MARITIME REVIEW

A PUBLICATION OF THE MARITIME LEAGUE

MAY 2005

Third ASEAN Navies Interaction (ANI)

- Strengtening maritime security in the ASEAN region

3rd Shipping and Ports Conference

- Poor infrastructure and lack of modern ports hound PPA, speakers pointed out

PPA hastens completion of seven more ports to compete globally

PMMS COLLEGES

San Antonio Valley Road, Talon I, Las Piñas City 1747
Phone: (632) 805 0239 Telefax: (632) 805 0243
website: www.pmmslaspinas.edu.ph email: pmmslpc@pmmslaspinas.edu.ph

The 1st ISO 9001 Certified Maritime School

Course Offered

- Bachelor of Science in Marine Transportation
  - 3 years academic training
  - 1 year shipboard training
- Bachelor of Science in Marine Engineering
  - 3 years academic training
  - 1 year shipboard training
- Bachelor of Science in Customs Administration
  - 4 years
- Bachelor of Science in Port Management
  - 4 years

Tesda Course

- Marine Technology Course
  - 2 years
- Marine Electronic Technician Course
  - 2 years
- Seafarer's Rating Course (SRC)
  - 1 year Specialization in
    - ...Deck Rating
    - ...Engine Rating
    - ...Steward Rating
- Reefer Technician Course (RTC) – 1 yr
- Marine Welding Course (MWC) – 1 yr
- Marine Repairman Course (MRC) – 1 yr

Formerly:

PHILIPPINE MERCHANT MARINE SCHOOL
Las Piñas City

RECOGNIZED AND ACCREDITED BY:

CHED TESDA

Scholarship

A. Full Scholarship – Free Tuition Fee
1. High school Valedictorian where the number of students in the graduating class is not less than 100 students
2. Students with normal load who earn an average of 90% and above with no grade lower than 88% in any academic subject.
3. Student Aides (SA) with an average grade of 85%.

B. Partial Scholarship – 50% discount on tuition fee.
1. High school Salutatorian where the number of students in the graduating class in not less than 100 students.
2. Students with normal load who earn an average grade of 88% and above with no grade lower than 85% in any academic subject.

C. Free Tuition Fee and Allowance for members of varsity team.

Academic Requirement

For Freshmen:
1. High School Report Card (form 138/13
2. Certificate of good moral character
3. Two- 1x1 I.D. picture (latest)
4. Must pass the entrance examination

For Transferees:

1. Transfer Credentials/Honorable Dismis
2. Transcript of Records
3. Certificate of Good Moral Character
4. Two- 1x1 I.D. picture (latest)
5. Must pass the entrance examination

"SAIL TOWARDS YOUR DESTINY AND ANCHOR TO YOUR SUCCESS"

NOT AFFILIATED WITH ANY MARITIME SCHOOL

CONTENTS

LETTER TO THE EDITOR
Petron vs. haulers 4

CHAIRMAN'S PAGE
Maritime Pilferage, a big issue 5

COVER STORY
Ports- PPA hastens development of seven ports to compete globally 6
Strengthening Navy Cooperation on maritime security in the ASEAN Region 10

REGULATION
Management Level Course: Boon or bane? 12

SHIPPING
Philippine flagged vessels to carry foreign trade cargoes 14
DBP Cuts rate on Shipping loans 15

SHIP BUILDING
A closer glimpse at the SBSR Industry: Issues and prospects 16

OIL INDUSTRY
Fuel on the Hill 18

TRAINING
A bogus advisory throws industry into chaos 20

MARITIME EDUCATION
Are Maritime Engineers "True Engineers?" 21

PORTS
Lack of port and transport infastructure hounds PPA dream to lure foreign investors 23

FREIGHT FORWARDING
Amending the Philippine Shippers Bureau charter 24

LEX MARITIMA
UNCTAD Convention on conditions for registration of ships 26

MARITIME UPDATES 27

WORD FROM FVR
Priority Economic Reforms and political will 30

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.

