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THE COVER

Keppel Cebu Shipyard





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Maritime League Chairman
Carlos L. Agustin

The Region's Shipping Security

The buzzword for the past few months getting into July 2004 is the implementation of the ISPS Code. The last meeting of the Maritime Breakfast Forum last May highlighted the poorly coordinated preparation by the Philippine administration of IMO Conventions. For those who are knowledgeable, IMO's concern is really shipping security but in recent times this concern is getting more and more unified with the overall concern in the war against terrorism spearheaded by the United States.

The *Economist* on June 10 came out with a banner item "Going for the Jugular" with respect to the situation in the Malacca Straits. It echoed the long-standing effort of the International Maritime Bureau (IMB) in getting a real handle on the problem, in particular the Malacca Strait.

About 50,000 vessels, said the *Eco*, "carrying roughly a quarter of the world's maritime trade, pass through the strait every year. So do about half of all seaborne oil shipments, on which the economies of Japan, China and South Korea depend. If terrorists were determined to devastate the world economy, it would be hard to find a better target." It added a report on the recent meeting in Singapore, the so-called *Shangri-La Dialogue* a regional security conference organized by the London-based International Institute for Strategic Studies in Singapore last week:

Joshua Ho, of Singapore's Institute of Defence and Strategic Studies, argues that it would be difficult for terrorists to disrupt shipping in the strait. It is hard, he points out, to sink a ship in a precise spot. Last month, it took a freighter loaded with South Korean cars six hours to sink after a collision there. By the time she finally foundered, Singaporean tugs had towed her out of the shipping lane. Fuel tankers, which feature prominently in many doomsday scenarios, are robustly constructed and do not carry their cargo in volatile forms, for obvious reasons.

On the other hand, the pervasiveness of piracy in the area proves that shipping is vulnerable to less apocalyptic assaults. The Strait of Malacca and its littoral countries account for about a third of all pirate attacks in the world. The number of such attacks has tripled over the past decade (see chart). In the first week of June, for example, a tug and barge disappeared on their way to Port Klang in Malaysia, armed robbers looted a tanker in Indonesian waters, and crews repelled two other attacks in the strait itself.

Analysts attribute this increase in piracy to ordinary Indonesians impoverished by the financial crisis of 1997, or rebels from the restive province of Aceh, at the northern end of the strait. They tend to loot smaller ships for valuables, or hold their crews for ransom. But there are also more sophisticated pirates, who steal whole tankers and their cargoes to order, and who might be recruited by terrorists.

The strait is relatively poorly monitored. The "cash-strapped Indonesian navy has perhaps 20 seaworthy patrol boats, to guard an archipelago of 17,000 islands. Singapore and Malaysia are richer and better equipped, but have no right to pursue ships into Indonesian waters. Singaporean sailors say that when they pass information to their Indonesian counterparts, it disappears into a black hole."

ADM Thomas Fargo has proposed a Regional Maritime Security Initiative (RMSI). Malaysia and Indonesia reject the idea of American patrols in the strait or rapid-response units at the ready, "both out of prickliness about sovereignty and for fear of inflaming anti-American feelings among their citizens" but the *Economist* believes that they would accept American help in the form of advice, equipment and training. The International Maritime Organization, the United Nations body that regulates shipping, has ruled that all vessels over 300 tonnes must install a tracking system by the end of the year.

The Philippines, on the other hand, is considering the renewal of a proposal for jointly manned monitoring and reaction centers in the BIMP-EAGA area, and hope that Malaysia, which saw its tourism industry in Sabah suffer from the Abu Sayyaf caper in 2002 would be as receptive as apparently the Indonesians are. Australia and the United States are cautiously monitoring this (ADM Thomas Fargo apparently feels that is an idea that can well suit the objectives of the RMSI for that region of East Asia.)

That can easily be agreed upon but its effectiveness will only be assured by proper support to the joint elements in terms of appropriate patrol vessels, communications and logistics capability.

Initial discussions will be conducted in the middle of this year on this matter under the auspices of the ARMM and the Presidential Assistant for Mindanao. ●

Security help for poorer nations

AN Australian government report has recommended that developed countries should help poorer nations adopt counter-terrorism measures in order to reduce the public and private costs to individual economies. The report, by Australia's Department of Foreign Affairs and Trade, is entitled "Combatting Terrorism in the Transport Sector: Economic Costs and Benefits". It notes that the threat of terrorism imposes "disproportionately high costs" on developing nations within the Asia Pacific Economic Co-operation (APEC) forum because of their heavy reliance on trade and foreign direct investment. Terrorist activ-

ity could raise risk premiums, reducing the flow of investment into poorer countries considered at risk, the report says, while insurance premiums may be higher on cargoes and ships travelling to and from these countries because of insurers' uncertainty about the adequacy of local security procedures. Economic modelling suggests that terrorism increases risk perceptions and depresses productivity, both of which 'shocks' lead to lower output. One model in the Australian report predicts that after ten years US, Japanese and Australian GDP could fall more than 3% from the baseline; Hong

Kong, Korea, Taiwan and Singapore could be close to 5% lower, while China, Indonesia, Malaysia, Thailand and the Philippines could fall close to 6% below the baseline. The Australian government estimates that the ISPS-related security costs to the maritime and ports industries could amount to A\$313M (\$218M) in the first year, with ongoing costs of A\$96M per year. The Australian Shipowners Association predicted last year that the cost for each of the 47 eligible Australian-flagged vessels could be between A\$750,000 and A\$900,000.

Double skin decision welcomed

SHIPPING industry organisations have welcomed a decision by the IMO's Maritime Safety Committee (MSC) to reject plans that would have made double skins on bulk carriers mandatory by 2007. Despite two years of development within the committee and a UK-led formal safety assessment (FSA) on the issue, the mandatory provisions of new bulker double-skin rules were rejected following intense debate within the committee. Industry organisations including the International Chamber of Shipping and Bimco argued that the evidence supporting the need for double-skins had not been sufficiently compelling and that a technical decision could not be made on that basis. A submission from Greece attacking the evidence supplied by the UK's FSA with a comparative study of its own, managed to convince a small majority that the mandatory provision should be left out. The ultimate decision was so close that the unusual step of calling a vote was taken. The controversial debate has now led several key figures within the IMO to question whether FSA has a future within IMO decisions. ●

BIMCO will begin 2005 with a new management team at its Copenhagen headquarters following the scheduled retirement on 1 January 2005 of secretary general Truls L'orange. BIMCO's executive committee confirmed the appointment of Carsten Melchior as the successor to L'orange. Melchior will combine with deputy secretary general Søren Larsen to form the new management team. Ove Tvedt, who constitutes the third member of BIMCO's current management team, will retire as planned during 2005. Melchior has a 30 year background in shipping, having previously worked for AP Møller, J.Lauritzen and Elite Shipping. He currently holds a

New BIMCO management team

position as MD of the Maritime Development Center of Europe, a Copenhagen based interest organisation. BIMCO, established in Denmark in 1905, has approximately 2,550 members in 123 countries. The owner-members of BIMCO control a fleet of about 525M dwt, representing 65% of the world's merchant fleet. ●

IMO not Euro-centric: Mitropoulos

IMO Secretary-General Efthimios Mitropoulos has denied that IMO was Euro-centric. He assured delegates who attended the Asian Shipowners' Forum in Singapore that Asian countries were well represented on IMO committees. "They are active in debates and have shaped IMO policies," he said. Citing the example of Singapore, he said the IMO valued its contribution not only to IMO discussions, but support for the world maritime body's initiatives. "It is wrong to say that the Asian voice is not heard at IMO," Mitropoulos said. His com-

ments came soon after issuing of a joint-statement by the 13th Asian Shipowners' Forum that stressed the need for an "effective" Asian voice in international shipping debate in the formulation of regional and international shipping policies and regulations. The statement also expressed concern that terrorists could board and hijack ships transiting the Malacca Straits and urged the coastal states to embark on joint co-ordinated naval or marine police patrols.

Task force blocks shrimp scam

AN anti-smuggling task force has discovered that the Philippines has been used as a transshipment point for Chinese shrimp exports illegally shipped into Europe. The task force said it was investigating the involvement of a Filipino shipper and some Customs personnel who were acting with a Chinese syndicate in the shipment of nine reefers containers of shrimps which have been banned because of their high concentrations of a harmful antibiotic. The illegal substance known as chloramphenicol is linked with aplastic anaemia and other fa-

tal diseases. The smuggled cargoes are said to be part of a total of 60 containers shipped from Ningbo, China that arrived in Manila between March and July 2003. They were originally destined for Hamburg, Germany. A member of the task force said some unscrupulous shippers from China used their contacts in the Philippines to disguise the exporter, whose shipments do not pass EU standards for aquatic exports, especially frozen Chinese shrimp. The EU alerted the Customs Bureau chief to the smuggling scheme last year. ●

Root and branch review of Paris MoU

PORT state control authorities within the Paris MoU are planning a fundamental overhaul of their inspection regimes in a bid to reduce the burden on good operators. Changes now being considered by the Paris MoU's committee following their 37th meeting in Copenhagen recently include a scrapping of the current 25% inspection quotas. Under the new system, ships will be targeted using a risk-based approach that would allow operators considered to be 'low risk' to escape excessive inspections.

A risk profile for each vessel calling at Paris MoU ports would be drawn up to determine the periods between inspections. The review will also include beefing up the current provisions for banning certain categories of vessels which have been shown to present a disproportionate risk, particularly to their crews. According to Alan Cubbin, chairman of the Port State Control Committee, the changes will be "a root and branch review of inspection policy ... challenging some of the long standing concepts which have served us well for many years".

Marine claims professionals

THE outgoing chairman of the Association of Average Adjusters, David Taylor, told the association's annual meeting that there is a "crying need" for skilled marine claims professionals in the market and worldwide. "The marine market bemoans the fact that

it is short of professional skills and acknowledges that this deficit is largely self-inflicted," he warned. Although incidental claims costs Lloyd's £500M (\$885M) a year alone – rising to more than £1Bn per year across the market as a whole, "there is no

Owners express ISPS concerns

ROLF Westfal-Larsen, re-elected as chairman of the International Chamber of Shipping and president of the International Shipping Federation, has urged that ships that have met ISPS Code requirements will not suffer from complacency among certain port operators.

Speaking after the two organisations held their annual meetings in Cambridge, UK, Westfal-Larsen said: "Our real concern is whether world ports will have completed their security preparations. We have to hope that immediately after 1 July there will be a practical approach to ships arriving from ports that have not yet demonstrated approved security measures, and that properly certificated ships will not find themselves penalised through no fault of their own."

