showed that it received the amount of US\$9,826.23 representing payment for oil pollution liability insurance "acting for and on behalf of defendant Terra Nova".

MTSC officials condemned Terra Nova not only for its delaying tactics but for having negotiated in bad faith. MTSC sources revealed that Terra Nova initiated discussions and negotiations for settlement of MTSC's invoice.

A representative of London Offshore Consultants (LOC), Brian Hiney, reportedly came to Manila in behalf of Terra Nova to review MTSC's file. Acting upon Hiney's request, MTSC submitted voluminous documents several months ago to support its \$1.03M invoice for the oil spill clean-up expenses.

Hiney told MTSC that the evaluation of documents was necessary to enable Terra Nova to submit a proposal for settlement. Several months has lapsed since Hiney completed his evaluation but no attempt has been made to commence negotiations with MTSC.

Instead, Terra Nova's lawyers pursued their challenge to the court's jurisdiction. With that challenge failing, MTSC will now press for the court to deliver an early judgment in its favour.

## No happy days for laytime

THE London P&I Club has urged its members to exercise caution when agreeing charter party laytime provisions, following the recent decision of the high court in London in the *Happy Day* case. The *Happy Day* involved a berth charter party on the Synacomex form.

The master tendered Notice of Readiness (NoR) when the vessel arrived at Cochin, but the vessel was unable to berth until the following day. Discharge began that day, and was completed nearly three months later. The owners claimed demurrage, but the charterers argued that the NoR was invalid - having been given prematurely, before the vessel was at the berth - and that laytime therefore never commenced.

The owners succeeded at arbitration, but the high court upheld the charterers' appeal, rejecting the claim for demurrage and finding the owners liable for despatch. The court took the view that, under the charter party, lay time was to be started by a valid NoR and that, in its absence, laytime could only be triggered by an event such as a waiver or an implied agreement to vary the charter party to allow time to count from the commencement of discharge.

On the facts of the case, the court was unable to find such an alternative event able to commence laytime.

# Outreach program for seafarers' families

BY FR. SAVINO BERNARDI, CS



ASSISTANCE to seafarers is the main reason why there is such an established Catholic organization known as Apostleship of the Sea (AOS) in the Church today. Its aim is to serve, support and assist all seafarers, local and international, whose life is indeed a peculiar one due to the nature of their employment. They are vulnerable to problems related to faith, culture, relations at home and at work, health and occupational conditions and to personal adjustment and well-being. In particular, prolonged isolation and absence of seafarers from their families are a cause of many anxieties, needs and problems even at home.

Most especially, family life for those who are married is affected. Relationships between husband and wife, parents and children and within the extended family are often put to a stressing test. Family duties, responsibilities and obligations, particularly in the case of a solo-mother left behind are heavy burdens to shoulder alone. To the children the absence of the father would cause unsatisfying human needs in their psychological, emotional and social development due to the fact that some aspects of their growth are not accompanied by the presence of the father.

The AOS apostolate is journeying in solidarity with their experiences and difficulties, extending a helping hand and a guiding presence to facilitate the harmonious integration of their economic, professional and social aspirations with their emotional and spiritual needs and those of their families. The AOS is constantly and dynamically trying to respond to the new challenges of the seamen's lives and that of their families with a variety of services. In response to the above challenges, it has set up a Pastoral Program of apostolate for the

specific needs of seamen's families in Parish Communities with the objectives to promote harmony, trust, security and faithful love in the families of seafarers anchored on strong moral and Christian values. It also aims to accompany the seafarers' families with appropriate formation, guidance and counseling programs and assist the members of seafarers' families in moments of crises and needs through group support and positive affirmation. The pastoral program will also develop an apostolate of caring mission for each other and community service and also provide guidance for seafarers, while on leave, to enable them to become Christian leaders on board ships.

## CEBU TRAINING PROGRAM

Recently, AOS sponsored a Formation Workshop for the wives of seafarers and volunteers. Thirty seven seafarers wives met together in the Living the Gospel Sisters' Retreat House in Lahug, Cebu on 6-8 April to undergo a Trainers' Training Program. All of the participants had expressed willingness to be trained in the techniques and practice of "Care-giving for Seafarers' Families". OFWs and their wives readily admit that there are special problems affecting their families. Among these problems would be the extra load for the spouse left at home in shouldering the dual parental roles, children growing up knowing they have a father but who is away, and tendencies of marital infidelity, among others.

Seafarers wives acknowledge that there are tensions for them and their families once the spouse first leaves for abroad for a long period of contract, and upon returning. As a result of these tensions, the returning spouse often tries to "regain" his/her position in the family by being more strict and demanding — often forgetting that their children have grown up while they were away working. A teenage boy aptly describes their relationship in the family candidly as: "when Dad comes home, it is like he is the Captain and the rest of us are the crew!" The teenage daughters of many seafarers often portray their self-image as flowers dripping dew drops or as burning candles with dripping wax. The dew drops and wax symbolize "the tears we frequently shed because we know we have a

father but we rarely see him ...he is a stranger to us!"

The workshop participants learned techniques of "attentive listening", helping one another to discern their own personal "core values", sharing their own "darkest fears" regarding the dangers facing their overseas spouses and facing realistically the problems of managing and budgeting the family income. Seafarers' wives must not only budget for the needs of themselves and their children. They must also set aside money to cover the cost of the courses now required by the government and international agencies for their seafarer spouses to renew their work contract and also to upgrade their position on board.