THE MARITIME LEAGUE
Philippine Navy Procurement Building
Gate 7, Molave St., Bonifacio Naval Station,
Fort Bonifacio, Taguig, Metro Manila
Tel. Nos: 812-7521 to 28 local 3987
Email: info@maritimeleague.com

Letter to the Editor

PETRON VS. HAULERS

It may ...be useful for all to identify the boundaries of responsibilities fixed by commonly accepted contract between ship management and the cargo owner. In the case of marine transport, the practice of the industry is to define the responsibility strictly from ship to ship, with the cargo owner properly documenting the completion of delivery rather than from shore to shore or from ship to shore, where the vessel obviously has no control over the cargo movement once the product leaves the vessel. Unfortunately, someone in Petron sold the idea to higher management that the computation should be other than ship to ship.

Arithmetic and engineering seem to be the root of the problem. Unfortunately, again, Petron decided to bring the arithmetic and engineering issue to the court and not as the contract required which is to expert arbitration that can competently and quickly attend to the issues raised. By resorting to the court, Petron seem to believe that it will be to their advantage to send this issue to lawyers and judges to tackle an arithmetic and engineering issues over some years, if not decades, to resolve. Who will benefit from this delay?

There are many other questions that make this incident between some management executives and Hermi Esguerra discordant. In the end this is not between Petron and Herma that has enjoyed more than 17 years of excellent cooperation in the movement of petroleum. There are people in Petron who may want to poison the good relations that Hermi Esguerra established over the years in this organization that even led him to be elected President of the Retired Employees of Petron Association.

Those who know Hermi Esguerra find it difficult to believe the charges of some Petron Officers. Hermi has been famous for his generous contribution to scholarships, sports, medical cases, education evidenced by the many awards that he has received. We do not see him in the dark picture that some of the Petron officers presented. Hermi rightly wants his good name back. Others have attempted to freely steal this well learned reputation by presenting wild charges while obviously and tactically taking steps to delay judgment that will surely exonerate Hermi.

Ramon M. de Vera [mailto:arps@globelines.com.ph]

by Carlos L. Agustin

MARITIME SECURITY: MARITIME PILFERAGE A BIG ISSUE

Maritime security with its purpose of ensuring security and safety of persons and maritime security in relation to protecting the resources transported by sea have become greatly intertwined, mainly because a reduction in one aspect directly or indirectly affects the other. Thus the ISPS Code, which was actually initiated before 9/11, had become an added – albeit welcome — burden for port and flag states.

The Code asked that by July 1, 2004, on board Ship Security Assessments based upon threat assessments conducted by competent security professionals must have been completed and Ship Security Assessment Reports prepared, together with Ship Security Plans based upon the Ship Security Assessment Reports written and implemented on board ship. In addition, training of all ship and company personnel must have been conducted, drills carried out and records produced during an implementation period. All this must be accomplished before the shipowner puts each vessel for compliance verification and issuance of the International Ship Security Certificate (ISSC) by authorities.

The Port State has to ensure completion of a Port Facility Security Assessment for each port facility within its territory that serves ships engaged on international voyages. The Port Facility Security Assessment is fundamentally a risk analysis of all aspects of a port facility's operation in order to determine which parts of it are more susceptible, and/or more likely, to be the subject of attack. Security risk is seen as a function of the threat of an attack coupled with the vulnerability of the target and the consequences of an attack.

All these new requirements mean more secure ships and ports, and lesser risks against pilferage and other anomalies. So it seems.

Loss by pilferage of goods shipped by sea has been a fact of life in the maritime business since maritime shipping was first used. In shipping cargo, the shipper has the responsibility to state the quantity of cargo in the bill of lading. The statement is prima facie evidence that the ship received that quantity. Under the Hague-Visby Rules this statement of quantity binds the carrier where the bill has been transferred to a third party.