He stressed that the meetings confirmed the view that ships unable to demonstrate ISPS compliance "should expect serious delays, and even denial of entry into certain ports." 45 national shipowners' associations were represented at the meetings.

professional body or association to which marine claims professionals can affiliate [and] there is no certification process," he added. In a call for London to take a lead, Taylor proposed that the answer should be for an International Association of Marine Claims Professionals to be formed that has common examinations and professional rules. The formulation of the latest International Hull Clauses is testimony to the valuable role and contribution made by average adjusters, he observed. Michael Harvey succeeds David Taylor as AAA chairman. ●

Wanted:

Sea accidents: Tragic but essentially educating



Superferry 14 catches fire while en-route from Manila to Cagayan de Oro

SEA accidents, when they do happen, are tragic and even catastrophic in terms of loss of life and property. The vastness of the sea and the archipelagic nature of the country, however, make it inevitable for such accidents to occur. This inevitability presents a burden to the maritime administration, which must set regulations for their prevention and/or minimization.

Past experiences, however, tell us that rules on the prevention of sea accidents tend to be more reactive than pro-active. For example, the precursor of the International Convention for the Promotion of Safety of Life at Sea (SOLAS) was the Safety Convention that was promulgated after the sinking of the ship *Titanic* in 1912. Through the relentless efforts of the International Maritime Organization, the SOLAS Convention has undergone so many amendments and changes to make it adaptable to present times. Unfortunately, these amendments came as a result of sea accidents that continue to haunt the seafaring industry, which gives credence to the reactive pursuit of prevention regulations.

Take the case of *Superferry 14*, which caught fire (from a still undetermined source) while underway from Manila to Cagayan de Oro City in the early hours of 27 February 2004. The Philippine Coast Guard, which took the lead in the search and rescue operations, found a veritable venue to test and validate its doctrines as well as formulate new ones. This is in light of the fact that the accident brought to fore some new facets that the PCG has no prior experience to deal with. The accident proved to be tragic but necessarily educating in order to prepare the PCG organization to deal with the same kind of situation if they cannot be prevented.

In as much as the master of *Superferry 14* had already declared abandon ship when the rescue vessels arrived, the operation focused on firefighting. With the assistance of five tugboats dispatched by Malayan Towage, the PCG rescue vessels made valuable use of their water monitors and tried to put out the fire from outside the burning ship. However, the fire had engulfed the three topmost decks of the ship,

Marshals onboard

GOVERNMENT is to permanently adopt the provision of sea marshals on board ferries in its bid to strengthen security at ports and in domestic waters. Initially adopted in the aftermath of terrorist attack in commuter trains in Madrid last 08 March, according to the Philippine Coast Guard (PCG), 'Oplan Sea Marshal' will be continuously implemented by deploying additional personnel from the police and military.

Being a maritime country and having a coastline twice that of the United States, says a PCG briefing paper, "the country's premier ports and passenger vessels are vulnerable to terrorist attacks." To implement the strengthened security plan, each sea marshal team on a ship will be composed of two personnel each from the PCG, Armed Forces, and national police, and six to 10 ship personnel provided by the shipping company. This makes a total of 12 to 16 sea marshals for every ship.

The PCG says that after a month of operation, the vessel security plan has provided a total of 577 (PCG, Armed Forces & national police combined) sea marshals to 22 passenger ships that have secured a total of 442,496 passengers and crew members. This has achieved a ratio of one sea marshal for every 767 passengers & crew members on board, according to the PCG. ●

and the train of water from the firefighting ships was not able to reach the interior of the burning vessel.

While firefighting continued, the operation evolved to towing as a decision was reached to tow the vessel and ground it in a safe place to possibly effect a better chance of search and rescue onboard.

When the vessel grounded, however, it tilted to its starboard side due mainly to its round-bottom configuration. Part of the entire length of its starboard side went underwater and with a 70-degree list, this made it impossible to embark firefighters onboard with equipment to conduct firefighting inside the vessel.

The ship smoldered for the next two to three days, which made it difficult to penetrate and continue the search and rescue for possible survivors. This highlighted the need for the PCG to train and equip personnel on high angle rappelling for both firefighting and rescue purposes. This kind of training and capability could have also come in handy during the next phase of the operation, which was the search and retrieval of the remains of the missing passengers trapped inside the vessel.

For the search and retrieval phase, the PCG obtained valuable outside assistance from several agencies like the Bureau of Fire Protection—Special Rescue Unit, the Makati Rescue, Philippine Coast Guard Auxiliary, Maharlika Rescue, and the Rescue Emergency Civic Assistance. The involvement of these groups validated the concept of inter-agency operability in times of emergencies.

The search and retrieval phase consisted of an underwater search and a surface search. The PCG Special Operations Group personnel concentrated on the underwater search while the BFP—SRU and other volunteer rescuers conducted the surface search.

The underwater search was conducted in the submerged portion of the ship while the surface search effected on the areas above water.

The retrieval operation highlighted the necessity for the PCG to equip its personnel with all the gear necessary to deal with decomposing bodies and the combined fumes emanating from oily-water mixture that had somehow surfaced inside the confined spaces being searched. The divers, most especially, needed gas masks, protective clothing, and a detoxification area inasmuch as they had to practically wrestle with the cadavers they recovered from underwater. The same goes true with the surface searchers as physical contact with

the cadavers during the hauling cannot be avoided.

During the retrieval operation, the concept of briefing the relatives of the missing passengers after each day of operation was introduced. This became a forum for the release of factual information to all interested parties especially the relatives of the missing passengers. This also portrayed the transparency of the PCG in dealing with such an emergency.

The creation of the Inter-Agency Task Force *Superferry 14* headed by the National Disaster Coordinating Council in the middle of the retrieval operation also helped bridge the gap among the shipowner, the rescuers, the anxious relatives and cognizant agencies. The Task Force facilitated the participation of the National Bureau of In-

vestigation (NBI) in the forensic identification of the retrieved cadavers and body parts that were beyond recognition.

Finally, the month-long operation also highlighted the need for the PCG to develop its stress management capability. Especially during the retrieval operation, the relatives of the missing passengers more than openly expressed their disillusionment at their perceived slow pace of operations. A stress management team could have taken care of this situation. Likewise, the stress management team could have helped in the proper rotation of personnel involved in the operation. Only a stress management specialist could have analyzed how much stress the mind and body could have suffered in a prolonged operation such as what had happened. ●

Registration to purge fleet of incompetence

THE Maritime Industry Authority (Marina) is conducting a national registration of all seafarers employed in the domestic trade to clear the fleet with incompetent, unlicensed officers and crewmembers.

The move, which is applicable to vessels above three gross tons and not higher than 500 GT, intends to enhance safety and security of ships and people while at sea.

Records showed that 80 percent of tragic sea accidents involved vessels belonging to this category and mainly due to crew incompetence or human error. The most recent was the *San Nicholas-SuperFerry 12* incident wherein the lighter *San Nicholas*, due to crew incompetence, directly slammed itself onto the gigantic SF 12 killing almost 50 persons.

Vessels above 500 GT are spared from the directive since they are subject to the stricter requirements of the mandatory classification of ships that reduces the probability of human error.

Marina Manpower Division chief Doris Castillo said that the objective of the directive is also to boost and upgrade the skills

and competency of officers and crew of these kinds of vessels, both steel and wooden hulled.

She explained that seafarers found to be lack of training would be required to undergo retraining procedures to ascertain that they adopt the minimum competency required.

Castillo, however, warned that seafarers that will be found to have neglected to take the licensure examination would be barred from performing their duties onboard and would be demanded to take the exam and have to wait for the result before they could continue on the job provided they pass. She stressed that seafarers that will voluntarily register and admit that he failed to take the exam could be extended amnesty and could continue to work onboard the vessel while waiting for the result.

Licenses of Major and Minor Patrons, Boat Captains, Marine Diesel Mechanics, and Motor Engineers and ship officers will also be further assessed and reviewed to make certain that there are no unqualified officers onboard.

Marina has tapped the services of the Coast Guard Auxiliary Group in conducting the registration. (By Christopher Paringit) ●

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Nenaco

“Business As Usual”



Nenaco management is optimistic the company would bounce back from a temporary setback.

By Cristina Tenorio

It's business as usual for Negros Navigation Co (Nenaco). There is after all, light at the end of the tunnel – or so it seems for the shipping subsidiary of Metro Pacific Corp. The management of the country's oldest shipping firm finally breathed a sigh of relief after the Supreme Court recently issued a temporary restraining order (TRO) in favor of the debt-ridden company.

The TRO was in response to a petition filed by Nenaco contesting a Court of Appeals ruling last April 29, 2004 preventing it from implementing a rehabilitation program. The case began from the much-publicized squabble between Nenaco and ship builder and repairer Tsuneishi Heavy Industries Cebu Inc (THICI).

THICI claimed that Nenaco has failed to pay P130 million in ship repair services since 2002. The shipping line is currently under a court-approved rehabilitation program which intends to implement a debt suspension payment and restructuring program to address its consolidated debts and trade payables of approximately P2.5Bn,

while preserving its assets for cash generation and future growth.

The rehabilitation program would have restricted Nenaco from paying off its liabilities, including debt to THICI. The court ordered Nenaco to post a bond amounting to P500,000 in cash or surety until May 9 or within five days from notice of the TRO. The SC likewise directed respondents Court of Appeals, THICI, and Sycip Salazar Hernandez and Gatmaitan to comment on the TRO within ten days of notice.

In a statement following the High Tribunal's decision, Nenaco management said they are optimistic that the company would bounce back from this temporary setback. They are also eyeing expansion for the shipping firm, although details of the said expansion program are still hush-hush.

ROUGH TIMES, STORMY SEAS

It is to be recalled that Nenaco sailed through very rough seas during the start of the second quarter this year. On April 26, the agency ordered the shipping line to submit its audited financial statement end-

ing December 2003 as part of the requirement for the application of an operating permit.

Finding that the shipping company is “financially unstable”, the Maritime Industry Authority denied Nenaco's application for extension of its vessels' permits to operate, leading to the grounding of five vessels – the San Lorenzo Ruiz, St. Joseph the Worker, St. Peter The Apostle, San Paolo and Princess of Negros.

The suspension order left thousands of passengers stranded. According to management, it lost revenues of P3 million per day per vessel, adding that the conservative loss estimate would amount to P15 million.

Furthermore, Marina administrator Oscar M. Sevilla ordered the company to first infuse P1.5 billion of fresh capital before it could resume its operations. MARINA, amid criticisms, defended its stand saying they are merely applying the formula under Section V.9 of memorandum circular 161 where in the agency's Domestic Shipping Office conducted financial evaluation

Corporate

On the said financial statements and it found that NENACO has a capital deficiency in the amount of P1.51 billion.