The participants were also briefed on other programs to assist them and their families. Among these are the workshops on techniques for effective peer counseling, Family Home Retreats and developing an effective prayer life amid the cares and "busyness" of our daily lives as adult Christians. This workshop-training program was partly funded by the donations of high school students during the annual Mission Sunday celebrations in Paris, France. The funds were designated for Christian leadership and formation programs for seafarers, their families and maritime students. The participants also contributed their counter-part, which was the expense of their transportation from their respective homes to Cebu City.

These programs are part and parcel of the activities of Stella Maris Seafarers' Centers in ports around the world. At present there are more than 100 of these Stella Maris Seafarers' Centers providing "a home away from home" to seafarers of all nationalities, Faith beliefs and race. At present in the Philippines, there are permanently established Stella Maris Seafarers' Centers in the Ports of Davao and Cebu. The Ports of Iligan, Cagayan de Oro and Maasin now have assigned port chaplains and are developing small Stella Maris Seafarers' Centers.

In the Port of Manila, a major project is underway to locate and maintain an International Seafarers' Center. Among the priority services of such a Center would be overnight and short-term accommodations for the tens of thousands of Seafarers who must process their application papers and sign their contracts in Manila.



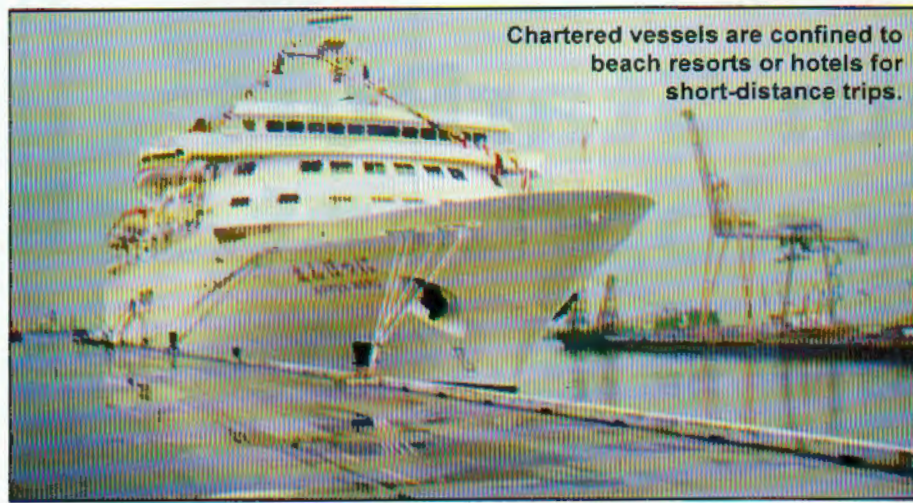
# **North StarPort Development Corporation**

**Cargo Terminal Operator for  
Piers 2, 4 & 10 North Harbor, Manila**

Head Office: Pier 4, North Harbor, Tondo  
Manila, Philippines  
Telephones: 245-2843 / 245-2975 fax 245-2843

# RP sees local, foreign cruise potentials

With the full thrust to develop the country's tourism sector, cruise shipping should not be left behind to attract more tourists to come into various parts of the islands, writes **Emerson Lorenzo**, director for Domestic Shipping Office of the Maritime Industry Authority



Chartered vessels are confined to beach resorts or hotels for short-distance trips.

WATER transportation in the Philippines provides the vital linkages between and among the various islands and places of the country, for purposes of physical as well as economic, socio-cultural and political integration. Accordingly, access to numerous tourist destinations in the archipelago is essentially through water transportation. Thus, the current and potential role of shipping to Philippine tourism development, among others, cannot be overemphasized.

From this perspective, the Maritime Industry Authority (MARINA) – the government agency mandated by law to promote and develop as well as regulate the country's shipping industry – has taken cognizance of the need to orient its policies and programs to tourism development.

As such, one of the basic goals set by the MARINA is "An adequate, efficient and economical domestic shipping fleet providing competitive standards of shipping services to cater to the transport requirements of agriculture, trade and industry, and tourism".

There are several means by which travel by ship can be availed of to reach certain destinations in the Philippine archipelago through:

a) liner passenger vessels which offer a fixed set of port calls with fixed regular schedules for foreign and local travelers and tourists;

b) special arrangements where a group

charters a vessel to do a special trip or contracted voyage on specific destination(s); and

c) foreign oceangoing cruise ships which have been authorized by the MARINA to call on domestic ports for purposes of transporting foreign tourists to such identified destinations.

Of these, the most dominant and regular would be liner passenger vessels. Chartered vessels are confined to beach resorts or hotels for short-distance trips, or in some instances, to large groups doing a specific travel from one urban center to another within the country. On the other hand, foreign oceangoing cruise ships calling at Philippine ports are not yet that frequent and regular, which needs to be developed.

## Domestic liners

In terms of domestic liner passenger vessels, the bigger passenger-cargo vessels provide access to the major ports/urban centers of the country through inter-island voyages, covering such places as Manila, Cebu, Cagayan de Oro, Davao, Zamboanga and Puerto Princesa.