When it comes to bulk cargo the process is simpler. Only one or a few types of cargo are carried, and security is easier, at least in theory although the product may in some cases be mixed with what could be deemed as "other party cargo". If a carrier merely delivers in favor of the supplier, then the carrier has the burden of having the buyer receive the quantity delivered "in full". If the carrier is an independent dealer, then he receives a volume of cargo from the supplier, and deals individually with separate buyers. In each case, accounting seems easy enough.

Vessel buyers, such as navy and merchant ships, receive fuel from barges or directly from depots. Both sources have gauges to show the volume delivered, and at the same time the receiving party performs individual soundings of fuel tanks indicating before and after balances, the difference technically equal to the delivered cargo volume. With honest men with no untoward motives, everything goes well. In my roughly 8 years of service at sea, I never encountered any anomalous transactions, and was thus quite appalled at the findings of young Navy LT Antonio Trillanes IV, who received information about certain anomalous practices in 1998-1999, and wrote the same in the much publicized paper he prepared while taking a graduate course at UP in 1999. He thought that something should be done – and took public action in what had been heralded as the Oakwood Mutiny July 30, 2003. But that is another story.

Last March, Petron surprised everyone by causing the arrest of the barge M/T Bocaue of one of its oldest haulers, Herma Shipping, and charged all its haulers for its alleged loss of 17.8 million liters of fuel accumulated over a period of 5 years. Well, that brings back memories of 1990, not that Herma tankers do that sort of thing as a result of a warped sense of right and wrong, but because when I was Commandant of the PCG, due to a request that came in from the office of a senator, we had also caused the arrest of an Herma barge. It didn't result to anything, and the Senator was embarrassed. But since then I've gotten to take notice of Herma's rise in prominence in the bulk oil business.