"An increase in the capitalization of the applicant must therefore be undertaken in order to ensure maintenance of its existing operation and before further grant of any authority to operate the applicant company," Marina said.

In a briefing following the order, Sevilla stressed on the need for shipping lines to have a sound financial standing. "In the case of an accident, where would they get the money to pay a rich passenger who decided to sue and demanded to get more than the mandatory P100,000 indemnity, as payment for damage?" he asked.

LIFTED

The order was lifted a week after NENACO submitted revised audited financial statements reflecting the reclassification of its current liabilities into long-term liabilities. Marina issued 30-day temporary permits to the five detained vessels of Nenaco. St. Peter the Apostle, the first vessel to set sail was allowed to leave the Port of Manila 9 pm April 28 bound for Bacolod. Marina released the permits after Nenaco auditors, Joaquin Cunanan and Associates submitted a "report on the schedule of financial capability" under the guidelines specified by Marina.

The auditors explained that there will be reclassification of outstanding liabilities as current liabilities and long-term liabilities with the company's filing of corporate rehabilitation. The reclassification of the said liabilities, when the court approved the corporate rehab, is expected to give Nenaco enough cash legroom.

"Nenaco vessels were granted clearance to sail by the MARINA after it has presented pertinent documents including its audited financial statement proving that it has more than enough working capital to sustain its daily operations," the company said in a statement. ●

Cargo station sets up

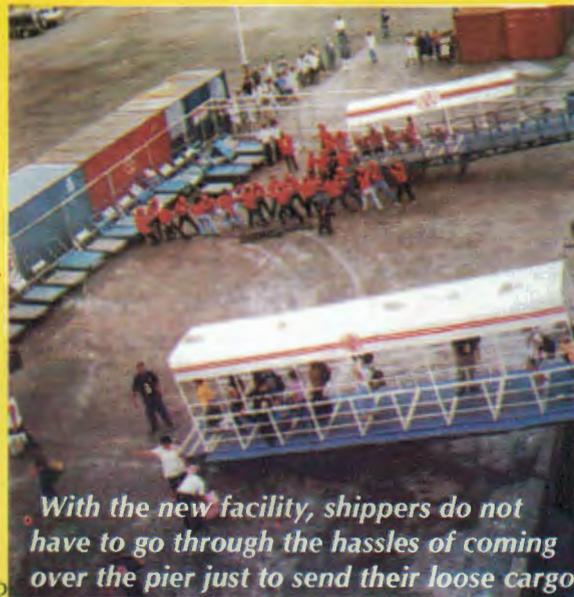
NEGROS Navigation Co (Nenaco) in partnership with the FastCargo Logistics Corp. (FCL) of the Chiongbian group recently opened a new less container load (LCL) cargo receiving station in Navotas in response to the growing LCL market.

"The opening of this new loose cargo receiving facility is in line with Negros Navigation's commitment to continuously upgrade our cargo service. With the opening of this new facility, our customers are assured that their cargo is efficiently, safely and immediately delivered to its destination. This underscores the company's long-term commitment to remain the safest, most economical and convenient means to send cargo to any destination in the country today," says Nenaco president and CEO Conrado Carballo.

The 400 sq. m. facility serves as a consolidation point for all loose cargo shipment and a one-stop drop-off point for cargo deliveries in any of Nenaco's ports in Visayas and Mindanao. Through the Receiving Station, shippers are assured of a systematic, safe and fast delivery of their freight.

"With the opening of the new satellite cargo receiving facility, shippers do not have to go through the hassles of coming over the pier just to send their loose cargo. They can just drop it off at the LCL Receiving Center and still be assured that their shipment is handled as efficiently as the ones processed at the Cargo Express Center at the NENACO office," explains Gerry Enciso, head of the company's national freight.

The center will cater to shippers based in



With the new facility, shippers do not have to go through the hassles of coming over the pier just to send their loose cargo

CAMANANOVA, Pasig and Makati where some of the company's biggest clients are located. He adds that the satellite center is also the company's way of decongesting the existing LCL receiving process inside the pier premises, paving the way for a more systematic and orderly dispatch of cargo.

Nenaco's partnership with FCL began almost ten years ago, after the distribution and logistics management company started consolidating loose cargo headed for Bacolod and Iloilo, and transporting it through Nenaco. The LCL cargo receiving station assures shippers of fast, systematized cargo handling service starting from the time of cargo registration up to the time that cargo is loaded into container vans. "We can guarantee our customers that every transaction takes a maximum of 15 minutes—from the time the company prepares the necessary documents for their cargo up till the cargo is loaded into the designated Nenaco containers."

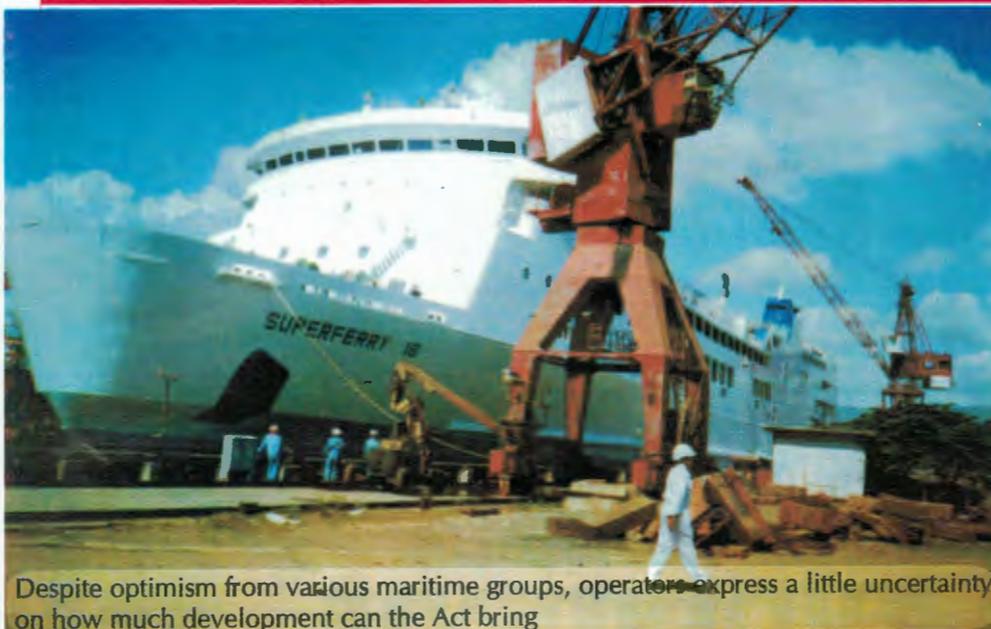
The LCL cargo receiving center is located at Virgo Drive, Northbay Boulevard (South), Navotas, Metro Manila, and is open 24 hours a day, seven days a week. Nenaco services 10 ports of destination i.e. Bacolod, Cagayan de Oro, General Santos, Iligan, Iloilo, Ozamiz, Puerto Princesa, Roxas, Tagbilaran and Zamboanga City. ●



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Despite optimism from various maritime groups, operators express a little uncertainty on how much development can the Act bring

Domestic shipping finally signed

But shipping operators ask: 'Is this enough?'

By Tee Jay Ramos

When President Gloria Macapagal-Arroyo finally signed the Domestic Shipping Development Act of 2004 (DSDA) last May 3, 2004, the domestic shipping sector saw a flick of hope dawning in the industry.

It has been said that the DSDA or Republic Act No. 9295 covers almost all the necessary strategies the domestic shipping stakeholders must adapt in order to position the Philippines at the forefront of the maritime trade business.

The DSDA aims to: promote Filipino ownership of vessels operated under the Philippine flag; attract private capital to invest in the shipping industry by creating a healthy and competitive investment and operating environment; provide necessary assistance and incentives for the growth of the Philippine domestic merchant marine

fleet; encourage upgrade of the domestic fleet to be on a par with international standards; ensure continued viability of domestic shipping operations; and encourage the development of a viable shipbuilding and ship repair (SBSR) industry.

The Philippine Interisland Shipping Association (PISA), which is one of the many organizations that have been pushing for the bill before the government, stressed the policy restructuring would bring the industry into a new level of competitiveness. "This will allow us to serve our customers better and ensure the needed viability to bring in more investments to modernize our fleet and upgrade safety standards," it noted.

Among the many investment incentives provided by the new law are the value added tax (VAT) exemptions, rate deregulation for domestic shipping firms and easy

tax payment terms for the SBSR operations. The DSDA provides for the VAT exemption on the importation and local purchase of passenger and/or cargo vessels of 150 tons and above, including engine and spare parts of the said vessels.

However, the imported vessels must meet the age requirement: for passenger and cargo vessels, 15 years; for tankers, 10 years; and for high-speed passenger crafts, five years.

Also exempted from VAT is the importation of life-saving equipment, safety and rescue equipment and communication and navigational safety equipment, steel plates and other metal plates including marine-grade aluminum plates which are used for transport operations.

The domestic shipping sector appears to be more apt on the DSDA's provision on the deregulation of the sector, particularly when it gave the operators the go-signal to establish their own domestic shipping rates. This, however, entails the promotion of effective competition and adherence to public interest.

The DSDA likewise protects the passengers and cargoes by way of imposing a compulsory insurance coverage. This ensures that all domestic shipping firms meet their financial responsibility for any liability which they might incur for any breach of contract of carriage.

To further encourage investments in the SBSR industry, the government likewise exempts [from VAT] the importation of capital equipment, machinery, spare parts, life-saving and navigational equipment, steel plates and other metal plates to be used in the construction, repair, renovation or alteration of any merchant marine vessel operated or to be operated in the domestic trade.

The SBSR firms may avail of the incentive within a period of ten years from the approval of the act. As Maritime Industry Authority (MARINA) administrator Oscar M. Sevilla puts it, the DSDA is "the best thing that ever happened to the domestic ship-

ping industry." The maritime agency prepares the draft of the Implementing Rules and Regulations (IRR) that will specify the guidelines for the implementation of the law.

'Good relief but not enough'

The shipping operators, however, despite the optimism from various maritime groups and agencies, have expressed a little uncertainty on how much development can the DSDA bring to the industry. Although

relieved that the act was finally signed into law, they said the new legislation falls short of their expectations.

Sulpicio Lines vice president for Passenger Service Salvacion M. Buaron, said domestic ship operators are pleased with some provisions of the new law, specifically citing the ten-year exemption of the industry from the VAT on both imported and locally acquired passenger and cargo vessels of 150 tons and above, including their engine

and spare parts.