From such major ports, further travel to numerous tourist destinations are in turn catered to by smaller vessels, mostly high speed crafts. From Manila for example, ferry is provided to tourist destinations like Corregidor Island, Subic Bay and Boracay Island, among others. From Cebu, similar

ferry services provide access to nearby island resorts such as Iloilo, Guimaras and Bohol, while from Cagayan de Oro one can proceed to Camiguin Island and from Davao to Samal Island. In other instances, travel to selected tourist destinations would involve a combination of land, air and water transport, as in the case of Puerto Galera in the south where one has to travel by land from Manila to Batangas where the ferry shipping services would be available going there; or, an air travel from Manila to Aklan, then a land travel to the northern tip of Panay island in order to reach Boracay Island by motor bancas. There is also the case of tourist spots in the Leyte provinces where the land travel leg would be from Manila to Sorsogon and complemented with ro-ro shipping service to get to Samar and Leyte.

Big liner vessels plying the primary and secondary routes of the country would number about 154 ships (as of 1996), with an average size of 1,097 GRT. On the other hand, ferries providing short-distance shipping service between islands number around 492 vessels, with an average size of 20 GRT. Moreover, there are currently about 60 high speed craft operating in the country, with an average size ranging from 100-300 GRT. All of these vessels, including those which are at times chartered for special trips, would enable tourists to visit numerous places in the country, although such would be dictated, in the case of the former, by their existing schedules of arrivals/destinations at fixed ports of call.

The Philippine government has been pursuing policies and programs to further develop domestic shipping services in the country by way of attracting more investments, fostering greater competition and supporting domestic fleet modernization. These basically revolve around deregulation policy initiatives, streamlined and liberalized administration, and incentive programs. For purposes of enhancing support for tourism and travel by ship, vessels that cater to tourism promotion, as accredited by the Department of Tourism, are granted greater flexibility in the availing of deregulated rates, as well as priority in terms of entry into routes.



The response to such policy/ program initiatives has been encouraging, given the increased deployment of luxury passenger ships with accommodations and amenities approximating those offered in hotels, considerable improvements in service standards of vessels, and the rapid rise of fastcraft as a mode of ferry shipping service.

**The Mabuhay Sunshine**

Cruise shipping, as commonly understood in tourism, was nonetheless offered in the Philippines, with the operation of a Philippine-registered cruise ship, the Mabuhay Sunshine, some three years ago. The 7,262 GRT, 127 m vessel had five decks having a total passenger capacity of 440 through 107 staterooms and 10 suites, complemented by restaurants, bars, function rooms as well as attendant amenities and facilities. The cruise ship's ports of call were El Nido in Palawan, Puerto Galera in Oriental Mindoro, Boracay, Sicogon and Iloilo in the Panay Island and Bohol.

In most instances, a combination of such ports of call have been included in a given voyage package, depending on scheduled festivities and climate considerations. Considering the size of the vessel and its attendant draft vis-à-vis the fact that most of the designated destinations are not major ports, the typical arrangement is for the cruise ship to stay in at anchorage while motor boats are used to transport the passenger tourists to the port itself.

The operation of the cruise ship was moreover limited by the typhoon season in the Philippines (from June to November), during which time the seas are rough and making sea travel not too pleasant and comfortable. As a result, the operator of Mabuhay Sunshine entered into an arrangement with a travel outfit in South Korea to operate the vessel there during such months, to make the vessel's operation and maintenance viable.

The vessel's operation in the Philippines, from December to May, thus coincided with the season of foreign tourist influx, which was in fact the primary target market of the venture.

Unfortunately, the regional crisis in Asia, which started in 1996 resulted in the cancellation of the vessel's operation in South Korea as well as reduced foreign tourist arrivals in the

Philippines, thus, diminishing the profitability of the vessel's operation. Moreover, the domestic market of the country did not appear readily receptive to such mode of cruise shipping. Conse-

quently, the MV MABUHAY SUNSHINE ceased operation sometime in 1999.

**Foreign cruising**

Cruise shipping in the Philippines involving foreign vessels has been rather scarce over the past years, with not much record about them. There have been of course several foreign cruise ships calling at the port of Manila, but did not involve any cruise to other domestic ports within the country. Significantly however, a Bahamian-registered cruise ship, the mv Clipper Odyssey owned by Clipper Odyssey Ltd. and managed by the New World Ship Management Co., has been recently

coming over for cruise within the country, to provide a rough profile on this aspect of cruise shipping in the Philippines.

The ship visits the country periodically, carrying with it foreign tourists as it toured several tourist attractions throughout the archipelago, involving, but not limited to General Santos City.

Bislig in Surigao, Cagayan de Oro City, Bohol, Cresta de Gallo(Sibuyan Island) Corregidor, Subic Bay and Hundred Islands.

Except for the ports of Cagayan de Oro, General Santos and Subic where the water depth at the pier could accommodate the vessel's draft, the other ports visited involved the vessel's stay at anchorage, with motor boats used to transport passengers ashore.

Another foreign cruise ship periodically visiting the country is the mv Asakusa of NYK Cruise Co, which regularly visits Palawan and nearby tourist destinations.

Foreign cruise ships like the mv Clipper Odyssey coming over to tour several places in the Philippines are covered by the Cabotage principle, as translated into law under the Philippine

Merchant Marine Rules and Regulations (PMMRR) and the Tariff and Customs Code of the Philippines (TCCP). A mechanism, however, is in place where Exemption Permit can be granted to a foreign vessel to temporarily operate in Philippine waters, especially when the shipping service involved is not locally available, or supports a program of government.