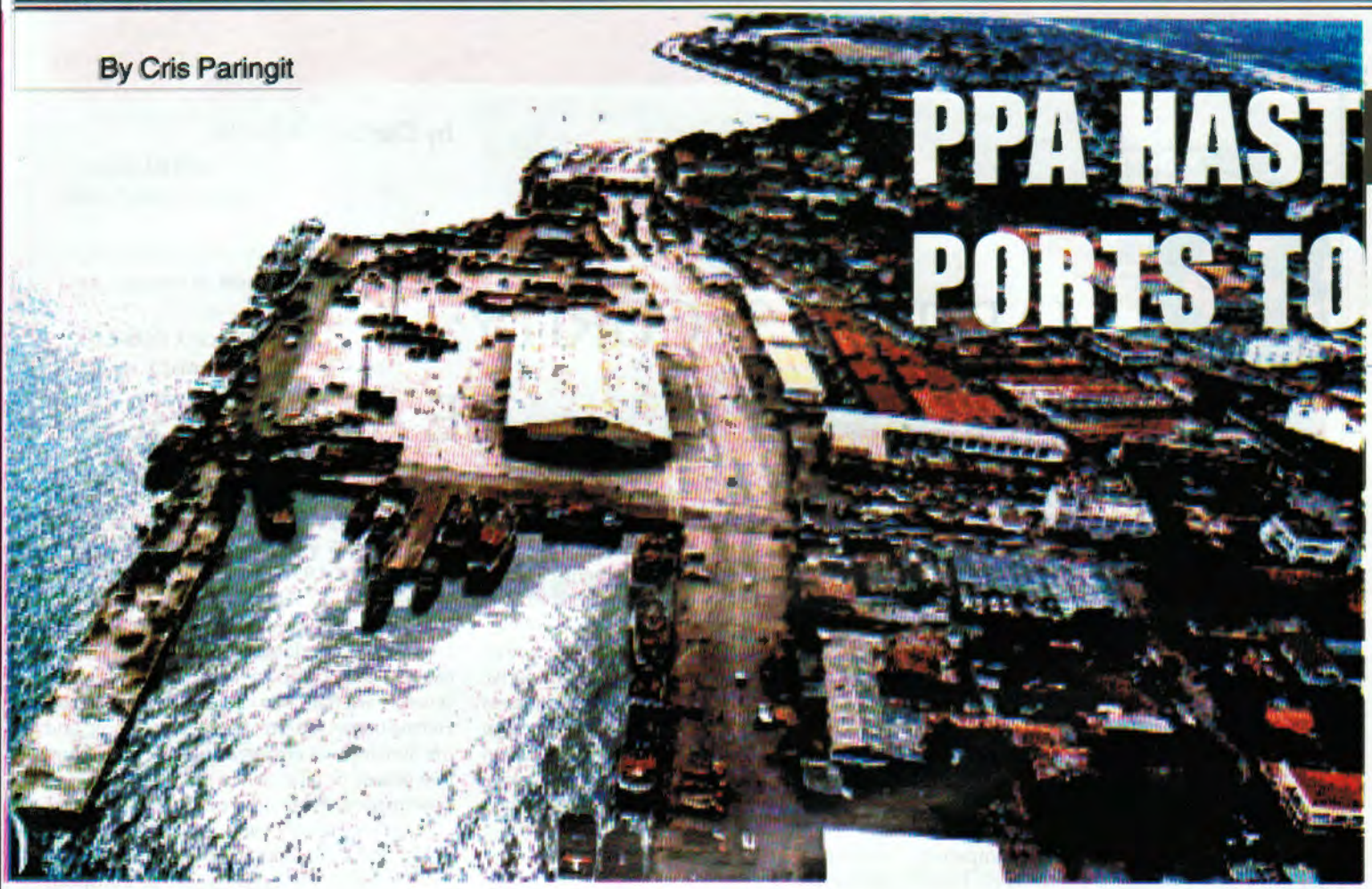
My first hand view is not that Herma cheated or stole, but rather led in the field of excellence in the business of oil transport. Among PHILPESTA members, it was the first to get the ISO 9000 series rating. Even in compliance with various IMO rules, which do not necessarily cover vessels in the domestic trade, his company voluntarily complied ahead of the imposition on domestic shipping.

The Coast Guard estimated in 1985 that pilferage of fuel by barges and road tankers amounted to a whopping P300 to P700 million annually, based on the losses of the industry. The major portion of this loss cannot be but through collusion between suppliers, transporters and customers employees. I know for a fact that Herma owner Herminio Esguerra had in several cases gotten together with PNP and PCG officials to get their support in keeping his crewmembers honest in their jobs. He even sacked three barge captains and a few crewmembers for unexplained wealth, all attributable to collusion with oil company thieves, of course after due company process.

In the instant case, what is plain enough is the fact that charging haulers on a shotgun basis seems too farfetched. What the case needs is direct evidence. I read Conrado Banal's column *Breaktime* (Philippine Daily Inquirer, 12 April 2005), which is reproduced elsewhere in this issue, and he surely hits it on the head.■

By Cris Paringit

PPA HAST PORTS TO



COVER STORY

The Philippines Ports Authority (PPA) has embarked on a 10-year program to have at least seven international vessel-catering ports compete with global standards by 2010.

The ports, which are scattered nationwide handles about 70 percent of the countries entire foreign and domestic trade.

These ports include the North and South Harbor in Manila, the Batangas Port, Iloilo Port, Zamboanga, Cagayan De Oro, the Makar Wharf in General Santos.

The PPA also listed several priority projects in order to spur economic growth in the countryside.

However, with the issuance of the austerity measure by the National Government in August this year to arrest the country from further fiscal crisis, has affected several port projects lined-up by the PPA.

PPA Assistant General Manager for Engineering Claro V. Maranan, said they are forced to slow down some of the projects in order to divert some funds to the more vital port projects due to the cut in its budget by almost 50 percent.

