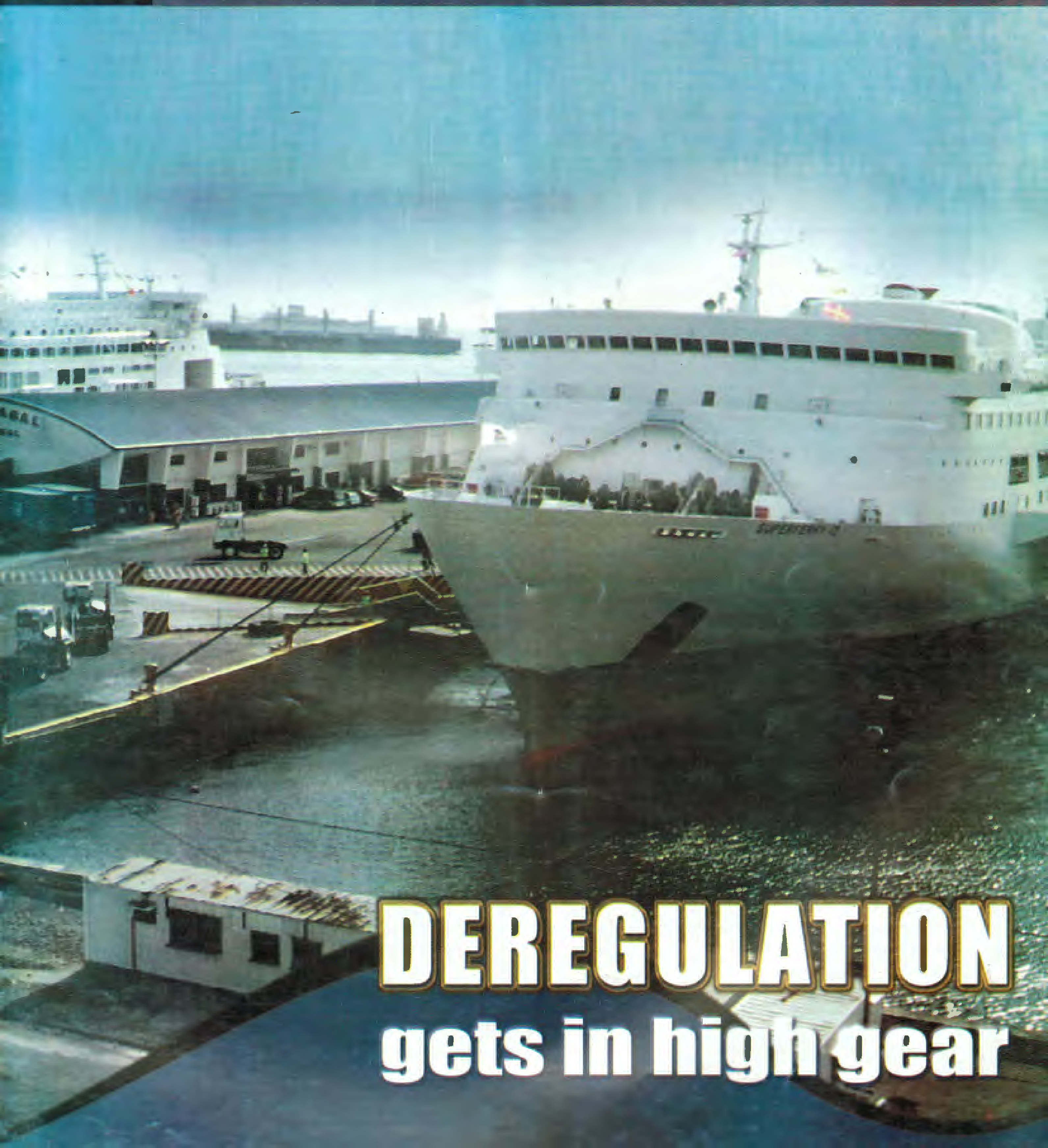
NOVEMBER 2004

MARITIME REVIEW

A PUBLICATION OF THE MARITIME LEAGUE



DEREGULATION gets in high gear

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

CLEANSING THE AFP AND PNP

by:
Maritime League Chairman
Carlos L. Agustin

THE public service goes be yond material and physical comfort, the essence of being a true "vanguard of society" with willingness to sacrifice as its foremost noble attribute, never for financial gain and popularity. Such is especially true for the uniformed services whose image of late suffer from the consequences of corruption.
A law enforcer is a dedicated public servant and a model citizen of the community. Like any other pubic servant, a public safety officer must have several important virtues. Important among these are: intellectual capability, technical proficiency, moral integrity and sense of purpose. The first equips him for entry to a demanding profession, the second he develops in training and practice, the third he nurtures from childhood and develops in the course of training and professional development and the fourth is that quality which promotes excellence and enhances one's ability to accomplish the mission adequately.

Among the four, I place great value on moral integrity — the greatest but least obvious trait a public officer can possess. But it is in practicing the sense of purpose that the greatness of a man or woman can be measured. Yet, it is not enough to have sheer determination. The lack of a proper perspective to perform one's duties increases the chances of failure and temptations and therefore, could result in betraying the people's trust and confidence.

Lately, the police and military sectors have been the focus of public scrutiny due to serious image credibility brought about by allegations of corruption and other illegal activities. Gaining public trust and confidence presents a serious challenge because their effectiveness and success are anchored on the willingness of people to cooperate with them. Therefore, as responsible members of the society in general, and law enforcement community in particular, they should impose social sanctions to caution, correct or reform the few irresponsible and erring comrade-in-arms absorbed by selfish motives.

Delivering public safety is a noble profession established primarily to serve the people— to institute safety, preserve order and confidence and enforce the full extent of the law if necessary, to all individuals. Therefore, the lawman must gain the people's confidence and serve them with utmost courtesy, decency and respect and never treat them with indifference much more as adversaries or enemies.

The synergy of the people's moral force and the legally instituted police power of public officers can overcome the worst insidious plans of any organized criminal group. We have the people and the law. Hence, the legal power and power of numbers will lead us to justice.

As exemplars of society, peace officers must be the examples of obedience to law. This means obeying the rules of behavior for order, living within their means and being respectable in all their actions. The people cannot but support the government and its law enforcers if they see public servants sincere, honest and dedicated in performing their functions.

Will it take just a few good men and women to start the domino effect of putting an end to wrongdoing, or will it need more? That question will have to be answered by the PNP and the AFP.

The time is now for all good men and women in the uniformed service to cleanse their rank and file of the few rascals and misfits.

MARITIME UPDATE

IMO TO CLEAN UP SHIPBREAKING

THE International Maritime Organization has announced plans for a mandatory shipbreaking regime. In a significant break from existing voluntary IMO guidelines, international delegates attending the 52nd Session of the Marine Environment Protection Committee in London agreed to develop a raft of 'legally binding and globally applicable' measures under the authority of a new IMO instrument. Elements already under consideration include a reporting system for vessels ready for the scrap-yard, licensing of shipbreakers, an obligation on shipowners to use approved recycling yards and the creation of a 'Green Passport' for new ships. Described by one IMO official as "a turning point" in the campaign to clean up shipbreaking, the plans have won cautious support from both industry representatives and environmental groups. While preliminary details of the proposed new regime have already been hammered out during the week's meeting, the bulk of the work will now be left to a joint IMO, International Labour Organization and United Nations Environment Protection working group scheduled for February 2005.

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BREAK-BULK FUTURE DISCUSSIONS

LIMITED port capacities and an ageing fleet threaten an otherwise bright future for the break-bulk industry, according to executives speaking at the 15th annual Breakbulk Transportation Conference and Exhibition in New Orleans. Keynote speaker David Beatson, North American CEO for forwarding and logistics corporation Panalpina, blamed forecast problems on the priority given to the container industry by both ports and the shipbuilding industry. He also pointed to limited growth in rail and road infrastructures as complicating factors. Gregory Rusovich, CEO of TransOceanic, echoed those concerns, noting that shipyards are fully committed over the coming years and have no capacity to replace the ageing bulker fleet. On brighter notes, New Orleans port director Gary LaGrange said there were excellent indications for the break-bulk future, noting that a "horrendous, horrible" year of 2003 gave way to 12% increases in 2004, and that he expects even brighter days ahead. Beatson said the recent end of EU/US trade sanctions will also help spur the market. But in coping with the growth, he said, break-bulk shippers need to focus on solving challenges from risk management, higher insurance rates and labour shortages as well.

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AGENCIES TO CHALLENGE TOP THREE

SEVEN of the most reputed specialist regional shipping agencies haveformed a new global venture, S5 Agency World, in a move aimed at staving off the growing domination by the three existing global agencies. The stakeholders in S5 include Kerr Norton Strachan, Royal Burger Group, Euroshipping, Kanoo Group, Sturrock Shipping, Jardine Shipping Services and McArthur Shipping. Between them, the seven companies claim combined port agency business of 40,000 ship calls per year, more than market leaders Barwil, GAC and Inchcape. However, S5 does not represent a merger of these companies but a platform for its stakeholders to offer global and intra-regional port agency services to ship operators. "We consider ourselves the strongest of regional players but recognise the need for a global service while also wanting to retain our individual identities," chairman Win Thurber explained. S5 will deliver port agency, voyage and financial management services through a common net based IT platform called Agency World.