On the other hand, foreign vessels calling at only one port in the country and then proceed to a foreign port, are not covered by the MARINA permit. Thus there are no records in that agency of other foreign cruise ships, which have visited the Philippines in such manner over the past years. The rarity of foreign cruise ships calling on the Philippines therefore, is not so much caused by legal or regulatory constraints that would enable them to operate in Philippine waters.

In terms of immigration procedures moreover, there are no serious constraints likewise posed for foreign cruise shipping operations. Under current practice, upon arrival of a foreign cruise ship in a port, officials of the Bureau of Immigration and Deportation (BID) would board the vessel as a matter of procedure.

Foreign tourists wishing to go ashore and stay there for 24 hours could ordinarily do so without any requisites, and where requested when longer stay ashore is desired, a visa can be issued with a validity of 21 or 59 days. In cases, however, where the nationality of the foreign tourist involved is currently categorized as restricted (mostly those involving countries where the Philippines has no reciprocal agreement), a Shore

Pass valid for one day has to be issued by the attending BID official prior to disembarkation.



WG&A's promotional brochure for domestic cruise

# Strategies for cruise shipping

THE prospects of encouraging more foreign cruise ships into the country would somehow depend on concerted and coordinated efforts undertaken by relevant government agencies and private sector entities to promote the same. The Department of Tourism can take the lead in initiating strategies and programs which are not yet in place at the moment to attract cruise shipping ventures and visits into the country, possibly to be integrated into their existing Tourism Master Plan. Basically, the strategies and measures deemed relevant to be considered would involve the following:

1. A more aggressive marketing approach of the country's tourist destinations by the DOT, in coordination with Philippine embassies and consulates abroad, as well as by private sector entities involved in tourism;

2. Further development of the ports and terminals serving the country's tourist destinations, inclusive of port infrastructures and facilities, that would cater, to the extent possible, to big foreign cruise ships, through DOT's coordination with the Philippine Ports Authority (PPA). Under the existing policy framework of the PPA, this can also be undertaken by private sector entities where a private port



The *Queen Elizabeth 2* in a recent visit at the Port of Manila

or terminal could be developed for the purpose;

3. Provision of needed physical infrastructures and facilities in identified tourist destinations that will foster more convenient and comfortable movement and stay of tourists therein, through DOT's coordination with the Department of Transportation and Communications, Department of Public Works and

Highways and existing/prospective private sector entities;

4. Promoting joint ventures with interested foreign investors in the operation of cruise ships in the country and in the Asia-Pacific region, through the coordination of the DOT and the MARINA. This is currently subject however, to the 40% limit in equity to foreign shareholders. In domestic ship-

## Tourism aspects

The Department of Tourism (DOT) is the agency of government primarily responsible for the development of tourism through cruise shipping in the Philippines. At present, there is yet no coordinated and integrated program directed towards further enhancing cruise shipping operations in the country. Nevertheless, tourism development programs and projects undertaken so far by the DOT under its Tourism Master Plan would serve to directly and indirectly support cruising activities in the archipelago.

Under DOT's Tourism Master Plan, existing as well as potential tourist attractions/ destinations throughout the country have been identified, and the development/conservation of their unique physical, cultural or historical features have been programmed. Also included in the Master Plan are the needed services, infrastructures, facilities and linkages to be developed, in some instances through the collaboration of the government with business enterprises. Essentially, most places in the Philippines could serve as tourist attraction, be it in terms of its physical/environmental features or its socio-cultural/historical significance. The absence, however, of needed services, infrastructures,

facilities and linkages in most of these places would make it difficult to have them as tourist destinations, hence the Tourism Master Plan.

Presently, all of the major cities in the Philippines could serve as principal tourist destinations, given their extent of urban development that would insure adequate services, accommodations and facilities to cater to large-scale tourist visits. Moreover, major cities like Manila, Cebu, Davao, Cagayan de Oro, Iloilo, Zamboanga, Legaspi, Puerto Princesa and General Santos – all being directly accessible to cruise ships – offer points of interest to tourists in the realm of recreation, sports, culture, history, arts and landscapes, among others. Manila for example, has its picturesque Manila Bay sunset, relics of Spanish history and architecture through the Intramuros area as well as old cathedrals, its commercial districts and the historic Corregidor Island and Subic Bay nearby, to mention a few. On the other hand, Cebu and Iloilo offer a variety of beach resorts, old Spanish structures and native arts and products, while Davao and Zamboanga provide a glimpse of the more rustic Philippine countryside as well as evidences of Moslem influence through the cultural landscape, beautiful beach resorts and a variety of native products. In such major urban

centers, there is also a sequence of festive events held annually, more often associated with religious or historical celebrations that would prove interesting if not exciting to foreign tourists. These are also the destinations where organized tours of a big number of tourists from cruise ships can be catered to, be it in terms of accommodations, transportations and other related services. Over and above such destinations, there are also numerous spots in the Philippines which are highly recommended destinations, primarily for their excellent beaches and marine life. Palawan for one, has gradually gained international reputation as a diving paradise and for its other features like limestone caves, underground river and virgin forests with exotic fauna. Then there is the Bohol Island which boasts not only of its excellent beaches but also its chocolate hills, Spanish churches and caves.