She said spare parts normally constitute the bulk of carriers' overhead. The DSDA give shipping operators much relief, she noted, but the industry's full development may not be achieved through tax incentives and deregulation alone.

"The DSDA is only a portion of the pie. There are many aspects that must also be considered, including existing market forces," she said, along with competition against other modes of transportation - land, rail and air - fuel prices, and the condition of ports.

"More than the importation of ships and the materials, there exists bigger issues that must be addressed in the industry. For instance, we cannot just increase our rates despite the deregulation rule because airlines are presently dropping theirs," Buaron explained.

In addition, shipping lines have to deal with stringent port policies and regulations outlined by the Philippine Ports Authority, she added.

Solid Shipping Lines general manager Quirimon A. Tan admitted being slightly disappointed when the final version of the DSDA came out because it did not include some provisions originally pushed for by the industry.

"Some financial incentives like tax holidays and fuel subsidies did not make it on the final copy. These would have really made much more of a difference," he said. According to Tan, domestic shipping firms in other countries are highly subsidized by their governments. "We were hoping to get the same assistance here," he pointed out. He disclosed the possibility of pushing for another bill that will address the demands of the sector. "The DSDA will have to do for now, but we will definitely do something about this," he said.

For his part, Aboitiz Transport Systems Corp. chief executive officer Endika Aboitiz said the DSDA provides the industry with a better operating environment and more flexible rates. ●

Re-engineering a *Superferry*



Superferry 19's newly delivered engine

KEPEL Cebu Shipyard recently achieved quite a feat when it undertook the repair of a 150-tonne engine of a ro-ro ship that was previously thought impossible to carry out. What brought the job difficult to accomplish in the Philippines was the unsuitability of crane that has the capacity to lift such a massive engine, according to Keppel Cebu.

But the shipyard successfully took on the challenge. Thanks to the employees' "can do" attitude and the yard's partnership with Aboitiz Projects group and Philippine Wartsila to do the job, Keppel Cebu says.

The repair of the engine was part of a contract by the shipyard to re-engine the

6,853gt ro-ro Superferry 19, which is managed by Aboitiz Jebesen Bulk Transport. The engine, which was transported from Finland to Cebu on a special carrier, was unloaded on a 12-axle hydraulic trailer on an LCT. The LCT then off-loaded the trailer complete with the 150-tonne engine at the shipyard.

Due to the vertical height constraint of the Superferry ramp entrance, the main engine's major components had to be dismantled to the proper height to enable entry access to the wagon deck of the vessel. This eliminated the need for huge structural dissection of the vessel. The wagon deck provided the required access to fa-

tum to next page

Working group starts talks on naval fleet modernization

FROM a mere piece of paper, the proposed Philippine Navy Concept on Strategic Collaboration is gradually taking shape into something tangible. With the strong advocacy and support emanating from each sector such as the government, local shipbuilders and academe, the project has reached its preliminary planning stage.

The Navy's Flag Officer in Command Ernesto H. de Leon has given his approval to proceed with the proposed concept, and an initial exploratory talk was held on 10 February 2004 wherein the Navy's initiated concept paper was presented to possible stakeholders. Majority of the attendees accepted and unanimously supported the said proposal. It has further opened the gates for continuous collaboration with the shipbuilders and concerned government agencies that a follow-on meeting held on 10 March 2004 ensued.

Spearheaded by Transport and Communications undersecretary Agustin R. Bengzon, some of the consequential highlights concluded were the formation of the steering committee, chaired by Rear Adm. Jose Alberto Velasco, the commander of the Naval Sea Systems Command, and creation of two technical working groups to oversee the minuscule details of the project collaboration.

The working group on the technical suspect came up with a benchmark focusing on each significant role of the members from the government agencies, academe and the local shipbuilders in order to formally commence the construction details design of the landing craft utility as the pilot project of Strategic Collaboration. The Philippine Navy is to submit the approved circular of requirements to the working body, which will be the primary basis for the initial construction details design of the landing craft.

For its part, the state-run Development Bank of the Philippines (DBP) would further conduct study on issues of financing, sourcing of funds and lease-to-own options between the former and the shipbuilders or ship owners. Lastly, the local shipyards are tasked to draft memo of understanding between the DBP and the shipyard on the financial aspect of the project. Likewise, on the technical specifications of the LCU, the Philippine Navy and the shipyard would separately draft another MOU. The Navy also has drafted a proposed MOU among the parties of this collaboration and partnership. The adoption of the memo of agreement would formally commence the strategic collaboration which will legally bind all the concerned stakeholders.

Looking forward

The strategic collaboration may be the start of a bright future for the maritime industry. As Anatole France (1844-1924) popularly said, "to accomplish great things, we must dream as well as act." In the beginning, this is just a dream, a mere concept paper, an idea, but through the untiring relentless effort and action of the leaders of the Philippine Navy combined with the concerned government agencies' support, the pilot project will only have one way to go and that is, towards the successful materialization of this major undertaking.

This collaborative effort would not only pave the way for the modernization of the Philippine Navy but their firm sense of commitment to pursue the objectives of the Command will tremendously help the peripheral stakeholders of the maritime industry. In addition, this major undertaking would not only confine itself on the proper implementation of the Self-Reliant Defense Posture (SRDP) Program and the AFP Modernization Program (AFPMP), but it can also help the local shipyards to develop their capability. With the investment coming

from the local shipyards and the concerned government agencies' support, the collaborators may foresee an economic substantial growth, which the end-users can benefit from.

What shall we look forward to? On a short term plan, the collaborators can look forward for a definite unification of purpose, that is, the sense of building a harmonious working relationship that will produce positive results towards achieving the main objective of collaboration. There could be

from page 15

Re-engineering Superferry

facilitate the lowering of the engine to the engine bed foundation.

The engine installation process was accomplished very smoothly using a portable gantry crane which is driven by the hydraulic system provided by the Aboitiz Project group. The Aboitiz-operated gantry crane lowered the engine gradually with the support of a series of scaffoldings. Keppel Cebu says the whole process of this heavy evolution took less than two weeks.

Apart from re-engineering works, the vessel's accommodation areas were upgraded and entirely refurbished with modern and elegant fixtures and fire retardant paneling. This gave the vessel a total makeover into a modern trendy looking ferry.

Other works included major steel renewals at the wagon and poop deck, ramp and mooring winch bases, modification of port and starboard funnels totalling about 255 tonnes. New sprinklers systems were also installed from deck 2 to deck 4. The Superferry 19 is now the latest pride of the Aboitiz Transport System's fleet. ●

medium term or even an ambitious long-term program between the Philippine Navy and the local shipbuilding industry that would still need their firm sense of cooperation and commitment to pursue major undertakings. However, cliché it may seem but the old adage that "it takes two to tango" aptly applies between the PN and the Local Shipbuilding Industry and all its maritime stakeholders in pursuing a progressive maritime industry.

The Technical Working Group for Technical Aspect consists of the following members, to wit: Engr. Glenn Dela Torre, Ad Interim President of Association of Shipyards in the Philippines; Engr. Edna Dela Cruz of Maritime Industry Authority; Mr. Gil Miranda of Department of Science & Technology; Mr. Noel Taguba of Development Bank of the Philippines; Mr. Arturo Cebuma of National Economic and Devel-

opment Authority; Engr. Ruel John Judilla of Mapua Institute of Technology (MIT); Dr. Alexander Paran of University of the Philippines; Ms. Helena Yalung of Philippine Shipbuilders and Repairers Association; and from the PN group, Capt Roland Recomono. Capt. Tomas Bains, Capt. Zyril Carlos, Capt. Edgar Azurin, and Capt Robert Noblefrancia.

The Financial Working Group (FWG) is headed by Asst. Sec. Eleonor Dela Cruz of the Department of Finance with the following: Mr. Rafaelito Taruk of Department of Trade and Industry; Mr. Arturo Cebuma of NEDA; a representative each from the Department of Budget & Management and DBP as members coming from the concerned government agencies, while the Philippine Navy representatives are Capt. Eriberto Suria and Capt. Danilo Cortez. ●

a ship owner and investor in maritime commerce would run the risk of being ruined by the bad faith or negligence of his captain, and the apprehension of this would be fatal to the interest of navigation.

The limited liability rule, however, is not without exceptions. One exception is where the loss of or damage to cargo or injury/death to a passenger is due either to the fault of the ship owner, or the concurring negligence of the ship owner and the captain. One good example of this is if the ship owner knows the un-seaworthy state of the ship and allows it to sail in that condition. If he does not know and only the captain knows, the ship owner can still limit his liability.

Now comes the ISM Code. For the uninitiated, the ISM Code stands for International Safety Management Code (adopted by IMO in 1993 to take effect on July 1, 1998). The Code mandates the introduction of a safety management system (SMS), which would involve not only the crew on board but the ground management staff in the safe operation of the ship. The system requires a company to document its management procedures to ensure that conditions, activities and tasks, both ashore and on board, affecting safety and environmental protection, are planned, organized, executed and checked in accordance with legislative and company requirements.

One major item that affects the limitation of liability principle is the requirement of a "designated person". As defined by the Code, a designated person is a person or persons ashore with direct access to the highest level of management, who has the responsibility and authority to monitor the safety and pollution aspects of the operation of each ship, and to ensure that adequate resources and shore based support are applied, as required. He is top management's link with the ship and any "non-conformities" must be reported directly to him. He is responsible for organizing safety audits and for ensuring that corrective action is taken.

The rub is that he must also have direct access to the highest levels of management in the company. In law, an individual who

The ISM Code and limitation of liability rule

By P.V. Vergel De Dios

UNDER existing law (Article 587 of the Code of Commerce) and jurisprudence, a ship owner's liability is limited to the value of the vessel, its equipment and freight earned during the voyage, or to the insurance thereof, if any. Hence, if an accident happens and the aggregate amount of claims against the carrier is more than the value of the vessel and freight earned during the voyage, the ship owner may abandon the vessel and freight in favor of the claimants and he can no longer be sued for the deficiency, more so if the vessel is totally lost (e.g., sank). The ship owner's liability in that case is totally extinguished. Of course, if there is insurance, the insurance proceeds shall take the place of the vessel and the claimants may run after it.

The rationale for this limited liability rule is explained in the case of *Abueg vs. San Diego* (77 Phil 730), to wit: The real and hypothetical nature of the liability of the ship owner had its origin in the prevailing conditions of the maritime trade and sea voyage during the medieval ages, attended by innumerable hazard and perils. To offset against these adverse conditions and to encourage ship building and maritime commerce, it was deemed necessary to confine the liability of the owner arising from the operation of a ship to the vessel, equipment, and freight, or insurance if any, so that if the ship owner abandoned the ship, equipment and freight, his liability was extinguished.