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INDUSTRY LEADERS PROMOTE IMAGE

THE image of shipping has been driven to the top of the agenda by industry leaders. IMO secretary-general Efthimios Mitropoulos declared "shipping has an image problem" in a display of leadership to the members of the industry "Round Table" comprising shipowner bodies Bimco, the International Chamber of Shipping (ICS), Intercargo and Intertanko the day before their meeting. Mitropoulos added: "Politicians often appear to see shipping as a selfish and uncaring industry, little more than a looming environmental threat," going on to say that "among the general public at large, shipping has virtually no image at all". He finished by rallying the industry to arms, saying: "I think that it is time for us to take notice and to act". Responding to the call, the Round Table initiated an image campaign at the meeting yesterday. As Chris Horrocks, secretary-general of the ICS, explains: "The Round Table acts as both a cohesive and anti-wire crossing function. The more the industry can speak with a single voice, the more that message gets across".

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IMO STRENGTHENS MARPOL

IMO has issued revised regulations on marine and air pollution following October's sitting of the Marine Environment Protection Committee (MEPC). Ships carrying oil, chemicals or vegetable oils will be most affected. The new rules mandate double bottoms for pump rooms on oil tankers built after 2006, further protections against accidental oil outflow following a stranding or collision and a requirement for vegetable oils to be carried in chemical tankers. MEPC has also announced a new four-tier classification system for liquids: so noxious that discharge is prohibited, dangerous substance but limited issue allowed, liquids that present a minor hazard and, lastly, substances that may be discharged without restriction. The revised Marpol annex includes a number of other revisions made possible by advances in ship technology. In other development from the MEPC, Western European waters have been designated as a 'particularly sensitive sea area', and mandatory measures have been developed on shipbreaking.

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SHIP MANAGERS LOOK TO EXPAND

THE International Ship Managers' Association (ISMA) has abandoned its Code of Quality Standards in a bid to attract new members. "The time has come," said ISMA president Rajaish Bajpaee, "for ISMA to move on from only setting standards to a larger role of becoming the voice of the industry". Speaking after the association's AGM, he said that in future any ship or crew manager that has ISO 9001:2000 accreditation from IACS members, or who is committed to achieving it, can become a member. He predicted that "with the changed entry criteria the membership will increase and ISMA become a force to be recognised." He described the change as "very profound", as it marked a switch from defining a process to measuring performance. The ISMA code will be replaced by ISMA guidelines on the interpretation of ISO9001:2000, which are expected to be approved by the association's next executive committee meeting in March 2005.

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WTO: 2004 STRONG BUT 2005 MAY DROP

GLOBAL trade will grow by 8.5% overall this year, but may be dampened by high oil and commodity prices in 2005, the WTO predicted yesterday. According to DG Supachai Panitchpakdi, global trade was not hit by the sharp rise in oil prices in 2004 thanks to counterbalancing gains in trade and output in China, Latin America and Africa. Stronger-than-expected economic recovery in Japan was also cited. WTO statistics also reveal trade trends evident in 2003. Among the key points were: merchandise trade continued to outpace output; the EU enlargement led to imports from 'transition economies' to Northern Europe exceeding imports from North America for the first time; Latin America registered a surplus in merchandise trade in 2003 for the first time in 12 years, with China becoming a key destination for Latin American exports and chemical trades grew 19% last year. Spurred by pharmaceutical manufacturing, chemical trades totalled three times the global trade in clothing in 2003 and nearly 15% of all global trade. Highlights of the WTO's annual report on International Trade Statistics were released yesterday, with the full report available online in November.

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AGENTS SEEK TO RECOUP SECURITY COST

SHIP agents should be fairly remunerated for work carried out on behalf of a principal, and this includes additional costs incurred with regard to security, the umbrella organisation FONASBA clarified at its annual meeting in Budapest, Hungary. Representatives from agents' national associations conducted a lively debate on how they can be remunerated. Agents have had to educate staff and employ more people even though there is no legal requirement for anyone other than ships and ports to have security officers. Ports are already adding the cost of security measures – and are alleged to be occasionally adding more than is reasonable – but Paul Smith of the transport intermediaries club ITIC cautioned that agents who charge a security fee leave themselves open to financial exposure should something go wrong. "Insurance implications are as yet uncertain," he said. Another delegate argued that security is a function of the state. "Private companies don't pay for the navy or security services, so why should they pay for security at ports?" he asked. The meeting agreed to consider adding a suitably worded sentence to cover remuneration for the extra charge into the standard liner and general agency agreement, and in the meantime would consult widely as to a way forward.

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PARIS MOU TARGETS LIVING CONDITIONS

THE Paris Memorandum of Understanding on Port State Control has announced a crackdown on substandard living and working conditions onboard ship. The MOU has begun a new inspection campaign, lasting until Dec. 31, 2004, which will examine on-board accommodation, hospital facilities, galley supplies and storage, hours of rest and working schedules. If the inspecting port state control officer discovers that conditions do not comply with the standards set by ILO Conventions then sanctions may be imposed. Penalties for non-compliance vary according to the severity of the deficiency, with sanctions ranging from a recording of the failing to a detention of a ship until it is brought up to standard. A severely non-compliant ship also risks being exposed in the monthly detention list issued by the MOU together with follow-up inspections by Paris MOU marine administrations. The MOU envisions that around 4,000 inspections will be carried out during the campaign and expects that the results will be recorded, analysed and submitted to the MOU Committee next year.

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IMO TO SET UP SCRAP REPORT SYSTEM

THE IMO has agreed to develop a reporting system for scrap-ready vessels.. Details of the reporting system came amid news on Friday that the UN agency's Marine Environment Protection Committee was tentatively exploring the possibility of creating a mandatory ship-breaking system. The new reporting system should be developed according to several principles including transparency, efficacy, uniform applicability and respect for commercially sensitive information. The MEPC said the system should carry the minimum administrative burden possible and take into account the peculiarities of international maritime transport. At the close of the session, the MEPC had developed an outline of the ship-reporting system detailing what, where and to whom information should be reported. The International Chamber of Shipping's representative expressed support for a ship-reporting system, but cautioned that the notification procedure should not lead to a "permit to recycle". In a possibly contentious decision, IMO envisions that the flag and scrapping states will have the primary role for ensuring the ship-reporting system's proper application.

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ARGUMENTS FILED AGAINST P&I CLUB

THE P&I court battle over asbestos claims is heating up, with plaintiffs filing their counter-arguments against the American Club on 8 October. The list of plaintiffs now includes seven companies, including BP America as well as lead plaintiff Keystone Shipping. The American Club has asserted that it has the right to discontinue P&I reimbursements for unknown and unreserved occupational disease claims on years prior to 1989. It filed for a summary judgement on the issue on 8 July, seeking a ruling that: 'its decision should be upheld; if not, it be allowed to re-open closed years and seek new assessments; and that if reimbursements must continue, the Club should be allowed to apply deductibles paid by members over multiple years'.

Superferry 14 fire 'was sabotage'

DESPITE accusations of onboard negligence in shipping circles, the Philippine authorities have ruled that the fire aboard the *Superferry 14* in February 2004 was the result of sabotage. More than 100 passengers lost their lives in the incident.Police from the country's Criminal Investigation and Detection Group have filed charges of multiple murder and attempted murder against six men accused of being members of the terrorist group Abu Sayyaf. Two of the suspects – Habil Dellosa and Alhamser Manatad Limbong – are in police custody, while four others remain at large. President Gloria Macapagal-Arroyo, who was present during the filing of the charges, declared that the ferry incident had been resolved. She ordered an intensifying of the manhunt for the four fugitives.

However, the charges as filed made no mention of a separate probe conducted by the Maritime Industry Authority, which pinpointed the origins of the fire in a paint-storage area. The authority's report, which was not "officially released" while the Special Board of Marine Inquiry (SBMI) was conducting its criminal investigation, said heat from a fan room was transmitted by convection through a dividing wall, igniting the paint. Yet on the basis of testimony from witnesses, forensic experts and its own anti-arson task force, the SMBI felt able to reach the alternative conclusion that the onboard fire was caused by the detonation of an explosive device. A US-trained explosives expert from the national police cited the deformity of the thick metal ceiling above the blast site as evidence that an explosion had ripped open the deck and other metal plates.

The expert stressed that the extensive damage proved that the 10,000gt *Superferry 14* was bombed. A forensic chemist corroborated the findings that an incendiary bomb had triggered a fire, which trapped passengers on the night of February 27 while the ship was sailing at full steam several hours after departing Manila on its voyage to Bacolod and Cagayan de Oro.

The filing of murder charges this week prompted the Department of Transportation and Communications (DoTC) to beef up its security arrangements in the country's major ports. DoTC secretary Leandro Mendoza ordered the office of transport security to dispatch additional sea marshals and sniffer dog units to screen passengers and identify suspect baggage and cargo entering various terminals. Mendoza, who earlier stated that "the sabotage angle was not too strong", said other measures were being implemented as part of the ISPS Code, such as the training of port security officers and verification of port facility assessment and plans. He said the provisions contained in the ISPS Code would be strictly implemented to prevent the recurrence of such a tragedy.