Presently, tourist destinations which have been undergoing various stages of development, principally due to its beaches and other beautiful landscapes, are Boracay Island, Puerto Galera, Camiguin Island, El Nido, Sibuyan Island and Hundred Islands. Despite such numerous places however, there are admittedly a lot of improvements that are still needed to be undertaken in order to maximize their potentials vis-à-vis the market of cruise shipping and tourism.

ping liner operations for example, there are now an increasing number of such local and foreign joint ventures which have put up shipping companies operating high speed craft/fastcraft catering primarily to tourism in the country;

5. Packaging a program of incentives which would make more attractive investments in and operations of cruise shipping in the Philippines, by way of coordination between the DOT and the Board of Investments, as well as Department of Finance. This can also extend to the grant of special rates to port tariffs, which are not yet in place, specifically with respect to harbor fees and berthing or anchorage fees. Presently, the port fees charged to foreign vessels are double than that of domestic vessels, and reducing such will undoubtedly foster a more favorable climate for cruise shipping operations in the country; and

6. Exploring ways of streamlining procedures and processes attendant to cruise shipping operations in the Philippines, specifically with respect to vessel arrivals/ departures, customs and immigration formalities, and the grant of needed permits where applicable.

Translating these strategies and measures into concrete program of actions under a comprehensive and coordinated plan will hopefully enhance the opportunities for cruise shipping development in the Philippines.

Word from page 27

Because China has been a land-power since the 15<sup>th</sup> century, its build up of sea and air-power is liable to become Asia's key security over these next 10-15 years.

Already other powers with maritime interests like India, Japan, and Vietnam are beginning to react to what they see as potential threats to their own sea lanes of communication.

Even Indonesia despite its internal troubles plans to expand its modest navy Singapore bought its first submarine last April and is acquiring a second one this year.

How China exercises its potential political and military power must concern all the countries of the Asia-Pacific and none more so that we in Southeast Asia who lie in the direction of its historical expansion.

This is why we all have a vested interest in the success of China's market experiment. We want the market system to complete inducing the spontaneous democratization already going on in village governments; in the mass media; in the internet; and even in the people's congress. Because a pluralistic China will not spring any surprises on its neighbors.

And this is why the Asean heads of state are pushing their "Asean plus three" initiative which is to organize an East Asian economic group incorporating the 10 Southeast Asian states plus China, Japan and South Korea.

## Toward an Asia Pacific community

Now to sum up and conclude.

I see as the key to lasting peace in the Pacific basic the accommodation of the ambitions of the rising powers, China the greatest among them for influence in regional affairs.

Finding a practical way of doing this will not be easy. Fortunately, we have the leisure to do so. None of the great powers faces an immediate threat; and rivalry among them has lost its cold war intensity.

Even the Taiwan issue need not poison relationships between China and the United States. Since it is susceptible to a solution along the lines of the Hong Kong formula. And as secretary of state Colin Powell told the Senate foreign relations committee at his confirmation hearings.

*"A strategic partner China is not. But neither is China our inevitable and implacable foe. It is a competitor and a potential regional rival, but also a trading partner willing to cooperate in the areas such as Korea where our strategic interest overlap challenge is to keep it that way."*

Mail, Fax or E-mail subscription forms to our address at:

The Maritime League  
201 Maritime Technology Center  
Aduana cor. Arzobispo Street  
Intramuros, Manila 1004

Tel: 527-6865  
Fax: (632) 527-9049  
E-mail: mleague@compass.com.ph

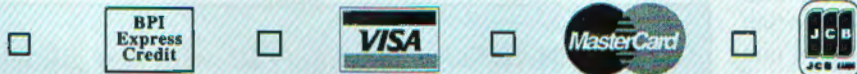
### MEMBERSHIP APPLICATION FORM

I hereby apply for membership to THE MARITIME LEAGUE as indicated below and enjoy the privileges of membership, including a free subscription to THE MARITIME REVIEW.

Life - P 10,000 one time dues for those aged 60 and above, or as follows

Age	50&below	51	52	53	54	55	56	57	58	59	60
Amt	20,000	19,000	18,000	17,000	16,000	15,000	14,000	13,000	12,000	11,000	10,000

- Corporate (P10,000 initial and P1,000 annual dues)  
 Regular (P 2,000 initial and P1,000 annual dues)  
 Associate (P 1,000 initial and P1,000 annual dues)  
 Enclosed is my personal / company check payable to Maritime League



Credit Card Number: \_\_\_\_\_ Expiry Date: \_\_\_\_\_ Signature: \_\_\_\_\_

#### SUBSCRIBER'S INFORMATION:

Name: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

Position/Title: \_\_\_\_\_ Office/Company: \_\_\_\_\_

Business Address: \_\_\_\_\_ Tel.No.: \_\_\_\_\_ Fax#: \_\_\_\_\_

Home Address: \_\_\_\_\_ Tel.No.: \_\_\_\_\_ Fax#: \_\_\_\_\_

Preferred Mailing Address:  Office  Home

# EU, STCW95 and Philippine seafaring

MARITIME League members as well as seafaring watchers will be interested to learn of a recent EU report on the Philippine situation vis-à-vis STCW95.

As the world knows, the Philippines is the "manning capital of the world", the only country deploying more than 100,000 men on international vessels (and we have more than 260,000!). Since many European Union shipping nations have Filipinos on their fleets, they of course have serious concerns with respect to the status of our compliance with the 1995 amendments to STCW76. Thus they convinced the EU to fund a project for the EU Mission, organized by the UK's Shipping and Transport College, which submitted its report on 8 Dec 2000.