Among the priority projects include the completion of the Batangas Port, the Cagayan de Oro Development Project and the Zamboanga Port Development Project.

The PPA has also forced a tie-up with the Development Bank of the Philippines (DBP) and the Department of Public Works and Highways (DPWH) to further develop the Strong Republic Nautical Highway.

Aside from the PPA, the DBP, through its P30-billion Sustainable Logistics Development Program, has also embarked on several port development projects nationwide.

Let's see the status of these projects as of date.

Batangas Port Development Project

The PPA wants to tap the entire P5.5 billion program loan from the Japan Bank of International Cooperation (JBIC) to improve the attractiveness of the Batangas Port to investors.

The PPA said they will use the additional amount to procure cargo handling equipment for the Phase 2 of the port development to make it operational upon completion by August this year. The port agency added that they also plan to extend the current berthing area by another 1 kilometer to accommodate post-panamax vessels. The current berthing area is only designed for panamax vessels.

The Batangas Port Development Project Phase 2 is a foreign-assisted project with an approved budget of P2.9 billion. The JBIC has allotted P5.5 billion for the port development.

Maranan said the additional improvements to the port on top of the approve plan is to further boost the attractiveness of the port to possible investors during privatization. He added that they have already submitted their proposal to the National Economic Development Administration for approval.

The PPA plans to equip the port with 2 quay cranes to accommodate more cargoes upon completion. "Having these improvements prior to the privatization of cargo-handling operations for phase 2 would certainly improve the attractiveness of the port to possible investors," Maranan said.

According to Maranan, the only problem now in the Batangas Port Development is the access road going to the port since there are still some landowners that do not want to sell their

NS DEVELOPMENT OF SEVEN COMPETE GLOBALLY

properties to the PPA. However, he said, they are now in the process of revising the plan of the road by entirely skipping the resisting residence.

Zamboanga Port Development Project

The PPA fast tracks the development of the Zamboanga port to have a wider access to global markets.

The PPA said the Zamboanga Port is one of the ports that the PPA plans to connect with other ports in Mindanao and the Asean Highway.

PPA AGM Maranan, in an interview, said the Zamboanga port would be connected to the ports under the jurisdiction of the Autonomous Region of Muslim Mindanao (ARMM) to have more access to global markets.

The ARMM ports, which include the ports of Jolo, Basilan and Tawi-Tawi are undergoing massive rehabilitation being funded by the USAID before it will be linked up to the East Asian Growth Area (EAGA) and the Asean Highway.

The Zamboanga Port, on the other hand, is already connected with the Brunei-Indonesia-Malayasia-Philippine Growth Corridor. It is also one of the major trading centers in the South with Sabah, Sarawak, Brunei and Singapore and the members of the EAGA.

It also services the requirements of incoming and outgoing vessels, being the transshipment port for Davao, General Santos and other Southern ports.

The port is also one of the of the top five base ports that handles containerized cargoes which are mostly animal feeds, bottled cargo, iron and steel, tobacco, manufactures, fish, mineral fuel and other cargoes. Foreign cargoes, on the other hand, are coconut oil, chemicals, wheat, fish and other general cargoes.

The expansion of the port, which is expected to be finished by the second quarter of next year involve excavation and disposal of unsuitable materials, reclamation, construction of steel sheet pile wall, and supply and installation of mooring and fendering system. The project cost is about P284 million.

To further improve its efficiency, the PPA recently approved the merger of the three cargo handlers in the port.

Cagayan de Oro Port Development Project

The PPA has started the rehabilitation of berths 1 to 5 of the Cagayan de Oro Port to accommodate for traffic in and out of the country.

The PPA said the P180-million project has been awarded to Marra Construction last December and was given the Notice to Proceed last February to rehabilitate the berths.