The Philippine government has previously adopted similar precautions when threats of terrorist attacks were made against ships operated by Aboitiz Transport Systems Corp (owners of the *Superferry 14*) in Mindanao. Before *Superferry 14* was attacked, the owners believed that their ships were at high risk of terrorist attack after the company had failed to comply with Abu Sayyaf's demand for $1M "as payment for [the] privilege" of "continuously utilising our areas unhampered".

Aboitiz, which has accepted the conclusions of the SBMI, has created a new safety and security compliance office with a mandate to oversee the safety and security of its customers, their property and the company's assets, whether afloat or ashore.

TIMELINE: Superferry 14 tragedy

October 2003 – Last of three letters sent by the Abu Sayyaf group to Superferry 14's owners WG&A Philippines (now Aboitiz Transport System Corp) warning of an attack

27 February 2004 – Superferry 14 catches fire near Corregidor island in Bataan and capsizes, resulting in the deaths of more than 100 passengers

11 March 2004 – The 10-man Special Board of Marine Inquiry (SBMI) convenes to formally look at all aspects of the accident, with the Superferry 14's master Ceferino Manzo first to testify

5 April 2004 - The Maritime Industry Authority finishes its own report on the Superferry 14 tragedy, discounting any possibility of terrorist involvement

16 April 2004 – the UK's Titan Maritime secures the contract to carry out the salvage of Superferry 14

19 April 2004 – SBMI schedules to hear Arnie Santiago, the chief of the complaints and investigation division of the Maritime Industry Authority, about the authority's own probe

21 March 2004 – Divers end their search and retrieval operations of the victims inside the half-submerged Superferry 14 in Mariveles, Bataan

03 August 2004– Salvage of Superferry 14 is completed after it was towed to the dock of a private shipyard in Mariveles

11 October 2004 – The Philippine National Police files formal charges of multiple murder against suspected members of Abu Sayyaf

Audit for 5-year ISPS certificates starts

Auditing for the issuance of five-year compliance certificates to the International Ship and Port Facility Security Code starts this month. The Office for Transportation Security, a Malacañang-created agency tasked to implement the ISPS, is dispatching auditing teams in a frenzy game of playing catch-up to the December deadline. In less than two months, compliance certificates that the OTS issued to 151 Philippine-registered foreign ships and 42 port facilities, including the Cebu International Port will expire. Yet there is no word if these facilities have been working on getting ready to have its interim certificates renewed to five years. No word if ISPS training have been done, no word if security lapses and breach have been rectified and no word if security infrastructures, systems and procedures are in place.

In addition to ships and ports, local Recognized Security Organizations that were issued six-month accreditation must also have its certificates renewed for it to keep its operations.

MISSING REALITY

Authorities seem to be missing out reality on the ground. For the country's ports and ships to keep its status as ISPS-compliant, these would have to apply for the renewal of its interim certificates to earn permanent five-year terms. Without these five year certificates, port facilities serving international voyages may be forced to discontinue operations and Philippine-registered foreign ships can be denied or delayed entry in foreign ports.

Because the OTS is the single agency designated to issue five-year compliance certificates, it will dispatch verification teams nationwide to do the auditing. This will be a composite team of representatives from the Coast Guard, the Maritime Industry Authority, the Philippine Ports Authority with the OTS as team leader. There are questions though about the Coast Guard's inclusion in the verification team because it was stripped of its maritime security functions with the issuance of Executive Order 311 in April. The Coast Guard nurses reservations that its inclusion in the verification team may now be illegal.

The absence of five-year compliance certificates cannot be underestimated. The US Coast Guard said it will visit 135 countries around the world to find out how far these countries complied with the ISPS code independent of the auditing done by governments of these ports. Other than checking on port facilities, they will target vessels where increased boarding is needed. These vessels will be inspected for its performance, ship management, recognized security organization and security in its last five ports of call. Vessels are also targeted for boarding based on intelligence information on a random basis.

POCKETS OF PITFALLS

To date many tasks have been left undone despite the overall optimism on implementation. There remain pockets of pitfalls where progress has stalled and not as rapid as might be hoped. Even with its nearing deadline, there remains no enabling legislation for ISPS to be implemented in the country. United Nations maritime watchdog, the International Maritime Organization, specifically requires that for ISPS to be enforced, these must be adopted into national legislation. But until now there is no word whether maritime security legislation has been drafted. OTS consultants said they see no need to come up with legislation.

Countries like the US, Australia, Europe and other parts of Asia all had its maritime security laws first before putting ISPS into place. But an OTS consultant when asked what is holding back the crafting of a maritime security law merely said legislation is unnecessary. In preparation for the issuance of five-year compliance certificates, government must set security levels and ensure the provision of security level information to ships operating or entering the territorial sea of the state. But like its nonchalant attitude on maritime legislation, OTS also finds no need to set security levels.

What might further short circuit the compliance process is the absence of parameters for accrediting Recognized Security Organizations and training security officers. There have been strong insinuations that RSOs were allegedly accredited without parameters for accreditation. But when OTS consultants were asked on the seeming anomalous accreditation procedures, they declined comment. Equally silent were the RSOs.

Other live wires that could trip compliance are error-ridden entries of Philippine port facilities on the IMO website. Transportation undersecretary Cecilio Penilla assured errors will be rectified but did not say when. Politics, turf-wars and heavy contamination of compliant ships and ports to non-compliant facilities are eroding security confidence in the middle. Systematic screw up, corruption, plagiarism and stamp compliance has besieged efforts at compliance in July. But as the race to beat the December deadline kicks off again, the OTS will have to be sure it won't get tripped with previous lapses. ***(By Ruth Mercado)***

Nenaco Goes For Private Ownership

SIX months after the court finally approved its petition for reha bilitation, Philippine operator Negros Navigation Co (Nenaco) has plunged to the compelling task of how to turn the company around and stretch debt payment owed to private banks and trade suppliers.

The mother unit of the financially troubled Nenaco has chosen to de-list the company from the Philippine Stock Exchange as part of the rehabilitation programme. Prior to the move, Metro Pacific has offered to buy out the minority shareholders by endorsing a tender offer for 2.81% or 85M shares of over 3.0Bn shares that commenced 20 October week and ends in mid-November this year.

Metro, which owns 97% of Nenaco, said that once a private company it will allow to effect the changes it intends to rebuild its business, stabilize financial foundation and reposition the company for future growth. Metro believes the tender offer will give the 3,600 minority shareholders "a clear and fair exit mechanism for their investments" without waiting for the shipping firm to complete its 10-year rehabilitation. Trading of Nenaco's shares has been suspended since 29 March after the company, which has PhP2.5Bn ($44.6M) liabilities, sought a Manila court approval of its rehabilitation after a Japanese shipyard sought an attachment of Nenaco's vessels due to unpaid dry-docking fees. As a compromise with creditors, the court directed Nenaco to increase its interest payment to secured lenders to 7.5% a year from the fifth up to the 10th year of its rehabilitation programme, from 5% in the first to the fourth year.

Apart from increasing interest rate charges for its debts, creditors will gain representation to the Nenaco board by electing three new directors to represent secured and unsecured creditors. Nominees have been submitted from the state-run Development Bank of the Philippines and Pilipinas Shell Corp, who will represent major creditor banks and trade suppliers, and a lawyer for unsecured creditors. The creditor representatives should not be ousted from the Nenaco board without court approval.

Also, as part of its compliance with the court approved rehabilitation, Nenaco president Sulficio Tagud Jr stepped down from his post. Tagud, whose resignation took effect last month, has been cited by the court to be replaced if the company wants to pursue its rehabilitation. Metro Pacific led by its chair Manuel Pangilinan recently appointed Augusto Palisoc as the president of Nenaco. Tagud, after a two-month stint as president, was appointed as chairman. He came under fire when he started to assume the receivership last March and as president in mid-August for not revealing to the court that he once served as director of another Metro subsidiary. This posed a conflict of interest, according to the court.

Nenaco owners and officers led by Manuel Pangilinan, chair of Metro Pacific (second from right) and Sulficio Tagud Jr (second from left)

DEREGULATION goes full steam

By Tee-Jay Ramos

WITH the onset of deregulation following the enactment of Republic Act 9295 or the Philippine Domestic Shipping Development Act, a new window of opportunity for coastal shipping operators has opened. A big one, that is. The new law does not only jumpstart opportunities for the stakeholders, but also puts the industry through a whole new perspective by giving local operators the authority to establish their own shipping rates provided it would foster effective competition.