To begin with, it visited and inspected the administrative processes within the Philippine Maritime Administration which includes the Maritime Industry Authority, the Professional Regulation Commission, the Maritime Training Council, the Commission on Higher Education and their respective facilities, organizations, concerns and policy aspects. In addition, four schools were inspected, one (Philippine Maritime Institute) in Manila, one (Philippine Merchant Marine Academy) in Zambales, one (Maritime Academy of Asia and the Pacific) in Bataan and one (University of Cebu) in Cebu.

While the report makes some comments and recommendations in the Mission Report, it certainly highlights the great efforts of those concerned towards making our country a top rate source of manpower. Its main findings:

1. The Quality Assurance/Quality Standard System of the Philippine Administration is in line with STCW95 requirements.

2. The four schools inspected were rated respectively excellent for two (MAAP in Mariveles and PMMA in San Antonio, Zambales), very good for one (Maritime Training at University of Cebu), and marginal for the other (PMI in Manila). On page 4 in fact had the statement that "the MAAP is probably one of the best equipped in the world"! (Should its Superintendent, Leaguer VADM Eduardo MaR Santos not take a bow?).

The report should dispel doubts about the Philippines' capability to excel in the field, and to progress further, since much still remains to be done.

## Departure Clearances

Last month, the various government agencies continuing their involvement with vessel clearances despite the issuance of Executive Order 493 received harsh criticism from shipping companies, commuters and other port users during a meeting in Cebu. As experienced in years past, most of those concerned are not about to relinquish their "lawful authority" to pass judgment upon a ship's compliance with all regulations and standards. Fortunately in some port jurisdictions some sense has been shown and Port Integrated Clearing Offices (PICOs) seem to be working well.

We had always hoped that the objectives of EO 493 will eventually be realized. Were it not for the ever-constant issue of shipboard disasters particularly come the typhoon season, it would certainly be easy to implement.

Now, Luzon Port District Manager Hector Miole has a novel idea for further improving the present system, in what he proposes as "Project IAY" for "Once a year entrance and departure clearance". He cites the fact that today "fast craft vessels plying the Batangas-Calapan are being cleared monthly...."

Miole also justifies his Project IAY by citing the benefits, such as "one transaction per year instead of per vessel call", reduction of PPA and vessel staff, reduction of paperwork for both PPA and the ship and use of staff for other purposes.

I think Mr. Miole's proposal has merits on the PPA side of the coin. It, however does not take into consideration that EO 493 addresses consolidation of multi-agency departure clearances. In other words, the PPA clearance represents the combined role of the other agencies, as covered in the meaning of the PPA clearance, which is that the vessel has complied with all pertinent laws and regulations as evidenced by the non-receipt by PPA of a report to the contrary from any concerned agency, and that it

has paid all the necessary port and harbor dues.

When Mr. Miole introduced to me his proposal, I suggested why not? And I added, "why not instead arrange for payment through credit card arrangement?" Such a smart card approach is already being done in land transport – in tollways, for instance. In fact in Italy, where the countrywide tollway system is integrated, payment by smart cards is the norm.

I have a healthy respect for this kind of approach, as PPA had my strong support in proposing the consolidation of departure clearances, which resulted in the issuance of EO 493 in 1992 when I was CPCG.

Will that time come when departure clearances will no longer be really necessary? Yes, indeed, when Port Control's departure clearance merely covers the navigational aspects that "the coast is clear", so to say. That is, without prejudice to any regulatory or law enforcement agency that may inspect and, for cause stop or delay the departure of the vessel for lawful reasons.

**Breakthrough.** I originally titled this part of the column: Will breakthrough come soon? Well, surprise, surprise, I was handed a copy of a Memorandum from the OP signed by President Gloria Macapagal Arroyo on May 11, 2001, addressed to DILG Secretary Jose Lina and PNP DG Leandro Mendoza, entitled "Clearance Requirement for the Transfer of motor Vehicles from ONE island to Another Through Ferry Service".

Essentially, Executive Order 493 did require the same action, but which was continuously ignored by the PNP. But this time, the directive is more direct and addressed specifically to the two officials who are responsible for its implementation. This removes one source of delay, corruption and unnecessary red tape.

Passengers and shipping companies have reason to rejoice. We have to thank DOTC Secretary Alvarez and the President for this great move.

## MARINA challenges PRS with new guidelines

I just saw MARINA MC 165 and as a firm believer in our need to have a Philippine member in IACS, I see it as a very cruel and ill-conceived move. Does MARINA care about us joining the better maritime nations?

However, for the next issue, we will dissect this and get the opposing views aired.

Word from page 30

## Counterweight to China

Ultimately, East Asia's future will depend on how China, the United States and Japan structure and adjust their relationships. These three powers have been the principal props of the regional balance of power since the end of the cold war. In strategic terms, no viable counter-option to China's growing military power is possible without the American presence. So that, ultimately, it is the U.S.-Japan alliance that underpins Asia-Pacific security.

As a side-benefit, the alliance also provides China and East Asia assurance and comfort that Japan will not rearm, and that any Russian ambitions in East Asia will be contained. The Asean Nations generally welcome the forward deployment of American "tripwire" forces as an earnest of Washington's guarantees for regional security.

As part of this security network, the Americans want Japan to transform its "self-defense forces" into a more effective regional player but the ruling Liberal Democratic Party (LDP) seems slowed down by the magnitude of its domestic problems. The LDP is unwilling even to expose the economy to the salutary shock of global competition because its strongest support comes from among Japan's most protected, least productive and most high subsidized sectors.