Without the principle of limited liability;

Continued

The ISM Code and limitation of liability rule

represents the company is the directing mind and will of the company and the limitation cases have involved an examination of the company's structure to see whether the person who is the company's directing mind and will had knowledge of the failure or negligence attributed to the ship. Broadly speaking, a director of the com-

pany is to be taken as representing the company's mind and will whereas a technical superintendent or a master is not. But now, under the ISM Code, we have a job description for a role that must be filled by a person who may arguably be the directing mind and will so far as safety is concerned. The "designated person" certainly

appears to have the responsibility and authority to be considered the directing mind of the company.

Alternatively, if he does not, the phrase "direct access to the highest level of management" implies that the designated person is obliged to pass on what he knows directly to the person who is the directing mind of the owner. Furthermore, it is implied that this person at the highest level of management must inquire of what the designated person knows or ought to know: the information flow is two-way.

The consequences of this are extremely serious. In terms of limitation of liability, it is going to be more difficult, if not impossible, for ship owners to maintain their right to limit. They are presumed to know the safety problem of the ship and its crew because of the designated person. If the designated person knows that there is something wrong, it will be assumed (and much more be easily proved) that the "directing mind and will" of the company was aware of the problem too. An obvious example is that of maintenance or repairs which may be required but which are not carried out. Perhaps, it was the master who knew about the problem but he did not report it to the designated person. Fine, but said reality cannot, arguably, be an excuse to limit liability because of the two-way duty required by the Code for the master, on the one hand, to report all non-conformities to the designated person and for the latter, on the other hand, to monitor compliance with the safety management system.

Concluding, there is no question that the ISM Code and a structured safety management system will go a long way in reducing maritime disasters. However, the effect of such a system on the limitation of liability principle as an inducement for shipping investment should be considered and studied thoroughly. ●

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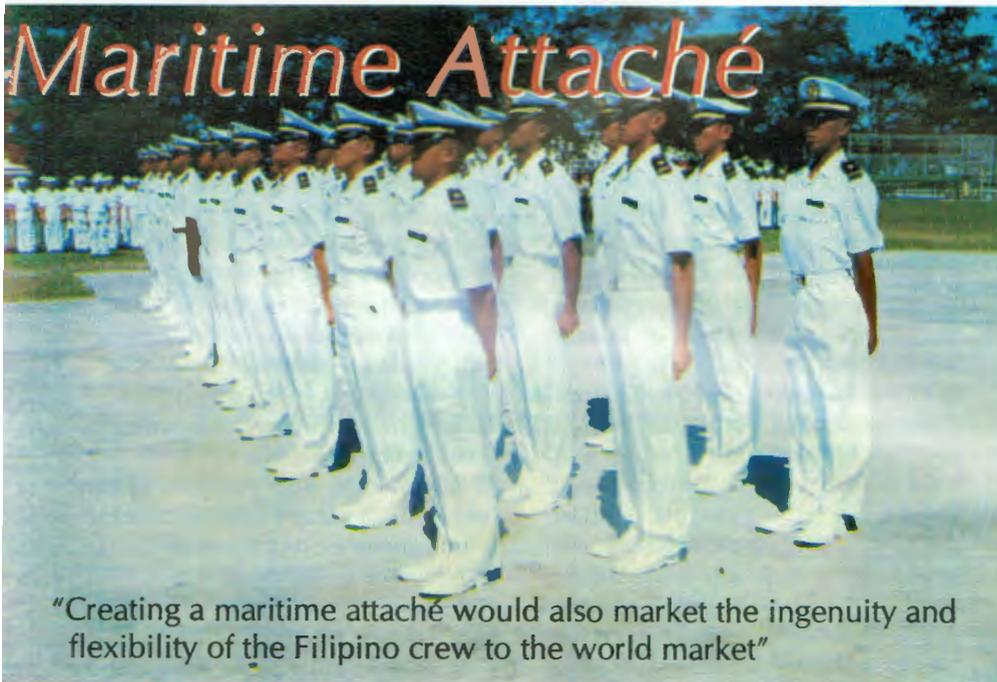
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The need for

Maritime Attaché



"Creating a maritime attaché would also market the ingenuity and flexibility of the Filipino crew to the world market"

By Carmela L. Huelar

FOR a maritime country that actually supplies 20 per cent of seafarers to the world's merchant marine fleet and more than \$2 billion annual contribution to the national economy, the Philippines still needs to seek proper representation in the international maritime community.

More than 200,000 Filipino seafarers on board various foreign-flagged ships that trade the seven seas guarantee a regular job to thousands of maritime graduates that the country churn out every year.

Philippine Merchant Marine Academy (PMMA) Alumni president, Al Amaro, says that although the country has a labor attaché in London where IMO has its main office, the embassy in the UK capital is pre-occupied with problems and issues concerning land-based workers. Seafarers, being in the league of Overseas Filipino Workers (OFWs), are lumped with the land-based sector.

"This is actually an injustice to many of our seafarers who are supposedly new heroes of our country. The fact that so many of our Filipino crews are languishing in jails in different countries around the world makes it clear that the government has not done much for them," Amaro laments.

A permanent maritime attaché post in London could actually get the appointment without waiting for congressional approval since there has been an existing executive order signed by former president Ferdinand Marcos, Amaro says. He stressed that the EO has never been replaced "so I don't see any problems in implementing it." Marcos signed Executive Order No. 612 creating the maritime attaché post in the foreign-service in August of 1980.

"The law has never been enacted. We can take advantage of it in many ways and later on possibly raise the tonnage of our existing (overseas) fleet and lure shipowners to register their ships with us", he added.

Former ambassador and current head of the Maritime and Oceans Concerns (MOAC) of the Department of Foreign Affairs (DFA) Roberto Encomienda agrees with Amaro and attests that the labor ambassador to London also has a concurrent position as the country's IMO representative.

"This somewhat divides the (representative's) attention and as a result, not much of what transpires in the IMO meetings are not always reported and given much attention considering the bulk of work that goes just to the land-based sector."

Encomienda points out that if ever the government sends some representatives to more important meetings to the IMO, most of the time, the delegation is oversized. In addition to that, he says, is the fact that they are not almost always coordinated and does not submit a report to DFA.

"If we have at least one single and permanent representative to the IMO like the UN representative he will have a regular report about the updates in the international shipping scene."

Though admitting that the DFA can help in implementing the existing policies outlined in the EO, the problem again would be shifted on funds. For his part, Amaro stressed that funding can be easily allocated considering the seafaring sector's contribution to the economy each year.

He further says that the EO does order the Department of Budget to provide fund, citing the need is important, and deserves immediate attention considering that the Philippine crewing sector has such a major impact in the global transportation of goods and commerce. He added that the number could pick up once again with the cruise industry renewing its vigour and has started hiring more crews on board luxury vessels.

"Creating a maritime attaché would also market the ingenuity and the flexibility of the Filipino crew to the world market" Amaro says. EO 612 was aimed originally at upgrading the competitiveness of the

Continued

The need for *Maritime Attaché*

national fleet as well as the training and welfare of Filipino seamen abroad. This dictates the need for readily accessible and available government assistance which a permanent maritime attache can provide, he added.

As provided by the executive order, the Maritime Attaché has the following functions:

- a. Provide advice and assistance to the Maritime Industry Authority (Marina) and other relevant government agencies regarding vital shipping policies, development and legislation in other countries
- b. Represent the Marina and other government agencies which may request to be represented in international conventions and conferences concerning maritime matters, and assists appropriate higher authorities in the formulation of Philippines' positions in conventions or conferences
- c. Advise and assists the MARINA and other relevant government agencies in the negotiation of bilateral agreements
- d. Act as implementing arm of Freight Booking and Cargo consolidation Center of the Philippine Shippers Council in the issuance of waivers for the sea transport of exports and imports covered under PD No 1466 by Philippine flag vessels when such vessels are not available on the basis of other exempting conditions provided in such decree
- e. Act as the designated agent of the Philippine Coast Guard (PCG) in the endorsement and registration of preferred ship mortgages under and pursuant to PD No 1521
- f. Act as the deputized agent of the PCG in the performance of vessel registration, licensing and documentation of ocean-going vessels and collection of the necessary fees therefore. For this purpose he shall coordinate with the PCG nominated international classification societies in the issuance of the necessary SOLAS certificate
- g. Advise and assist whenever requested and in coordination with the labor attaché, the welfare agency (OWWA) in the provision of seamen welfare services abroad
- h. Advise and assist in coordination with and upon request by the Central Bank, the Securities and Exchange, Board of Investments, Bureau of Customs and other relevant government Agencies in the valuation of vessel acquisitions.
- i. Submit monthly report of activities undertaken by him to the MARINA
- j. Performs such other functions as may be necessary to carry into effect the provision and interest of this executive order.

On organization and funding the EO states that the Administrator of the Marina shall coordinate with the Department of Foreign Affairs, Department of Transportation and Communication, Department of Trade, the Board of Investment, the Central Bank of the Philippines, the Bureau of Customs, the PCG the POEA and other relevant government agencies in the formulation of implementing guidelines of this Order. He shall propose the staffing pattern and compensation for the various maritime attaché positions, which shall be considered pursuant to the presidential decree No 1285 and other pertinent organization and compensation Laws.

The Department of Budget was directed to provide funds for the purpose. For the succeeding fiscal year and every year thereafter said positions shall be included in the regular annual appropriations.

In the interest of the service and upon proper arrangement, the Authority must recommend the designation of maritime attaches from personnel of other government entities like PCG under such terms and conditions as may be agreed upon, subject to existing laws rules and regulations. ●



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Panama asked to recognise certificates

THE country's top maritime training centers have urged the Maritime Industry Authority (Marina) to immediately settle the Panama issue.

They said that Panama has been giving them so much headache since Panama are not recognizing training certificates of Filipino seafarers unless it is from a Panama-accredited training centers.

International regulations, meanwhile, only require that training centers should be accredited and recognized by the flag state to be valid worldwide.

However, Panama wants all Marina-accredited maritime training centers to also be accredited by them and by 80 other flag states worldwide before they can recognize certificates issued to Filipino seafarers.

Burt Sabay, president of New Simulator Center of the Philippines, one of the top

three maritime training centers accredited by Marina and the Professional Regulation Commission, said that if the problem is not addressed soonest it would give a big blow to the country's international manning industry especially now that the International Ship and Port Facility Security (ISPS) Code is being enforced implemented.