However, it must be noted that in the domestic trade, the steady increase in freight and shipping costs has long been a fight between the operators and shippers. And now that the industry is moving towards full deregulation, there is no way the shipping firms can be prevented from availing of this opportunity to make better business. The operators have announced their intention to adopt the upward adjustment of deregulated freight/cargo and passenger rates during the first week of October. Generally, the freight rate increase would be on a staggered basis, the first half of which (at least 7.5%) was implemented during the early part of October, while the remaining [half] would be by January 2005. This means that the current rates would be jacked up by as much as 14.5% next year. Major operators such as the Aboitiz Transport System Corp. (ATSC), its subsidiary Cebu Ferries Corp., Negros Navigation Company (Nrnaco) and Sulpicio Lines were the first to file notices of increase with the Maritime Industry Authority (MARINA). Also hiking their rates were pure freight operators Solid Shipping Lines Corporation, Lorenzo Shipping Corporation, NMC Container Lines, Inc. and Oceanic Container Lines. The ATSC, the largest domestic operator in the country, covers all its 10 *Superferries* and the *Lady's* fleet in the rate hike filed. As with the other shipping firms, the company proposed an upward adjustment by 14.5% on the basis of its November 2003 freight rates.

"In consideration of the present economic situation that the country is facing, and to cushion the impact on the public, the applicant deemed it proper to implement the proposed increase in two phases. The first phase will be 9%... and the second phase will be the full implementation of the 14.5% increase effective January 1, 2005," the company stated in its formal notice.

For instance, a Superferry Class A accommodation from Manila to Cebu with current rate at PhP857.21, will be PhP934.36 by October 15 and P981.51 by January 1, 2005. ATSC noted the same percentage increase will apply to the current rates per lane meter for the ro-ro cargoes. Similarly, Sulpicio Lines has declared all its 15 vessels covered by the increase, mainly all its *Princesses* in the fleet.

Meanwhile, heavily-indebted Nenaco, which is currently down to four vessels, has just submitted its formal notice for the freight rate adjustment. A source from Nenaco said the company is still waiting for some of its existing "promos" to expire before it can implement an upward rate adjustment.

All ship operators declared they have not availed of any upward adjustment of their rates for the last three months. ATSC and Sulpicio Lines are also set to impose upward passenger rate adjustment averaging 6-12% later in October. The last passenger rate increase was sometime in April this year.

FACTORS FOR INCREASE

The shipping companies stressed they were constrained to amplify their freight rates, mainly due to the continuous increase in fuel costs, which as of September is already pegged at $50 per barrel in the world market. Also prime factors were the increases in salaries and wages of sea an land-based personnel including the cost of living allowance, dollar denominated expenses due to devaluation of peso, financing costs, insurance premiums, repairs and maintenance costs; and cost of pier and vessel security.

The shipping operators started submitting their formal notices of intention to adopt the rate adjustment to MARINA as early as September. The filing for a formal notice is in compliance with MARINA Memorandum Circular No. 153, implementing the deregulation of domestic shipping rates. Prior to the enactment of the law, the maritime agency requires ship operators to publish its proposed rate increases two weeks before enforcement. However, the new law allows operators to increase their rates any time without prior notice since the industry has been fully deregulated. The maritime agency stressed the deregulation of the shipping rates aims to create an investment climate designed to attract more and new players in the domestic shipping industry under the environment of free competition. Under the new set up MARINA can only interfere should there be a monopoly, cartel or lack of effective competition in a certain route/link; or if passengers and/or shippers file a complaint against the rates and services of the operators provided sufficient justification is submitted.

SHIPPERS PROTEST

Earlier, a group of shippers in Mindanao have expressed fears that R.A. 9295 will spike current shipping rates because it eliminated current 'reporting' practices in price increases. They stressed the new law perpetuates the alleged cartel of domestic shipping companies which presently impose uniform rates. Edgar Lim, president of the Zamboanga City Shipper's Association, also said the new law would be very unfavorable for exporters as its proposed Implementing Rules and Regulations would allow shipping companies to increase its freight and passage rates at least four times a year with the additional fees going as high as 30%.

"Rate increases four times a year is unconscionable. How can shipping companies justify this to the general public?" he pointed out during the 4th Mindanao Shippers' Conference organized by the Socksargen Shippers' Association, Department of Trade and Industry and the Growth with Equity in Mindanao (GEM) Program. Lim also noted that amid government policies, the pre-supposed competition is missing among domestic shipping lines. All operators charge almost similar rates regardless of the quality of their service. This "cartelization" undermines development and cripples free and fair trade initiatives of both the government and private sector, he noted.

Meanwhile, the Distribution Management Association of the Philippines (DMAP) recently expressed strong opposition regarding the current passenger and freight rate upward adjustment. A dismayed official from the association said there has been no consultation with the shippers group. "We are not expecting them to divulge all their plans with regards to rates but we are expecting them to at least warn us so we could prepare," he stressed. He said the increase is very unpopular considering the country's present economic condition, on top of the spiraling fuel costs and peso devaluation. There is a need for ship owners and operators to present the basis or justifications of any proposed rate adjustment to the shippers associations to ensure that the interests of shippers are protected against overcharging and poor service standards, he added.

DOTC endorses owners request to shift in FOB terms

DEPARTMENT of Transportation and Communications secretary Leandro Mendoza has favourably endorsed the request of Filipino shipowners for a shift in trading terms when negotiating for the government's imports and exports. He wants to start on coal shipments.

In his letter to Energy secretary Vincent Perez, Mendoza endorsed for consideration the suggestion made by the Filipino Shipowners Association (FSA) that the county's coal imports must be put to auction on a FOB basis so that separate bids for the cargo and freight can be conducted.

This will allow Filipino shipowners the opportunity to participate in the carriage of the coal requirements of National Power Corporation for the operation of its power plants. Secretary Mendoza said that the desire of the shipowners to participate in the carriage of government cargo will help boost DOTC's efforts to help modernize the Philippine overseas merchant fleet and stimulate private sector investment in the overseas shipping industry. The opportunity to carry government cargo will likewise result to foreign exchange savings as freight payments will now be made to Philippine overseas shipping companies. In turn, the income generated by these overseas shipping companies not only mean additional revenue to the government but will serve as catalysts for the expansion and modernization of the country's merchant marine fleet.

It will also result in more job opportunities and better salaries to Filipino seafarers which in turn will translate into additional foreign exchange earnings for the government in the form of foreign exchange remittances. The social and economic upliftment of Filipino families would be a necessary consequence thereof. It will likewise lead to the revitalization of Philippine shipyards and the creation of other ancillary services like, manning, ship management, chandling, ship agency and banking, among others.

More government revenue will be realized from an increase in the number of ships in the form of: a) Company registration and license fees; b) Vessel registration fees and related charges such as inspection fee, and measurement fee, etc; c)Income taxes from incremental business generated by companies/sectors doing business with Phil. shipping companies; c) Port charges and berthing fees; d) Processing fees for all seamen's documents and travel papers; e) Various fees paid by a shipping company for various applications such as vessel importation, bareboat chartering and company accreditation.

Focusing on LANGUAGE OF THE SEA

By Carmela Huelar

IF there is one immediate problem trainers in the maritime sector have to look into concerning competence of Filipino seafarers, it is communication skill that warrants an immediate attention. Both afloat and ashore, communication skills and the capability to interact with a mixed crew play the most vital important aspect. That explains why there is a universal language that can be easily understood by the crewmembers onboard. With human error accounts for most of the accidents that has occurred, communication skills have played the key role. With the theme "Safer Shipping and Cleaner Oceans through Maritime English Proficiency", the 16th International Maritime English Conference in Manila brought in more than a hundred participants representing 15 different countries and the World Maritime University. The 15 countries include Croatia, Finland, France, Germany, Iran, the Netherlands, New Zealand, PRC China, the Philippines, Poland, Russia, Sri Lanka, Myanmar and the United Kingdom.

The countries are members of the International Maritime Lecturers Association (IMLA). Hosted by the Maritime Academy of Asia and the Pacific (MAAP), the IMEC forum also brought into attention the need to train and update maritime lecturers all over the world, the Philippines included, on the Standard Maritime Communication Phrases (SMCP).

Vice Admiral Eduardo Santos, MAAP president, said "familiarizing our lecturers and educators on the universal language of the sea will definitely put into proper perspective the human error factor and its drastic contribution to accidents at sea that has for some years, caused losses of life and damage of properties." He said that it is a distressing fact to know that most of these errors could have been avoided if the crews onboard and those involved speak the same language. "By this we mean, proper knowledge of some maritime terms in English", he added.

Santos further said that knowing how to speak English is not enough. He stressed, "Maritime English is most definitely needed to be universal and the SMCP attempts to bridge the gap between races in a mixed crew environment". Santos disclosed that the industry has been aware of the rising incidents of Filipino crews and even officers slowly lag behind in English proficiency, which spells disaster. What more in some common maritime English usage that is an important component of saving lives and properties at sea?

The forum discussed some issues like the SMCP closer to home, and MAAP being the host, will most definitely start re-educating its lecturers in SMCP for them to impart to its graduating cadets. IMEC chairman Peter Trenkner for his part lauded MAAP for sponsoring the event in Manila. He said that the IMEC fel 'AAP was a most appropriate place to discuss the various problems and solutions concerning Maritime English as a subject of instruction and research "as the Philippines is the mightiest supplier of seafarers to the world merchant fleet". He pointed out that approximately six out of 10 ratings in the passenger fleet of the world are recruited from the Asian region, most of them from the Philippines. "And almost all established European shipping companies gladly hire Filipino deck and engineer officers because they are known to be diligent, well qualified, loyal and reliable." Trenkner stressed that the forum would somehow find an appropriate method and means to improve language communication at sea and in ports for the sake of safer shipping and cleaner oceans. He asked the participants to keep in view that Maritime English lecturers bear a considerate responsibility for the welfare of the students and cadets as the future ship officers.