Japan's postwar economic success had largely moderated its nationalist tendencies. But since the recession began, in the early 1990s Japan has been getting angrier at the outside world. With ultimate consequences the rest of us in Asia-Pacific have yet to experience.

Conservative nationalists like Shintaro Ishihara, the governor of Tokyo, find growing support, especially from younger voters frustrated with Japan's low standing in the world and its dependence on the United States. Right-wing nationalists want a Japan that is diplomatically independent and independently armed.

## A tougher, more ideological America

What do East Asians make of the Bush presidency? Judging from Washington's policy-making so far, the Bush presidency represents a tougher America. One more ideological than its predecessor, more closely focused on its national security interests and more selective about where in the world it prioritizes its attentions and projects its forces. East Asians widely expect the republican administration to take a harder line against North Korea and China than the democrats it replaced.

The "spy-plane" incident off Hainan

may have been settled quickly and relatively amicably. But there are many potential flash points in the relationship between China and the U.S. such as the sale of AEGIS destroyers to Taiwan; the U.N. resolution condemning Beijing's human rights record; and the final decision on China's entry into the WTO. All of which are under constant, intense pressures from their elite constituencies in both capitals.

Although they were allied against the Soviet Union during the later years of the cold war. Both the U.S. and China now apparently see themselves as potential adversaries.

Beijing sees America as the main obstacle to China's rise as an Asian power. Meanwhile, American military attention is shifting from its traditional focus on Europe and looking to East Asia as the most likely arena of future conflict.

Some intelligence analysts see Asia, over the next 15-25 years. As the region having the greatest risk of major war perhaps between China and Taiwan, between India and Pakistan; between the half-nation on the Korean Peninsula; and between the United States and China over their competition for influence in East Asia.

Beijing says "China and the United States have no need to begin a war against each other." But it also declares China's emergence as an East Asian power to be "irresistible." And Beijing seems unswerving in its two strategic goals: to incorporate Taiwan as its last irredentist claim; and to ensure in depth of its coastal heartland by dominating the whole of the China sea.

Toward this goal, Beijing has been pushing China's military modernization, particularly of its Navy and Air force. It recently announced an 18% increase in military spending. Since 1997, the P.L.A.'s budget has been legally indexed to the growth of GNP.

Before the year is over, China should have two Russian-built guided missile destroyers whose fire-power Taiwan's Navy cannot match. Not only with the new destroyers enable China's fleet to project power well beyond the mainland's coasts. They can also threaten U.S. warships. Even aircraft carriers. That may be sent to Taiwan's aid in the event of a Chinese attack.

## Taiwan the central issue

Chinese strategies now apparently use as the dominant scenario in their military planning and weapons development a war with Taiwan sometime in the next 10 years, that drags in the United States. And Beijing is pouring its resources of men and money into devising strategies and weapons to exploit America's military weaknesses and to raise

American strategists themselves have deployed more attack submarines in Asian waters. At Pentagon war games scenarios

now apparently with potential Asian conflicts and more and more involve characteristics Asian tactics, such as deception and indirection.

Recognizing their country's technology inferiority, P.L.A. planners emphasize strategic surprise. They apparently envision preemptive attacks launched in great secrecy. Using highly-mobile forces packing highly accurate concentrations of firepower that would paralyze Taiwan's counterstrike capability in a matter of minutes thus confront Washington with a *fait accompli*.

## Asean the innocent bystander

Asean is the innocent bystander in the drama being played out on the Taiwan straits, while Asean generally accepts Beijing's claim that Taiwan is a Chinese province. Its concerns lie mainly in how the island is reunited with the mainland, because any protracted instability on the Taiwan straits would be life-threatening to the whole region.

I myself am optimistic that the recent political change in Taipei could speed up the necessary rapprochement with China.

Because of his credentials as a Taiwanese nationalist, president Chen Sui-Bian can likely carry popular opinion with him in any live-and-let arrangement with Beijing.

Since early January, he has allowed residents of the nationalist off-shore islands of Quemoy and Matsu to travel to the Fujian Coast. If no crisis intervenes, this symbolic "mini-link" could lead to wider contacts between China and Taiwan.

A political solution probably years away is likely to have a federalist framework similar to that Beijing has arranged with both Hong Kong and Macau.

## How will China exercise its regional pre-eminence?

Meanwhile China's entry into the WTO should work to deepen its economic liberalization; it will also result unavoidably in some further loosening of the communist party's political control.

Rapid growth these past 20 years has caught China's rulers in a classic dilemma.

Any further deepening of economic reform is virtually impossible without some accompanying reform of the political structure, and political reforms have proved to be the anti-thesis or Marxist-Leninist systems.

Economic growth has also caused a sea-change in Chinese strategic thinking. Today, China's avowed goal is to project power beyond mainland East Asia where its strategic authority is already widely accepted initially into East Asia's maritime regions and ultimately into the world ocean.

Turn to page 27

# Asia-Pacific security in 21<sup>ST</sup> century

REGIONAL security as I see is the greatest challenge to the Asia Pacific States in this new century.

Our countries need prolonged peace and stability if they are to deal successfully with their internal problems of economic growth and political freedom.