He explained that employment of Filipino seafarers would be jeopardized since foreign principals would hire other nationals recognized by the flag states where their vessels operate.

A recognized training certificate is vital to a seafarer, particularly when the ISPS Code is already implemented since any flag state can reject foreign vessels to enter their jurisdiction if found to have invalid documents.

Last year, another group of local training centers also protested for the same issue

claiming that the Panama Maritime Authority gave holders of their certificates transiting through their country a hard time.

The Philippines, through the Department of Foreign Affairs, filed a diplomatic protest but has not received any result as of date. ●

Seafarers maybe taxed

A PROPOSAL to collect taxes from millions of Filipino workers overseas, including the more than 200,000 seafarers on oceangoing ships, is gaining ground with the backing of the country's Bureau of Internal Revenue (BIR) to pursue its tax collection measures.

The BIR said the exemption of the contract workers overseas has contributed a significant drop in the revenue agency's collection of income tax from individual taxpayers. Both Filipino land and sea-based contract workers abroad have been exempted from paying taxes since 1997 when the Tax Code was revised to encourage more of them to seek jobs abroad to earn much needed foreign exchange.

A BIR official said contract workers overseas have grown and they have already become a major industry, adding that taxing them would be a big help to boost government tax collection efforts. The idea to re-impose taxes on overseas workers was proposed by the state-run National Tax Research Center.

It says that highly paid Filipino workers abroad such as engineers and marine officers should give their share to government. ●

US Navy taking the best seafarers

SHIP operators seeking to take on US-licensed merchant seafarers may soon find that they have been beaten to the best candidates by the US Navy.

In a pilot programme, the Navy has joined with the Military Sealift Command to staff some combat command vessels with civilian rather than military crew, said USN spokesman Lt. Ohene Gyapong. The test ship is the USS Coronado of the Seventh Fleet, where civilians now outnumber the military 153 to 117.

With tight budgets compounded by de-

mands of supporting operations in Iraq, the Navy is trying to save \$1Bn by cutting 8,000 sailors – some of whom are being replaced by civilian seafarers. "Of course, command and control positions are still held by uniformed personnel," Gyapong said, adding that blue jean and t-shirt attired civilians are relegated to navigation, propulsion, maintenance, repair, food service and other support jobs on board.

The pilot programme began on 18 February and is being continuously evaluated to see whether other ships could benefit from the scheme. ●

Manila pax terminal fully operational

THE new passenger terminal at the Manila South Harbor has entered full commercial operation following the recent relocation of a floating hotel and restaurant to its assigned berth.

ers and cargoes at the terminal through investments in facilities, technology and training.

The passenger terminal, for one, has an adequate number of security personnel who have close coordination with the Philippine Coast Guard. Three professional and certified K-9 units patrol the area round the clock and inspect each cargo and vehicle before these are allowed into the terminal.

For emergency response, EMST also has a professional medical team and a clinic, complemented with another ATI medical clinic, an ambulance and a fire truck within its one-kilometer radius. In addition to its professional team of physicians and nurses, ATI officers are trained and regularly audited for emergency response to both man-made and natural emergency situations.

On its freight operations, all ATI management officers and port workers strictly observe the dressing of the protective personnel equipment which includes vests and shirts in luminous and highly visible colors, hard hats with chin straps, and steel-toed shoes.



EMST: provides the long-awaited service for the inter-island riding public to experience the amenities of a world class terminal

All five berths at the Eva Macapagal Super Terminal (EMST) can now accommodate domestic lines as security measures for passengers and portage services are fully operational, according to its operator, Asian Terminals Inc (ATI). EMST operations had been restricted since its completion in late 2002 when the 24,690gt Philippines, a passenger ship converted into a private commercial floating hotel and restaurant, occupied two of the front berths.

As a result, its only client now was WG&A Philippines. ATI says that EMST could now start accommodating other major operators.

ATI invested PhP1 Bn in construction of the 2,878m² passenger terminal and the upgrade of the 360m Pier 15 with six ro-ro ramps and a three-hectare container yard. In order to deliver world's best practice for its domestic operations, ATI ensures the safety and security of passengers, port work-

All contents of each unit for ro-ro operations are accounted for and documented both by the respective owners and ATI. All equipment used for cargo handling operations are equipped with beacon lights and undergo preventive maintenance work.

As it gears up for full commercial operations, ATI deployed additional cargo handling equipment at the EMST. The new fleet of cargo handling equipment included 18 tractors, four reachstackers, four

Cagayan de Oro new crane

CAGAYAN de Oro port is to break a record of sorts among the country's major trade gateways when it installs the first Filipino-made gantry crane.

In response to President Gloria Macapagal Arroyo's call to support local ingenuity by patronising Philippine-made products, the PPA says the crane costs way below the price of imported brand new gantry cranes or just a quarter of the prevailing industry price. Produced by steel maker Northwest Steel Inc of Filipino inventor Mario Montejo. PPA general manager Alfonso Cusi says the manufacturer promises to make the crane competitive both in terms of price and productivity.

Cusi says the gantry crane is guaranteed to perform on a par, if not better, than foreign-made brand new gantry cranes. It is also fitted with innovative upgrades which include the computer-assisted loading and unloading system that can dramatically improve productivity and consistency in operation.

"By giving this homegrown technology a

chance to establish its commercial value, the Filipino inventor is economically rewarded while offering an opportunity for local ports to enhance their productivity at less cost," Cusi adds.

Cagayan de Oro port is one of the country's busiest ports where almost 3M tonnes or nearly 200,000 TEU are handled each year. Around 2,500 vessels dock at the port yearly. Around 2,500 vessels dock at the port in a year while 1.4 million passengers use this terminal in southern Philippines. ●

sideloaders and four forklifts to boost productivity in preparation for the increased volume of containers expected to come in. ATI's venture into domestic operations has created new opportunities for more efficient shipping operations and thereby boost local trade. More importantly, it has provided the long-awaited service for the inter-island riding public to experience the amenities of a world-class terminal. This will also certainly boost local tourism which is an important Philippine industry.

The 2,878 sq. m. Eva Macapagal Super Terminal provides passengers with the best amenities in inter-island travel 24 hours a day, seven days a week. Complementing the 1,700-seating capacity of the spacious and fully-airconditioned lounge are fastfood outlets, drinking fountains, TV sets, public address system, public telephone booths, clean restrooms, ticketing booths and a clinic with a qualified medical personnel, all for the safety and convenience of passengers waiting to board. ●



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- Maritime Leadership and Behavior Development (MLBD)
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ICTSI's Baltic port rises to cater for new Europe

INTERNATIONAL Container Terminal Services Inc (ICTSI) has laid extensive plans to cater for the surge in container throughput anticipated at its Baltic Container Terminal (BCT) in Gdynia, Poland following Poland's formal accession to the European Union on 1 May 2004.

"We are already seeing a significant upturn in traffic this year," says Jan Mors, BCT executive vice president, "and there is every indication that this will continue to grow at a strong rate over the course of the year and beyond."

This view is supported by both general economic indicators and by Poland's Economy Minister, Jerzy Hausner. Gross domestic product rose by an annual rate of six per cent in the first quarter of the year, up from 4.7 per cent in the last three months of 2003. Further, Minister Hausner, speaking at the recent annual meeting of the European Bank for Reconstruction and Development in London, indicated that the Polish government's target of five percent growth for 2004 was now well within reach. "Poland is already back on the trajectory of high economic growth," he said.

In 2003, the ICTSI subsidiary BCT acquired under a Polish government privatization initiative, in May 2003, it handled a total of 304,745 TEU, up 23 per cent over the

previous year. This year, signs indicate that another significant double figure increase in throughput will be achieved.

To cater to this growth and growth over the long-term, ICTSI has laid extensive



ICTSI has laid extensive plans to double container capacity at BCT to around one million TEU mark

plans to double container throughput capacity at BCT to around the one million TEU mark with a total investment in the order of \$100M.

Thomas E. Falknor, ICTSI Ltd. senior vice president and BCT president says "we are also at an advanced stage with the deployment of state-of-the-art container terminal management systems. I can also now an-

nounce that we have just agreed with the Port Authority of Gdynia on a long range infrastructure expansion program that will include both additional quay and container yard area."

"In short," underlines Falknor, "we are meeting the near-term requirements of the marketplace, and have laid extensive plans for the future with the one million TEU capacity mark no longer a constraint to us as a result of the agreement regarding new quay and yard areas recently concluded with the Port of Gdynia Authority."

The first phase equipment acquisition announced recently covers the purchase of a Panamax dimension ship-to-shore quay crane from Kone for delivery in June 2005, four one over five stacking rubber tired gantries (RTG) from Kalmar for delivery in August this year, and eight terminal tractors

for phased delivery up to June 2005. Additionally, an order has been placed with Busicar for the supply of 11 40ft terminal trailers in two batches, one in June 2004 and another in May 2005.

In conjunction with the first phase of the equipment acquisition program, BCT will be raising eight of its RTGs from one over

three to one over five configurations. This will further compliment the capacity growth of the terminal.

Total expenditure under this first-phase equipment acquisition is \$12 million. This will be followed by additional phases covering both ship-to-shore cranes, RTGs and mobile yard equipment. These subsequent phases will be implemented in line with

trade development on a pre-programmed basis to meet equipment replacement requirements.

The new container terminal management systems now being installed are expected to progressively go live from early 2005, and will cover quay, yard and gate operations as well as diverse administrative functions.

"The introduction of these new container terminal management systems," says Mors, "will significantly increase efficiency at all levels: physically, in terms of optimizing handling procedures, container clearance and so on, and also as regards to all the back of office functions, offering improved customer interface facilities including live box tracking."

Overall, ICTSI is confident that its investment program is finely tuned to the needs of the largest of the 10 states joining the EU and the shipping lines serving this important marketplace. "We are confident,"

says Falknor, "that we will not only meet the volume demand for the whole maritime trade element of the Polish container market but that we will do so, offering an enhanced service to all our customers, freight forwarders on the landside and shipping lines maritime side."

"The solutions we have developed," he elaborates, "are sensible solutions in line with our own and independent container trade forecasts, and in tune with the needs of a regional gateway port such as Gdynia with the achieved status of the premier container gateway for Poland. As our financial commitment to date indicates, we are very serious about serving the Polish market, and our current and future plans reflect this in a common sense way in tune with the thoughts of the best market analysts."

He continues: "There has recently been a lot of hype and 'spin' about Poland serving as a major hub for the Baltic as a whole, and Poland being the recipient of various

direct liner services, big ships and so on. There will be a limited number of direct services added in the future, but otherwise, are we in common with the wisest market analysts such as Drewry Shipping Consultants and Ocean Shipping Consultants as well as informed shipping lines, who do not subscribe to these theories. Indeed, our view is quite the opposite, that any port development predicated on these and other similarly flawed assumptions is wholly inappropriate for the market, and based on high risk assumptions that bear little resemblance to reality."