Philippine Hammonia Shipagency *encourages promotion*

JUNIOR deck and engineer officers are being encouraged to push for promotion to senior levels as a way to partially fill the shortage of qualified personnel.

Philippine Hammonia Shipagency took the initiative by holding the first of a series of full day 'junior officers' meetings' with 34 deck and engine officers in attendance last September. The morning session was spent motivating the junior officers, encouraging them to demonstrate their leadership potential, undertake the necessary management courses and find ways to cover the cost of training.

Philippine Hammonia director and employers' representative John Wood said that the world-wide shortage of senior officers made it clear that "home-grown talent will be required to fill the vacancies of tomorrow." He said most of the company's owner and manager clients would like to see their young Filipino officers and engineers promoted to managerial level.

"Therefore, it our job to ensure that not only do they have the appropriate certificate of competency and recommendation for promotion but also the awareness, maturity, leadership and attitude to make the grade at senior level." A group workshop followed by an interactive presentation was held on the traits required to be a senior officer, reference was also made to some of the negative traits that is damaging the reputation of Filipino seafarers on the international stage. Following a buffet lunch, the afternoon was comprised of presentation on "Lifestyle Illnesses" such as hypertension and diabetes which they noticed as the leading causes of cutting short the career of many Filipino seafarers. Dr. Robert Lim, medical coordinator, of Marine Medical Services, gave an enlightening presentation on the subject, which left the participants with plenty of food for the thought.

Capt. George Pimentel of the Philippine Maritime Education and Training Foundation gave a very interesting talk on the proposed Management Level Courses that may soon become a pre-requisite before taking the PRC Board exams at management level. Pimentel's subject matter generated a great deal of interest amongst the participants and a lively discussion ensued.

To round off the afternoon, the participants were treated to a presentation from the PHS training manager with the purpose of reminding them of the importance of continuously upgrading their knowledge and skills. They were also reminded of their responsibility to attend courses that have been reserved for them as well as cooperation with PHS and staff in situations when they find themselves unable to attend.

Finally, an open forum session wherein the seafarers threw questions at PHS management and staff with the hope of coming to a better understanding of how the company works and in return, the needs of the seafarers. Throughout the event, the strength of the "team" was continually emphasized, not only onboard, but within PHS. Officers onboard must work together to achieve the desired results, likewise ashore, officers must work closely with the agency staff to ensure that training, documentation and the final boarding is carried out properly.

MYANMAR SEAFARERS ARE CHEAPEST

SEAFARERS from Myanmar have been found to be the most cost competitive, a study into new sources of crews by the Korean Shipowners' Association has revealed. The study is based on information gathered first hand by a team of experts that visited Myanmar, Vietnam, Poland, Ukraine and Croatia. While Ukrainian seafarers had an edge in terms of quality, a drawback in recruiting them was that they are available for only six months in a year. Myanmar seafarers are the cheapest and, together with Vietnamese crews, are available on easy employment terms. Ukraine and Polish seafarers are ahead in terms of training and competence. The association will release the final report after another inspection in November this year. Employing foreign crew is restricted in South Korea, but a number of ships owned by Korean owners are flagged in Panama and other flags of convenience registers.

SRI LANKA/NORWAY SEAMEN AGREEMENT

SRI Lanka is preparing to sign an agreement with Norway that would help its seafarers get jobs on Norwegian-flagged vessels. The move follows talks between shipping industry officials of the two countries that are expected to result in a Memorandum of Understanding (MoU) between the Merchant Shipping Division of Sri Lanka's Ministry of Ports and the Norwegian Maritime Directorate. The MoU will enable certificates of competence issued by the Merchant Shipping Division to be recognised by Norwegian shipowners, without which Sri Lankan seafarers have been unable to find employment on Norwegian-registered vessels. Presently, about 25,000 seafarers are registered with the Merchant Shipping Division but only 11,000 are believed to have regular work. Sri Lanka is keen to promote seafaring as a career as it helps to earn foreign exchange, a Ports Ministry official said. Sri Lanka has also held talks with Belgium for a similar agreement that would enable its seamen to get jobs on Belgian-flagged vessels.

What hampers the need for technical aid in maritime sector?

By Brenda Pimentel

DOES the Philippines need to implement IMO Conventions? To this question, the general response is yes. As to the why, the responses vary. Most would say because the Philippines is an archipelago and therefore dependent on sea transportation. Others and probably most would say, because we play an important role as the top supplier of shipboard labor to the world merchant fleet. Still some would say, and I used to say it too when I was with government, oh because we wish to be a responsible member of the International maritme community, which really sounds like a new years resolution.

IMO is not only into the drafting of conventions and regulations. The Organization acknowledges that not all member governments are able to give full and complete effect to IMO instruments. The Philippines for example has ratified only eleven out of more than forty IMO conventions, I believe the reason for non-ratification of the Conventions is basically the lack of understanding of what the rules are and what benefits accrue to the country that choose to implement them. In some instance, a country may have ratified but not implemented a convention because of government's failure to translate them into national rules and regulations.

It is for this purpose that the IMO Integrated Technical Co-operation Programme (ITCP) was established: for the sole purpose of assisting developing countries build up their human institutional capacities to comply with IMO regulations and standards, The modalities in delivering the ITCP take the form of needs assessment, training, assistance in drafting legislations and advisory missions. I hope you still remember that quite a number of IMO technical assistance relative to the Philippines' implementation of the STCW Convention were delivered during the period when we were trying to be included in the white list. These were all undertaken under the ITCP of the IMO.

When asked the question "do you need technical cooperation and external assistance" developing countries surely will acknowledge these needs. In trying to determine the reasons why countries would need technical assistance, IMO was able to collate the following rationale for the ITCP:

* Lack of cooperation between national agencies – there are national agencies which by reason of their areas if concern would have to relate with shipping, for example trade and industry, fisheries and customs. They seem to be doing their respective activities independent of each other which in the long run adversely impact on the economic development of the country.

* Lack of clear responsibility between the public and private sector — cited as an example is the national administration and the port terminal. This became most pronounced in a way when the ISPS Code was adopted. Up to now we ask, does everybody know why the OTS (Office of Transportation Security) exist and its role in the implementation of the ISPS Code?

* Lack of funding for infrastructure — in the Philippines, this problem exists, despite the foreign assisted projects and grants on the development, maintenance and upgrading of national maritime infra 'ructure, including training institutions, search and rescue services aids to navigation, port facilities. Let me at this juncture to inform you that IMO does not have the funds for putting up infrastructure, we just make member government realize the importance of infrastructure in place.

* Inability to provide adequate training – we have a number of training institutions for seafaring but we do not have the necessary facilities to provide practical training relating to technical requirements of the various IMO instruments like ship surveys, audits, inspections and the like.

* Inability to provide qualified human resources – put bluntly, the experts would always go where the pasture is greener, where one can get the highest returns. Shipboard work is more attractive than teaching ashore, isn't it? Being a manager is better than being an academician.

* Insufficient priority to maritime issues — the Philippines, national planning has always been biased for land base activities - never marine which contradicts the affirmation that ours is a maritime nation.

* Insufficient appreciation of the benefits of shipping – perhaps the reason we have trained our planning exercise towards the land is because we have not really appreciated the benefits of shipping- to the maximum. Look at Singapore - everything seems to revolve on the maritime sector and yet it is but a dot in the ASEAN map. They have established the infrastructure and all the necessary support mechanism to make it a premier maritime hub in Asia. It is because they appreciate the benefits of shipping. In no time at all, Singapore will become the London of Asia.

* Insufficient appreciation of the impact of global maritime standards –for STCW 1978 as amended this does not hold true. I know that FAME membership appreciate the impact of non-compliance with the STCW, that's why you have worked hard to get the Philippines to the white list.

In all these, IMO through the ITCP tries to bridge the gap. Make no mistake though, IMO has no funds for putting up maritime infrastructure.

The other obstacle that hinders ratification and implementation of IMO instruments are:

* Lack of adequate national maritime administrations - I do not think this applies to the Philippines. We have at least minimum of 10 to 15 government agencies involve in the maritime sector, each exercising functions of regulatory, policy or enforcement nature. I suppose for the Philippines this should be one of inability to consolidate maritime functions in one agency.

* Lack of updated national maritime legislations – This applies not only to those promulgated by Congress but also by the maritime agencies, IMO conventions as what you have seen in the implementation of the STCW Conventions required translation of the Convention regulations into detailed circulars, instructions and advisories. MARPOL which we have ratified in 2001 became effective for the Philippines after one year. Up to now there is no law that translates the Convention into national regulations although there are several agency issuances by Marina, PCG, PPA and DENR as they relate to the MARPOL requirements.

The ITCP does not intend nor is it mandated to play a substantial role in enforcement. It has no regular budget for technical assistance and it relies mainly on the generosity of member governments which either provides financial or in kind contributions for the delivery of the programme. Complicating this is the fact that ITCP receives increasingly and on much diversified issues, request for technical assistance. These, plus the fact that there can never be found a uniform solution to various enforcement problems, make the delivery of the ITCP even more challenging.