The most recent regional crisis, set off by the collision between an American electric-intelligence plane and a Chinese jet fighter, has fortunately been resolved. Diplomats soon enough found a face-saving out of the Hainan incident for both China and the United States but we may be sure we have not seen the last of such situations as the strategic competition between the two great powers intensifies.

In Southeast Asia, Indonesia's internal troubles could prevent it from acting as the linchpin of Asean security. Instability in that great archipelago which straddles the sealanes between the Indian Ocean and the Western Pacific could become endemic if Indonesia's transitional democracy produces only a succession of weak civilian governments.

In both Indonesia and Malaysia, political

Islamism is becoming a focus of protest not only against economic frustrations but also against the inroads of the consumerist culture. For Thailand and the Philippines, the basic problem is how to make democracy work for common people. Given their under developed potential for greater prosperity. In Myanmar, a United Nations envoy recently found grounds for hope that the ruling generals may be serious about loosening their stranglehold on the country.

In Northeast Asia, Japan's failure to emerge from recession is prolonging East Asia's economic recovery and frustrating Washington's hopes that Tokyo would bear a larger share of the Asia Pacific' defense burden. Leader's of the ruling liberal democratic party seem unable to raise the political will to reform the financial system and deregulate the economy.

Meanwhile, disagreements have broken out between Seoul and the new government in Washington on President Kim Dae Jung's sunshine policy toward Pyongyang. Moreover, skeptical experts see no basic change in North Korea effort to build up its nuclear-missile capability despite help that has been

offered to its faltering economy. Pyongyang's missile threat has also set South Korea and Japan looking to their own defenses. Seoul has been negotiating with Washington for higher limits on the range of its missile systems, and Tokyo has agreed to a forces deployed in Northeast Asia.

## Triangular Relationship

But East Asia's greatest single problem is how to incorporate China into its regional arrangements. East Asia's central problem is how to "socialize" its largest state by reducing the element of threat, while accentuating the positive factors in China's regional relationships. China's growing



economic power fuels its rising military clout and expanding ambitions.

Over these past 20 years, China's economy has multiplied four times and Beijing has just announced another program to double the \$1.1 trillion economy over the period 2001-2010. In the process, China has resolutely interconnected into the global economy and has so transformed its command economy that state-owned industries now produce only 28% of total output. Since 1988, cumulative foreign direct investment (FDI) has reached \$350 billion last year alone, China received \$41 Billion in FDI, second only to the United States itself. The outside capital China sucks in curtails severely the flow of foreign investment to the rest of developing Asia.

China's entry into the World Trade Organization (WTO) should sharpen its global competitiveness even more. Its enormous pool of workers who make do on wages of 82 a day will devastate Indonesia, Bangladesh and other countries whose own exports depend on cheap labor. Already China exports not just garments and shoes but also low-end consumer durables such as refrigerators, air conditioners, television sets and microwave ovens.

Under the impact of the market system, even the political system has been transformed, although the communist party still monopolizes political power, it no longer controls every aspect of social and economic life. That the state penalizes individual dissent so heavily to me signifies how shaky the political foundations of central control have become.

In place of the old Maoist Doctrine, the communist party now promotes a chip-on-the-shoulder nationalism as the new state ideology, and irredentism as the means of redressing 150 years of humiliation at the hands of the great powers. Viewed through this prism, the spy-plane incident is merely the latest in a long series of slights by the "arrogant" westerners on China's sovereignty and territorial integrity.



## PHILIPPINE REGISTER OF SHIPPING, INC.

*A Filipino Ship Classification Society*

### Principal concerns:

- Vessels' structural integrity
- Reliability of machinery and equipment
- Prevention and control of marine pollution
- Statutory Surveys

## ISO 9001 CERTIFIED

CERT. NO. AJA 00/2200

Rm. 315 PPL Bldg., cor. San Marcelino St., United Nations Ave., Manila  
Tel. Nos. 524-79-79, 338-20-75  
Fax/Phone: 522-36-40 E-Mail: prs@pworld.net.ph

# CATERPILLAR

# Propmech

[www.propmech.com](http://www.propmech.com)



CATERPILLAR MARINE ENGINES,  
SERVICE AND SUPPORT

No 84 Northbay Blvd., Navotas, Metro Manila

Tels. 282-7668 / 282-6487 / 282-6488 / 527-9046



WORD FROM FVT

# SULPICIO LINES, INC.



SMS CERTIFIED



*Get to see the  
islands  
on board  
the Princess!*



BACOLOD • BAYBAY • BUTUAN • CAGAYAN DE ORO • CALUBIAN • CATBALOGAN • CEBU • COTABATO • DAVAO • DIPOLOG • DUMAGUETE • ESTANCIA • GENERAL SANTO  
ILIGAN • ILOILO • JAGNA • MAASIN • MANILA • MASBATE • ORMOC • OZAMIS • PUERTO PRINCESA • SURIGAO • TACLOBAN • TAGBILARAN • ZAMBOANGA

**CEBU MAIN OFFICE:**

Sulpicio Go Street, Reclamation Area, Cebu City Tel. No.: (032)232-5361 (Connecting All Departments)  
Hotline: (032)233-1100 Website: [www.sulpiciolines.com](http://www.sulpiciolines.com)

**MANILA BRANCH:**

415 San Fernando Street, Binondo, Manila Tel. No.: (02)241-9701 to 07, 241-9801 to 05  
Pier 12, North Harbor, Tondo, Manila Tel. No.: (02)245-0616 to 30