"BCT knows the Polish market intimately, and will continue to develop the best solutions for it to meet the challenge of belonging to the new Europe and other important trends such as the globalization of production systems in the most sensible and pragmatic manner. We are confident that our development formula is the right one, based on fact not fantasy, and will continue to implement it vigorously," concludes Falknor. ●

Asian Terminals

sets record handling rate for steel shipments

ASIAN Terminals Inc. (ATI) recently set a new productivity record for handling of steel cargoes at the South Harbor General Stevedoring Terminal in the Port of Manila.

From a minimum productivity rate of unloading steel cargo per gang per shift of 800 to 1,000 metric tons (MT), ATI stevedores who worked on unloading steel billets from the bulker Sanko Supreme had achieved a record 1,712 metric tons, the highest volume discharged by one gang in one shift on record.

The record was achieved without compromise on the safety of the stevedores discharging the cargoes, since thorough vessel inspection procedure and toolbox meetings are undertaken before unloading operations commence. This productivity is expected to further improve as ATI continually strives for higher standards of operational efficiency.

Already, shippers recognize ATI's purpose-designed solutions for a diverse range of cargo and how their business benefits from these. "ATI continues to deliver value for us," says James N. Hernandez, operations officer of ship agent Sea Pine Shipping Corporation. "With its skilled personnel complemented with modern equipment and technology, ATI retains superior quality of service that is unmatched in the cargo handling industry."

Sanko Supreme, a 50,655dwt eight-hatch self-sustaining vessel of Sanko Steamship Company, docked at the South Harbor with 45,256 metric tons of steel billets consigned to Steel Asia Manufacturing Corp., the country's leading manufacturer and supplier of steel bars.

The higher productivity rate resulted to faster vessel turnaround time of only four and a half days for M/V Sanko Supreme

and therefore better cost efficiencies for shippers.

A substantial volume of non-containerized imports shipped through the Port of Manila are handled by ATI. In 2003, the port and logistics company handled a total throughput of 3.44 million metric tons at the South Harbor General Stevedoring Terminal.

No type of cargo is outside the capabilities of ATI, whether it is timber, steel, motor vehicles, livestock, heavy lifts, specialized project cargoes, bagged cargoes, grains and other dry bulk cargoes, either discharged at pier side or any of the 18 anchorage points inside the breakwater. As an added value for its customers, shipping lines, customs brokers and consignees can monitor the status of their shipments at the South Harbor through ATI WebTrack over the internet or through the SMS facility of cellular phones.

ATI WebTrack holds the data captured by the Cargo Tracking System, an in-house

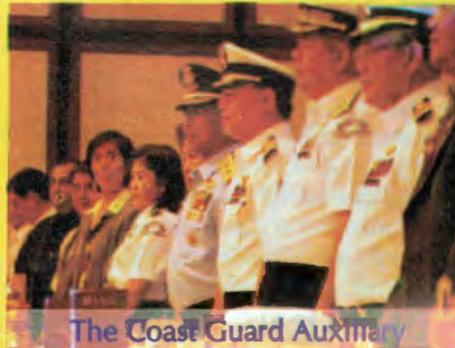
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PCG lauds Auxiliary's commitment in time of crisis

THE Philippine Coast Guard National Capital region-Central Luzon Commander Commodore Wilfredo D Tamayo edified in behalf of the officers and men of the PCG the delegates of the Coast Guard Auxiliary during the Rotary Club conference held in Manila. He affirmed the readiness and commitment of the PCGA and other non-governmental organizations for leaving the comforts and conveniences of their respective abodes on the day of the Superferry 14 tragedy to join the rescue and retrieval team at the sight of the incident in Mariveles, Bataan and attend to the survivors that were brought to the PCG headquarters.

Commodore Tamayo also conveyed the appreciation of the Commandant of the

PCG, Vice Adm. Arthur Gosingan, for the volunteers mushrooming to over a hundred from nearly all active squadrons who reported with blankets, relief goods, food and water, communication equipment, diving



and rappelling gears and medical staff. Tamayo also lauded members of the auxiliary who took pains with the medical personnel in comforting the bereaved relatives of the victims who went to PCG headquarters right after the news of the incident broke out.

Manila ticket selling cleaned up

THE Philippine Ports Authority has started to remove unofficial sellers of tickers for passenger-cargo ships and illegally parked public utility vehicles at Manila South Harbour.

Their presence, which crowds the South Harbor particularly during vessel arrivals, not only affects port operations but also heightens opportunities for theft and corruption.

PPA general manager Alfonso Cusi says the clean up campaign is in line with the ISPS Code. PPA also understands that so-called colorum vehicles are charging exorbitant fees from unsuspecting passengers.

"These people have no permit-to-operate from the PPA. They contribute to the slow and somewhat disorderly flow of vehicles inside the port zone," Cusi says.

The sellers have used bullying and harassment to sell tickets and 'services'. "Such activities might be exploited by terrorists targeting the ports," Cusi noted.

Cusi appealed to shipping passengers and other port users to immediately report the presence of these illegal elements to the port police in the area, particularly if they are being forced to patronize their services.

The scalpers and colorum PUVs found to be continuing with their illegal activities within the port areas will be apprehended and their vehicles will be impounded in accordance with law.

"We have to undertake the necessary action to prevent or discourage these elements in plying or engaging in such activities within the port zone," GM Cusi pointed out. ●

ICTSI appoints IT managers

ICTSI recently announced the promotion of Catherine P. Orellano as the new Management Information Systems (MIS) Manager of ICTSI's flagship operation, the Manila International Container Terminal (MICT), and the appointment of Pablo L. Peñalba as Business Development Manager of ICTSI's software developer company for marine ports and terminals, Container Terminal Systems Solutions, Inc. (CTSSI).

Orellano joined MICT as MIS Assistant Manager in August 2003. She was formerly with Subic Bay Metropolitan Authority (SBMA) as division chief of the MIS Department. She also worked for Tridel Technologies, Inc. in 1998 as Technical Coordinator, Webscape Philippines, Inc. in 1996 as Technical Support and Sales Engineer, and Integrated Computer Systems, Inc. in 1990 as Senior Quality Computer Technician.

Orellano earned her Bachelor of Science major in Industrial Technology degree and Masters in Business Administration from Rizal Technological University (RTU). She also took technical courses at the Meralco Foundation Institute. Currently, she is working on her doctor of Philosophy in Public Administration also at RTU.

Meanwhile, Peñalba brings to CTSSI his nine-year work experience in ICTSI's various departments and subsidiaries.

He started working as Safety Supervisor at Chemphil Manufacturing Corp. in 1979. In 1986, he worked as Accident Prevention Superintendent at the Jeddah Islamic Port.

He joined ICTSI in 1989 as Safety Officer of the MICT. He rose from the ranks and was promoted to Assistant Operations Manager. In 1991, he was assigned as Assistant Terminal Manager. In 1995, he was promoted to Operations Manager.

In 1998, he was assigned to ICTSI's former Saudi Arabia unit, International Ports Ser-

Marina, NBI sign anti-fraud accord

vices, in Dammam for its start-up operations. In 2001, he was recalled to ICTSI Manila and was appointed as MICT Special Projects Manager. He has been involved in various MICT projects such as the empty container depot, and was at one time the officer-in-charge of the MIS Department.

Mr. Peñalba took up Bachelor of Science in Industrial Technology at the Sorsogon College of Arts and Trade. ●

A SPECIAL task force aimed at stamping out the proliferation of fake certificates and documents in the seafaring profession has been formed.

The memo of agreement signed between Maritime Industry Authority (Marina) administrator Oscar Sevilla and National Bureau of Investigation (NBI) director Reynaldo Wycoco also stipulates the draw-

tem. Cargo delivery is validated through bar codes printed on the gate pass via radio data transmission handheld units.

ATI is the sole port operator of South Harbor, where ATI has established a Container Terminal for international containerized cargoes, a General Stevedoring Terminal for international non-containerized cargoes or general cargo and the Eva Macapagal Super Terminal for domestic passengers and cargoes.

ing up of plans, policies and strategies in apprehending, investigating and prosecuting those responsible for the spurious/irregularly issued certificates, licenses and documents. Wycoco says the implementation of the accord will help Marina personnel in fraud detection and investigation as NBI has done with other state agencies.

Incidents involving fake validation of seaman's record book and QDC (qualification document certificate), both issued by Marina, have caused the shipping body to activate co-operation with the NBI. Sevilla says such pernicious practice that is eroding the integrity of the issuing agency should be put to a stop.

Another significant event that prompted the formation of the task force is the adoption by ILO of the Seafarers' Identity Documents Convention of 2003 (Convention 185) as part of the special measures to enhance maritime safety and security. ●

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developed technology specifically for the General Stevedoring Terminal and covers the submission of electronic inward manifest to cargo withdrawal from warehouses and exit from the terminal. The System automatically checks charges for arrastre, storage and wharfage and is interfaced with the Bureau of Customs' Online Release Sys-



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Coco sector says shift to tankers not needed

Oil trade skids on IMO proposal

As the world's leading shipper of coconut oil, the Philippines appeals for the retention of the conventional transport of the commodity

THE COUNTRY'S coconut farmers and coconut oil exporters have complained to the government and the IMO that proposed new regulations governing the carriage of vegetable oils are unnecessary and unwarranted. Representatives from the state-run Philippine Coconut Authority (PCA) and the private group United Coconut Associations of the Philippines (UCAP) have appealed against the proposal to revise IMO's Marpol Annex II regulations, which would recategorise vegetable oils (Category Y) as hazardous to marine life and coastal waters, and thus require that they be carried in IMO II and III (chemical tankers) from the beginning of 2007.

Underlying the Philippine coconut industry's concern is a fear that transport costs will increase, harming the competitiveness of the country's international export trade in coconut oil. It is also anticipated that domestic prices of the raw material, copra, would also be affected. A full study of the effects on the edible oil industries of developing countries is outstanding, they complain.

As a leading producer of coconut oil, the Philippines' export of the commodity soared to 1.15M tonnes last year, about 22% more than the 0.94M tonnes exported in 2002. According to the PCA, the country's foreign exchange earnings from coconut oil, still one of its single biggest commodity exports, rose to \$484.9M, which is an increase of 38% on the previous year.

The proposed regulations were discussed at the IMO MEPC 51 meeting on 31 March.