The ITCP was, since 1996 up to December 2003, able to undertake in Asia 16 IMO regional projects, two GEF funded regional projects. Asia was also included in the delivery of the maritime security and ballast water management under the global technical cooperation.

The notable achievements of the ITCP in recent years include improvement of maritime training standards, establishment of the maritime safety management systems, development of oil contingency plans and increase number of trained personnel in the maritime sector. A total of 4,700 nationals in Asia were trained through the ITCP. Prior to 1996, the number of Asian acceptance of the IMO instruments totaled 280. By 31 July 2003, this rose to 425, an increase of 52% in the number of acceptance.

The difficulties encountered by the IMO in the delivery of technical assistance include:

* Inadequate information provided by states requesting assistance – this is the reason why we sometimes have to conduct a needs assessment – in order to get a good understanding of a country is requesting.
* Lack of coordination between national agencies.

* No follow-up to the assistance given trainees nominated for training.

* Trainees nominated for the training failed to meet "entry requirements" Please let us not squander the benefits of training by sending nominees who are not fit based on the qualifications set by IMO. You know what we are most guilty of when someone says he goes to say Beijing because it is one city he has not visited yet. The trainees are not there as tourists. And again please, send those who will be able to apply what had been learned. I remember one official of a government agency who attended all the training which are meant for the technical staff and then when he was replaced, he left the agency ignorant of the issues subject of the training which he attended. So if training is for training simulator instructors, let us send somebody who is into simulator training.

* Identification, availability and acceptance of qualified experts - have you noticed that every time IMO conducts training in the Philippines the consultants most of the time come from Europe or from Canada, the United States or South America. It is not because of bias, rather, it is because we have a dearth of experts in the region, especially in the ASEAN region. Singapore is of course an exemption. And one of my tasks is to help identify experts who IMO can tap for delivery of the ITCP in the region.

* Non-availability of updated and suitable training materials - again this is a problem related somehow to the difficulty of getting experts who can helping developing training materials.

In September last year, the IMO Regional Presence for Technical Cooperation in East Asia was established in the Philippines. In the words of the IMO Secretary General, Admiral Efthimios Mitropoulos, who inaugurated the office, "it is quite appropriate that seafarers' supply to the world' merchant fleet." It is therefore in recognition of the country's contribution to world shipping, through the Filipino seafarers, that IMO consciously decided to make the Philippines the base of its regional presence in the East Asian region.

The East Asian region, in the geographical context of IMO, consists of fifteen countries, namely, the Republic of Korea, Democratic People's Republic of Korea, Chine including Hongkong, Japan, the Philippines, Vietnam, Thailand, Cambodia, Myanmar, Lao PDR, Mongolia, Brunei Darussalam, Singapore, Malaysia and Indonesia.

The regional coordinator serves as the link of the Member Governments to a ready source of technical assistance that are available at the IMO.

How do you make the most out of technical cooperation? Political will or political commitment:

* to give sufficient attention to maritime safety, security and marine environment issues;
* to ensure effective dissemination of IMO documentation;
* to ensure effective participation at meetings of IMO;
* to designate qualified trainees;
* to ensure adequate use of personnel trained;
* to undertake follow-through activities on the assistance received.

At the regional level make use of existing regional arrangements such as ASEAN, BIMP-EAGA, APEC, etc, to promote regional self help. Also come up with a pool of experts from the region. Discuss how you can identify real and priority needs and find practical solutions.

In conclusion, I wish to reiterate what everybody has been saying – the Philippines is a maritime nation and therefore it must endeavor to adopt and implement international maritime conventions. If it has to and most probably it must, the Philippines can seek ITCP to assist it in complying with IMO instruments.

Remember, the effectiveness of technical assistance is a challenging task for all of us.

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(Speech delivered by Brenda Pimentel, IMO regional coordinator for Asia, during the recent general membership meeting of the Filipino Association for Mariners' Employment)

New cast of FAME

THE Philippines' leading group of ship managers and crewing agents has undergone a leadership change during its recent elections. .

The Filipino Association for Mariners Employment (FAME) elected Josephine J Francisco, president of NYK-Fil Shipmanagement, as its new president, replacing Vicente Aldanese Jr of ASP Crew Management Services, who led the association for 16 years. The FAME board also elected Capt Adonis Donato, president of OSM Maritime Services, as VP for internal affairs; Capt Reynaldo Casareo, president of Cargo Safeway, as VP for external affairs; Marlon Roño of Magsaysay Maritime Corp, as board secretary; and James Nicoll of Wallem Maritime Services as treasurer.

Other elected members of the board of directors are Vicente Aldanese, Michael J. Estaniel, Capt. Lou Atienza, Capt Vicente J. Brillantes, Capt. Victor S. De Prado, Capt. Angel J. Oseña, Capt. Teodoro B. Quijano, Capt. Helmut Sallaba, Capt. Amador P. Servillon and Capt. Alfonso R. Del Castillo.

Philpesta calls on new Marina chief

WITH the recent appointment of Vicente Suazo Jr. to the helm of Maritime Industry Authority, the Officers and Board of Trustees of Philippine Petroleum Sea Transport Association called on the administrator last 28 September 2004. Suazo outlined that his administration will focus on improving the viability of the shipping industry towards more customer-oriented and service-oriented sea transport to support a strong economy. He clearly emphasized the need for accurate and reliable database to guide him in the day-to-day operations of MARINA, a project currently being undertaken by the MIS department.

In the long term, the major shift to e-commerce will benefit the constituents of the maritime sector in increasing efficiency. Shortly, Marina will also present its six-year program to the private sector and together, MARINA and the private sector will draw out policies and regulations to support these programs.

Considering also that the newly enacted R.A. 9295 has been signed into law, Suazo is aware that Marina is mandated by law to come up with the Implementing Rules and Regulations. He asked for some more time to review the inputs made by several groups in the series of consultations undertaken by the previous administration. For its part, Philpesta reassured the new administrator of its full support and knowing that Suazo has both public and private office experience before assuming the post, it will not be surprising that he will achieve what he has planned to achieve with his new mandate.

Jardine's Duburg maiden call at MICT. A vessel of Jardine Davies Transport Services, Inc. recently had its maiden call at the Manila International Container Terminal (MICT), International Container Terminal Services, Inc. (ICTSI) flagship operation. Coming from Kaoshiung, Taiwan, the 1,700-vessel capacity MV Duburg docked at Berth 5, loading 1,142 TEUs and discharging 872 TEUs. After the MICT, the vessel sailed to Laemchabang, Thailand. William Gutierrez (2nd fr left), ICTSI customer relations manager, awarded a commemorative certificate to Captain Franciszek Nowak, vessel master (3rd fr left). Also present were Jardine Davies Transport Services officers (left to right): Arman R. Federigan, port agency manager; Rene Vargas, general manager; and George Maghirang, operations assistant.

Subic tracks vehicle movement

SUBIC Bay Freeport has developed a computerized tracking and inven tory system to check the movement of imported vehicles in the Freeport, where car smuggling frequently occurs.

The Subic Bay Metropolitan Authority (SBMA) believes the system would ensure payment of customs duties and taxes due on the shipments and at the same time check tax-exempt vehicle owned by Freeport investors and residents. SBMA chair Felicito Payumo says the newly developed motor vehicle tracking and inventory system will provide information on all imported vehicles, including import documentation and tax and duties payments. It will be backed with an online computer system, which will be placed at all sentry posts, to provide information about the vehicle's engine and chassis number, digital photographs taken upon its entry to the Freeport and the taxes and duties paid for the vehicle. The system will be integrated and made available to the Bureau of Customs, SBMA Seaport Department and the Import-Export Documentation Center which will all provide permits and clearance to the sentry before an imported vehicle is allowed to exit the freeport gates. Besides being online, the MVTIS is real-time and web-based system and will become a major component of the SBMA's e-government system through the CyberSubic Project. Payumo has been advocating a "paperless system" to prevent falsification of documents and even "human intervention" that induce graft and corruption. The bar-code system using an ATM-type identification card will be issued for security and access control of the MVTIS. This system will cover not just taxable vehicles and tax-exempt vehicles but also regular and transient and government vehicles coming in and out of the freeport.

One of the main capabilities of this system is the digital imaging facility. Once the motor vehicle enters the freeport premises, a digital image or picture of the motor vehicle will be captured using a digital camera. The photo will be recorded in the MVTIS database. Once the vehicle ap-

CdO port dev't up for grabs

CAGAYAN de Oro (CdO) port is to undergo an expansion program to relieve the facility of its worsening congestion.

The Philippine Ports Authority said it is due to seek tender for the construction of the port that includes extension of reinforced concrete wharf, installation of fender and mooring systems, water supply and port lighting systems. Scheduled for completion within 10 months, the PPA said it would source the budget for the extension project within the port agency's corporate fund.

"The Cagayan de Oro port is actually nearing saturation. We are finding ways to make its operations more efficient and the turnaround of cargoes and vessels faster," said PPA assistant general manager for engineering Medardo M. Melicor. CdO handles almost 3 million tonnes or nearly 200,000 TEU of cargo every year. Around 2,500 vessels dock at the port each year while 1.4 million passengers use it.

Due to lack of berthing space at CdO, some foreign and domestic lines plan to divert their operations at the newly constructed Mindanao Container Terminal in Misamis Oriental. Meanwhile, the PPA has opened the first phase of its Cagayan de Oro Passenger Terminal Complex at the Macabalan wharf. The PPA said the PhP25 million facility is already 50 per cent complete and expected to be finished by the end of the year.

proaches the SBMA gates for exit, the actual physical appearance of the motor vehicle will be compared visually with the picture in the database. An inventory is provided by the system to audit and account all vehicles entering SBMA. It is also SMS (short messaging system) and GPRS-ready in order for the system to be available over the cell phones and the new portable pocket digital adopters. This feature is available for SBMA law enforcement activities.

Reports can be generated by the system such as the management reports with summaries and statistical updates; inventory reports with listings of motor vehicle classified by group or by identified criteria; and tracking reports with periodic aging report that is specially provided by the system to identify and track down lost or pilfered motor vehicles in the SBMA. The tracking system would provide a list of motor vehicles with duration of 60 to 80 days stay inside the Freeport. The SBMA inspector will conduct an ocular inspection to locate each vehicle in the list. Report on the status of these vehicles has to be logged in the system. The MVTIS also covers the procedural work flow within the manual portion of the system to blend with the computerized system. This is to simplify work flow and ease document processing.

A logging facility will be part of the system. This report will help monitor irregularities within the system. This is in compliance with ISO, an international standard of service maintained by the SBMA as a global competitive freeport. With the implementation of such systems, the SBMA would assure that all vehicles entering the freeport are all accounted for and to ensure that all government tax requirements have been complied with and the assurance that the motor vehicle is roadworthy upon leaving the freeport Zone

Batangas port nears completion

BATANGAS port is determined to become an alternative facility to the port of Manila when its con struction is completed in August next year. With construction of phase II going on full blast, the Philippine Ports Authority (PPA) expects its contractor to have gained a completion rate of the PhP6.93 billion project of 84 per cent by the end of this year.

Funded by a loan from Japan Bank for International Co-operation, financing of the project has been proposed to extend until 2007 to cover a planned expansion of its existing berth. The proposed berth expansion would add another 1,010m from 450m wharf in order to accommodate more ships. The PPA says the PhP2.4Bn fund requirement for the expansion will come from the balance of the Phase II loan, with construction period between 2005 and 2007. It has requested the National Economic Development Authority (NEDA) for the extension of the loan validity of the port project to January 2007, or two years beyond the original closing date. Aside from the NEDA-Investment Coordination Committee, which has jurisdiction over both requests, an endorsing opinion from the Department of Justice and an extension of contract with the contractor Shimizu-F.F. Cruz are also needed. Once operational, the Batangas port project will handle around 400,000 TEU a year and ease traffic congestion in the nearby port of Manila as an alternative port.

At present, Batangas covers a base port of 22.60 ha constructed under phase 1 development project at a cost of PhP1.60 billion. An additional 128 ha that is being constructed has been added into phase II, making up an operational area of the facility to a total of more than 160 ha. The port is equipped with a foreign general cargo berth, 185m long and 10m deep; one multipurpose berth, 230m long and 10m deep; one domestic general cargo berth, 120m long and 10m deep.

Being a passenger hub in the domestic trade, Batangas maintains its own facilities for ferries. They include four ro-ro berths (pier-type), two ro-ro berths (wharf-type) at five metres deep each, seven fast craft berths and six ro-ro ramps. These facilities are complemented by three terminal buildings to accommodate passengers that embark and disembark from the ferries. Phase II of the Batangas port consists of three packages: the civil and marine works, supply and installation of passenger boarding bridges, and construction of access road and flyover. Dredging and reclamation have been continuously done while construction of the permanent access road and a flyover road leading to another town is about to start.

The port recently completed the construction of the 120-meter long and 10-meter deep dedicated domestic general cargo berth in the area where big vessels of major domestic carriers will dock. The berth will soon be operational within the next few months. Construction of the port has proceeded not without delays. Prior to proceeding with building the port, PPA took time settling claims including court litigation from lot owners whose property had been skirted by the port's reclamation. PPA reported a total of 116,770 sq m of land that have been pledged or sold to PPA, which accounts to nearly 10 per cent of the total area that had been taken. To date PhP58.39 million is said to have been released for payment to various lot owners at the port.

What's wrong with brokers' law?

By Christopher Paringit

THE full implementation of Republic Act No. 9280 or the Customs Brokers Act of 2004 will result to business inefficiencies, higher manufacturing cost and slower turnaround time of materials and finished products, according to the Semiconductor and Electronics Industries in the Philippines, Inc. (SEIPI).

In its position paper submitted to the Philippine Regulation Commission (PRC), the group stressed its opposition to the implementation of the law since the act will reverse the industry back to manual processing, which is costly and will delay cycle time, countering the industry's efforts in promoting competitiveness of its operations. SEIPI explained that the new law would do away with automated and paperless processing of export declarations under the Automated Export Documentation System (AEDS) for Philippine Economic Zone Authority-registered companies.

The group added that these inefficiencies would further dampen investment growth, hamper continuous progress in electronics commerce, and aggravate bureaucratic red tape. The association further explained that a semiconductor company processes about 24,000 import entries and 20,800 export entries per month and if the new law is followed, companies will have to hire licensed customs brokers to work on 44,800 import and export entries on a daily basis since the law requires that only licensed brokers should process these entries.

SEIPI argued that in this set-up cycle time would be longer adding the possible delays resulting from importers having to first pay port dues such as storage, stevedoring and other port charges before getting their shipment released. The group further stressed that allowing brokers to sign export declarations would only add to the red tape instead of streamlining and simplifying operations.

Prior to the enactment of the law, non-licensed customs brokers or their representatives are allowed to do the job as well as permitted to finance and advance payments, in behalf of their clients, to facilitate the turnaround time. But with the approval of the law, it eliminates all of these, the group said. Earlier, the PRC planned to suspend the implementation of five provisions of RA 9280 or after receiving strong opposition from the Port Users Confederation (PUC) claiming that it would leave majority of its personnel unemployed.

However, the PRC said the other uncontested provisions of the Act should not be affected but implemented immediately to beat the deadline set for the implementation of the law. Former PRC chair Antonieta Fortuna-Ibe, in a public hearing, said that this way, the majority of the provisions of the law could already be implemented while discussions on the contested provisions would continue until an amicable solution in its full implementation is reached. "We have a deadline. The law will be left hanging if we do not act swiftly. I suggest we delay the full implementation of the specific provisions, especially if these would affect majority of the persons involved in the industry," Ibe pointed out. She said that the agency is willing to sit down with the group to discuss the issues on hindsight. She added the law should not only benefit the professionals using the law but serve as a protector of all industry stakeholders. The PUC is objecting to the implementation of five specific provisions of RA 9280 since it will not only cause many of their jobs but also slows down traffic in the forwarding business.

Atty. Romeo Sto. Tomas, director of the Philippine International Seafreight Forwarders Association, one of the 26 members of the PUC that opposes the law, explained that the law, specifically Sec. 6, will cause unemployment of customs clerks, customs representatives, processors, checkers, including expert lawyers and teachers of customs and tariff administration since it requires that all of these positions should be filled by a professional customs broker. "Unless you are a professional customs broker, then you are not qualified to perform the duties of any of these positions," Sto. Tomas said, adding that the law also barred non-customs brokers and lawyers from providing consultation and rendering other professional services on customs and tariff laws as well as represent their clients before the Bureau of Customs and other government and private entities.

On the hotly contested prohibition against the corporate practice of customs brokerage, the Chamber of Customs Brokers Inc. (CCBI) stressed the provision does not disallow freight forwarding firms from fully operating. "It does not mean they will be out of business," assured Customs collector Rogelio Villagarcia, also a member of CCBI. According to him, forwarders offer many services including shipping, air and sea consolidation, warehousing, packing and crating, stuffing, export documentation and processing. "The law only asks them to hand over the customs clearance service to those properly trained to perform the task. Only that and the rest is theirs," he said.

Villagarcia, however, admitted pure brokerage firms would have to close shop. Under the law's proposed implementing rules and regulations (IRR), companies are given only up to December 31, 2004 to file an entry with customs, he said.

US bound transhipments on tight watch

With garments quota to expire

THE Philippines plans to intensify its campaign against illegal transshipment of garments to the United States after a recent crackdown as the abolition of worldwide quota ends this year.

The regulatory body Garments and Textile Board (GTEB) says many shippers will attempt to skirt inspections now that the quota is about to expire in January 2005. Transhipment occurs when a local exporter uses the country's quota for goods made in another country and makes it appears that the goods were produced locally.

GTEB executive director Serafin Juliano warned erring garments exporters that "the intensive campaign against transhipment continues," saying that regulatory mechanisms to stop the illegal activity were still in place among importing countries. The GTEB said the US Customs and Border Protection (CBP) has released another list of garment firms that were convicted, penalized and/or excluded from entry to the US after they have been transshipping exports.