The US has proposed the creation of a working group to assess the impact of the proposal, which the Philippines supports. The US is also the greatest export market for Philippines coconut oil. But Intertanko has also undertaken a study on the availability of Type II and III tankers and is said to have indicated that there would be no shortage of Type II and III capacity by 2007.

However, an evaluation made by the Malaysia Palm Oil Board (MPOB) concludes that Intertanko's assumptions are too optimistic and that several factors relating to the carriage of vegetable oil were not included in the analysis. Available capacity by 2007 has therefore been overstated, it maintains. Instead of an excess, MPOB has projected a shortage of 5.1M tonnes of Type II tanker capacity if all oil and fats are carried in Type II tankers; if palm oil, palm kernel oil, cottonseed oil and tallow are carried in Type III or chemical tankers while other liquid oils are confined to type II tankers, there would be a shortage of 2.8M tonnes of type II and 1.1M tonnes of type III tanker space.

The Philippines shares Malaysia's observation that to date vegetable oils, like coconut oil and animal fats, have not caused severe pollution to the marine environment. There is therefore no compelling reason to impose the proposed regulations of requiring their carriage in chemical tankers by 2007.

However, there are signs that this argument has not been won in the shipowning community. Some Greek owners have reportedly placed orders on the assumption that the proposed regulations will come in to

China assures Napocor of coal supply

CHINA has assured the Philippines' state-run National Power Corp (Napocor) of continuous coal supply despite the prevailing shortage in the region.

Department of Energy secretary Vincent S. Perez told a news conference that the Chinese government has given the commitment to continue supplying coal to Napocor regardless of issues which could limit production of the commodity. As the world's largest coal exporter, China is expected to increase its supply, which is at 20 million tonnes a year, by 17 per cent. Perez said that during a bilateral cooperation with the vice chairman of China's National Development and Reform Commission, the Philippines has asked China if it could supply at least 1.5 million tonnes of coal every year. He said the commission took note of the supply needs after giving out the Philippine requirements. Napocor's coal needs rely heavily on imports. Together with Calaca and Masinloc, Napocor also runs the Naga and Batangas coal-fired power plants while Pagbilao and Sual are its independent power producers also powered by coal.

The Energy Department has authorized Napocor to source out its coal requirements anywhere in the world. With the DOE's approval, Napocor has eyed other coal suppliers like Australia, Indonesia, Russia and South Africa.

Apart from eyeing the coal suppliers, Napocor will also enter into long-term contracts with the new coal suppliers.

force. A head start in a possible new market niche has proved enticing enough to elicit at least 20 new orders for chemical tankers, with South Korean yards said to lead the pack in terms of price and slot availability. ●

Continued

Challenges and prospects for Asia-Pacific integration

vocated by Sadako Ogata, former UN high commissioner for refugees, and Amartya Sen, Nobel Prize awardee for development economics.

According to them, human security is concerned with safeguarding and expanding people's vital freedoms. It partakes both of protecting people from critical and pervasive threats and of empowering people to take charge of their own lives. Protection refers to the norms, policies and institutions essential to shield people and requires governments to exercise "top-down" vigilance, especially in insuring the rule of law, democratic governance and public safety.

The "democratization of technology" is equipping the terrorist with a frighteningly sophisticated and powerful array of skills and weapons unimaginable a decade ago, and is enabling fanatic individuals and conspiratorial groups to play powerful roles in world politics — including that of inflicting massive destruction.

It no longer takes another super-power to pose a grave threat even to the American superpower. The specter of asymmetric warfare, of which terrorism is its most visible aspect, will be with us for the next several years. We Filipinos have long been acquainted with terrorism. Our citizenry, in fact, have been among its first victims in the post-cold war era. Islamist extremists have struck in many places in Mindanao.

The fundamentalists regard themselves as fighting a jihad to establish a global community of believers that — as in the days of Arab glory, more than a thousand years ago — would be governed by the Koran and ruled by a "successor" to the prophet Mohammed, or Caliph, who would possess both temporal and spiritual powers. But this myth of a return to Islamic purity is as propagandistic and as illusory as Hitler's dream of a Thousand-year Reich or Stalin's vision of a classless society.

Globalization And Culture

The globalization of culture is also fanning the flames of discontent and anti-American

resentment across the world. Globalization is associated with the spread of the less savory aspects of western pop culture — commercialism, consumerism, hedonism — a catalog of isms and drug abuse which are perceived in many quarters of the developing world as an assault on their traditional customs and values. There are deep cultural reasons for anti-American sentiments that are rising in some parts of the globe.

Obviously, for much of the Third World, America has come to personify all the western powers that created Empires during the period of colonization — whose influence on their developing societies has been so strong and so disruptive over these last 500 years. Cultural globalization has hit some poor countries harder than economic globalization has done.

In such countries, American customs and values — which are the dominant strains in the intrusive internationalist culture — are fast spreading, especially among young people, through the mass media and the internet. Indeed, the unrelenting dominance of the western media and commercialism has widened, instead of reduced the gaps between the rich and the poor.

Needed Reforms

Let me now say a few words about some needed reforms in the free market system. As a founding member of the Policy Advisory Commission of the World Intellectual Property Organization (WIPO-PAC), I have strongly advocated that the rich and developed nations help reduce and eventually neutralize global terrorism by sharing their intellectual property consisting of inventions, innovations, creations and research and development products with the poor countries whose backward conditions provide the breeding grounds for extremism, fanaticism, criminal violence, and suicidal behavior.

At the third meeting of the WIPO-PAC in Geneva in October 11, 2001, I reiterated the importance of caring, sharing and daring among nations in pushing forward the frontiers of universal peace and develop-

ment. Caring and sharing are probably easy enough to do — but daring to forego profits and royalties, daring to give more to the environment than take from it, and daring to sacrifice for the common good may be more difficult to do.

For instance, those discoveries and technologies which would be beneficial to the improvement of health, prolongation of life, facilitation of education, enhancement of the environment, and reduction of poverty should be transferred expeditiously and affordably to the "have-not" peoples — even as WIPO recognizes the need to protect and reward the innovations and inventions of creative people and institutions. Bridging the deepening gaps in family income, health, security, environmental conditions, social mobility, job opportunities, and material comforts among people around the world would significantly remove the root causes of insurgency, separatism, civil war, and armed conflict.

The poor may not be the masterminds, but they could very well be the suicide bombers. Integration provides opportunities for all. For East Asia, closer cooperation and deeper integration are first of all, a hedge against the domination of the WTO by the US and the EU. Only by combining into one larger East Asian grouping can a future "Asean 10-plus-three" (or southeast Asia plus northeast Asia) generate enough leverage to compel reciprocity on their trading partners in the Nafta and the European Union.

While the Asean states are trying to cultivate their perspective niches in the global economy, they also need to develop economies of scale. Joining together would make China a partner rather than a competitor. Asean-plus-China could become the world's largest free trade area for it would bring together a potential market of some 1.7 billion people, a combined GNP of roughly \$2 trillion, and total external trade valued at \$1.3 trillion. ●

(Condensed from a speech of former president Fidel V. Ramos delivered at the luncheon forum, the East-West Center Honolulu, Hawaii, USA last 25 May 2004)

Challenges and prospects for Asia-Pacific integration



Foremost among the challenges for the developing countries — China, India, Asean and the small Pacific nations included is to deliver higher economic growth that translates into greater welfare and prosperity for their societies. In our day, however, sustained economic development can only be achieved through the essential and ever-evolving structural reforms and integration that globalization demands.

Why structural reform? Because the ultimate benchmark for an economy is efficiency, and efficiency is generally best achieved by way of market forces, regulated by the judicious and restrained hand of democratic and accountable government.

Why integration? Because being efficient and competitive feeds on openness and interdependence and, in turn, openness and interdependence fuel the drive for yet further efficiency and competitiveness. Throughout the world, neighbors and trading partners are gathering into larger regional groupings for fear of becoming isolated and marginalized in global competition.

Even now, Washington is pursuing the idea of expanding the North American free trade area (Nafta), to encompass the whole of the Latin American continent into a grand "free trade area of the Americas."

Meanwhile, the European Union — having issued a common currency — is building

up its own armed forces. As much as 80% of western Europe's total trade is now carried on within the Euro zone of its original 12 countries which have been expanded over time.

Poverty The Widening Gap

The widening poverty gap is a continuing challenge for our region. In stark terms, the poor have become poorer and the rich have become richer. A famous comparison recently made is that the western European nations continue to subsidize their cows at \$2.50 per head — which is more than 2.5 times what 1.2 billion people live on at less than one dollar a day.

The UNDP in its human development report in 2002 draws a similar picture of increasing poverty for a vast number of people in the face of economic growth for a few. The plain truth is that a great majority of humankind is being deprived of their Rights to human security, bereft of the benefits of education, primary health services, decent housing, basic education, and gainful livelihood.

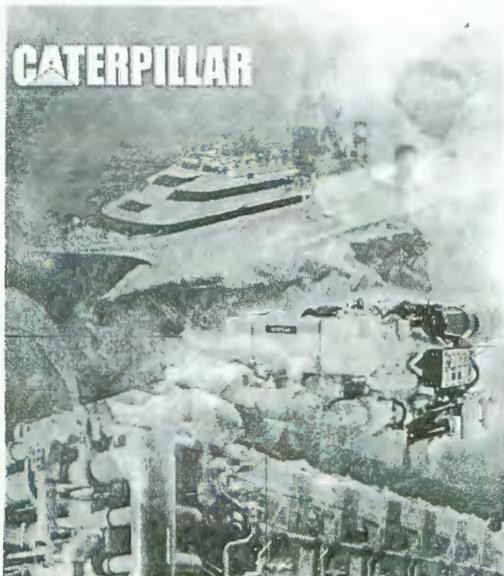
Poverty is inextricably bound together with the other key issues of the environment, peace and development, and globalization. The inequity and the unfairness of it all have led to civil wars, insurgency, ethnic cleansing, violent crimes, strong-man regimes, international terrorism — a virtual explosion of threats to human security — whose dimensions may have been neglected or overlooked in the quest for globalization, and whose inescapable result is increasing poverty.

At the beginning of the 20th century, people seemed to believe that the growth of economic interdependence, technological progress and social connectivity would bring about future decades of peace and security. Tragically, the 20th century turned out to be one of the bloodiest centuries in human experience.

Security And International Terrorism

UNDP's human development report for 1993 states that "human security reflects a condition that recognizes the centrality of basic human rights, human capabilities, human development and their links to world peace and stability." The twin goals of "peace and development" probably describe best mankind's immediate as well as long-term aspirations. On the other hand, a new dimension of development — which is human security — has emerged, as ad-

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