The list included six Hong Kong factories convicted for transhipping textile and textile products to the US. Though no Filipino garments exporter has been included in the CBP list, the GTEB last year uncovered $2M worth of illegal transshipments by 33 garments firms to the US and various countries in the European Union. Charges have been filed against nine.

GTEB's monitoring system includes the inspection of goods at point of production and prior to shipment. Once the origin of the goods is established, only then will the agency release the Textile Export Clearance (TEC) to the exporter.

The GTEB also conducts post-shipment verification of export documents such as bills of lading (BLs) and airway bills (AWBs) submitted by garment firms. If these are found fraudulent, the agency holds the release or transmittal of the export licenses to the importing country.

Juliano said exporters engaged in transshipment face stiff sanctions and penalties, including closure of factory and the cancellation of quotas and licenses and disqualification to engage in exporting garments. The activity has been traced to unscrupulous brokers who encourage and teach willing companies to fabricate fraudulent documents.

A number of shipping and forwarding companies have fired some of their employees for alleged participation in transshipments as part of their stepped up drive against this illegal activity During its investigation, GTEB foun substantial evidences- including altere trading documents and fake export l censes that could convict the garmer firms that have been associated wit transshipments.

Fresh fruit watching for holidays

IMPORTERS and cargo brokers of fresh fruits have urged to be vigilant in the upsurge of smuggling activities in anticipation of the entry of the commodity that usually floods the market every holiday season.

The Fruit Importers and Brokers Association of the Philippines (FIBAP) appealed for the extension of the working hours of officers and men of National Anti-Smuggling Task Force (NASTF) to render overtime work beyond 1700hrs and on Saturdays. The extension is in light of the late arrival of vessels bearing the reefer container shipments such as apples, oranges, pears, among others.

FIBAP has expressed intention to shoulder the overtime pay of the men and women who will render the extra working hours. FIBAP fears that cargoes could be taken out of the pier zone right after having cleared by Customs Bureau even without approval by the NASTF.

The group, in a separate request, also appealed to the members of the Association of International Shipping Lines to submit cargo manifests at least a day before the expected arrival of the vessel to avoid delay in the release of imported fruits. FIBAP also proposed the establishment of a priority lane for reefers and to allow examination of containers at the 'reefer area'.

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Moving fast forward the power sector...

its efforts, began earlier in the Arroyo administration, to renegotiate power production contracts in the light of new external forces impacting negatively on the domestic economy. Unless we put these problems behind us, and move forward faster, we will continue to suffer from a downward spiral in the power industry—a spiral that may lead once again to another power crisis more damaging than that of 14 years ago.

Outages already hitting the Visayas and Mindanao in fact, sporadic brownouts already afflict many parts of the country—foreshadowing what could be in store for the power industry, in two-to-three years' time. In both Cebu and Negros islands, peak demand already exceeds supply. Energy for these two regional economic hubs are already being augmented by surpluses from the Luzon and the Samar-Leyte grids which, fortunately, have been interconnected since 1997.

Meanwhile, Mindanao continues to be plagued by erratic power supply. With water levels seasonally low in both Lake Lanao and the Pulangui River, the generating capacity of the island's hydroelectric plants is steadily declining.

Couple this with the ever-present threat of transmission towers being blasted down by communist insurgents, MILF lost commands, and Abu Sayyaf bandits and you will realize how Mindanao, too, is vulnerable to a new round of outages.

We need not belabor here the increasing cost of oil and gas in the face of the frenzied global competition for energy resources, especially among the heavyweights—China, Japan, the US and EU. But, like it or not, these new factors beyond our control will affect the Philippine power equation for years to come. Thus, energy planners need more foresight and greater ability to anticipate problems—more than strategists in other sectors, because power plants, transmission lines, and connective inter-island power cables cannot be built overnight. Government and the citizenry must face up to the problem.

Our pressing need is for government and the concerned citizenry to grapple with this looming disaster before it crashes down on us. Right now, we can still talk about some choices and alternatives, although we really have very little leisure left to carry out our power-equation strategies—choices, alternatives and precious time that, no matter how limited now, were not available during the energy crisis of the early 1990s. All too often, these facts were conveniently forgotten whenever the policy initiatives taken by the Ramos administration to address that particular crisis are discussed nowadays.

Summing up, the overriding call is first for government to remove or remedy—by congressional amendment—the monopolistic features of the Epira law and then, forthwith, carry out the policy reform measures spelled out therein, and thereby, facilitate the orivatization of those components of the Napocor which should be privatized. The original Omnibus Electric Power Industry Code (EPIC) submitted by the Ramos administration to both the Senate and the House in late 1997 to mandate, among others, the privatization of certain components of the Napocor, had been mangled beyond recognition after two and one-half years of debate, maneuvering and lobbying within the Estrada-controlled 11th Congress.

The key principle in the original EPIC bill was the absolute prohibition of cross-ownership among the three components of power generation, power transmission, and power distribution. An objective comparative study of the EPIC bill as originally proposed by the Ramos administration and the EPIRA passed by the 11th congress, indicates that the intent and implementation framework of the original version was significantly altered for the purpose—if reports are to be believed—of protecting a few but powerful private interests to the disadvantage of the consumers and the general public.

Amendments to the EPIRA law are therefore necessary to eliminate cross-ownership, enhance competition, prevent market abuse and collusion among related sectors (by the creation of new monopolies), transform the energy regulatory commission into a more effective regulating agency, and to create a more attractive investment regime in the electric power industry. In my view, eventual deregulation is the best answer to our looming power crisis. Of course, government should approach deregulation cautiously and judiciously.

But, if deregulation fails, we will fall farther and farther behind our vigorous neighbors in what has become the world's fastest growing and most power-hungry region. One final caution: as correctly observed by several level-headed leaders—the most strategic element of the electric power train—which is transmission—must remain under government control, even if a minority portion of it is privatized for the sake of financial viability.

(Message of former president Fidel V. Ramos, chairman of Ramos Peace and Development Foundation (RPDev) and the BOAO Forum for Asia Book launching on "Surviving a power crisis: The Philippine experience" by Myrna M. Velasco at Manila Polo Club, Makati City, 1900h 07 October 2004)

Moving fast forward the power sector thru privatization and deregulation

IN mid-1992, when I became president, our nation faced a literally dark future. and it took all our political will to light up our homes and factories again. Now we find ourselves wondering whether history might repeat itself. Without substantial new investments being made in power plants—despite rising demand for electricity — renewed power outages, which had extended for as long as ten-to-twelve hours at a time in 1990-1991-1992 — do seem to indicate a clear and Present danger.

Certainly the signs of crisis are mounting: demand overtaking supply in many key areas—only a few investments for new capacity being firmed up, despite government's admission of a near-term shortfall in the power supply—and protracted delays and/or scant interest in the privatization of the power plants, transmission systems, and distribution facilities of the National Power Corporation (Napocor). All these signs are ominous. Is our future going to be darkened once again?

The undeniable fact is that our country's electricity system is in a precarious state—and this our energy planners realize and our businesspeople admit. And things have been turning from bad to worse because our policy-makers, both in congress and the executive branch, have focused on satisfying the immediate needs of the mass electorate—regardless of the long-term consequences.

For instance, the 11th and 12th Congress did not perform their oversight functions under the joint Congressional power commission as provided by law, particularly in regard to the annual review of our 30-year (1996-2025) Philippine energy plan.

On the part of the failed Estrada administration, there was the continuing serious error of not balancing electric power demands with power supply in the wake of the disastrous effects of the East Asian financial crisis, the depreciation of the peso, the decline of Philippine credit ratings, the loss of investor confidence, and the consequent deterioration of our economy during the years 1999 and 2000.

Right now, government heavily subsidizes power rates. Bureaucratic complacency, legislative inaction and populist policies have not only plunged several of our government corporations into disarray. They have also left the nation suffocating in a mountain of debt and budgetary deficit. In order to return all of us back to the path of sustainable development, and to bring out the facts and the realities, allow me to clarify oft-repeated misconceptions, unfounded fabrications, pure self-serving propaganda and outright lies about the IPP-PPA issues coming from various sources during the recent past.

Privatization and deregulation will bring down power rates. The experts and planners agree that the long-range solution is the power industry's privatization and deregulation—as the key to assuring a constant supply plus reserves ahead of increasing demand, and bringing down electricity rates. But getting there requires some pre-conditions.

Among the lessons that could be drawn from our experience during the 1990-1993 power crisis is that providing quality service has costs; and this should be reflected in the tariffs paid for by consumers. We should also take as a key consideration the truism that any entity—whether public or private—facing a financial deficit, cannot deliver quality service to its customers. Another aspect of the power crisis comes from investor nervousness over the uncertainties in our country's macro-playing field and market rules. Yet it is manifest that companies will invest only if the rules of the game are clear. Investors will enter a market only if they know what to expect from it.

Today, this kind of market certainty seems to have become elusive in our country. For instance, incessant calls to investigate ongoing contracts already made with private power producers have not been helping government's effort to attract new investments to meet the need for new capacity, especially in our still unconnected islands. These calls to reopen deals already signed and delivered merely add even more uncertainty into an already-uncertain market. Certainly, government now must intensify

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