In the feasibility study with master plans for package IV for the Cagayan de Oro Port in October 2000, the Engineering and Development Corp. (EDCOP) estimated that by 2010, the port will be handling 3.8 million metric tons (MMT) of cargoes equivalent to 191 twenty-foot equivalent units (TEUs).

Passengers and shipcalls are also expected to go up to an estimated 2 million. Based on these projection, it was recommended that the Cagayan de Oro port be fuly designed and dedicated as a container terminal and bulk grains terminal, with minimal charges in the existing port layout.

The EDCOP proposed an additional 110 linear meters of deep water container berths, 2,000 square meters for grains silos, 870 meter sq. m for new passenger terminal buildings, offices and utilities, among others, in an aggregate financial cost of P1.4 million.

The Port of Cagayan de Oro is located at the northeast coast of Mindanao within Macajalar Bay, near the mouth of Cagayan de Oro river. It is just a wooden wharf catering to the bancas of the pre-war businessmen and passengers when it was first built in 1908.

Over the years, the port underwent many changes in the terms of port administration and infrastructure. The latest modernization package of the port commenced in 1977 and was completed in 1986. The port was transformed from a limited wooden port to a wide, modern and advanced port complex.

Presently, the port facilities has 954 meters berthing length, a control draft of 8.5 meters for the 5 berths and 11 meters for berths 6 to 11; a 246 hectares of open storage; container freight station, water supply, passenger terminal, two units of 50-ton weight bridge, 36 reefer outlets and 440 volts, sports facilities and a greenbelt area.

PPA, DBP and DPWH Port Developments in the Strong Republic Nautical Highway

Recently, the PPA ties up with the DBP and the DPWH to further develop the Road Ro-Ro Terminal System (RRTS). The PPA said they decided to tap the DBP to fund ongoing improvement and expansion of Ro-Ro facilities of ports and finance the construction of new ports while the DPWH has been tapped to facilitate the award of access roads to the ports.

The port agency added that they are eyeing possible funding from the DBP to finance the construction of facilities of the remaining 45 ports listed without Ro-Ro facilities. So far, the PPA was able to equip 70 out of the total 115 ports under their watch with Ro-Ro facilities.

The PPA has been providing Ro-Ro amenities to all of its ports to prepare these as part of the entire Strong Republic Nautical Highway (SRNH) project of the present administration.

As of this date, the PPA, DBP and the DPWH are concentrating in the improvement of several ports under the local government mostly from the Visayas region particularly Masbate and Southern Leyte. These are the ports of Aroroy, Placer, Cataingan, Biliran, Plaridel and Mansalay. These are all missionary routes.

These ports have been identified by the PPA as priority projects for the RRTS as it still require

further development since it will comprise the Central Nautical Highway of the RRTS to further connect the rest of Visayas to Mindanao and Luzon.

The project costs about P350 million including the acquisition of vessels that will be deployed to these routes. The DBP, on the other hand, is now evaluating the project for funding. Currently, the RRTS has 22 ports that serve as inter-island links that expands from Batangas all the way to Dapitan in Zamboanga.

Development Bank of the Philippines Port Developments

The DBP is preparing another P16 billion in fresh funds on top of the P30-billion Sustainable Logistics Development Program (SLDP) that will be made available by the last quarter of the year. The new investment will be used to further develop the Road Roll-on Roll-off Teminal System (RRTS) project of the present administration.

DBP President and Chief Executive Reynaldo David said the objective is to further stimulate inter-island trade and commerce, reduce transport costs, bring down the prices of foods and services, and bring in more revenues for the local governments.

He said it will aid in further developing some major crossings to promote intra and inter-regional transportation and commerce in the Visayas and Luzon areas. These crossings will connect Bogo, Cebu to Palompon, Leyte; Toledo City to San Carlos City; Tabuelan, Cebu to Escalante, Negros Occidental; Sta. Fe, Bantayan Island to San Remigio, Cebu; Loon, Bohol to Argao, Cebu; Santander, Cebu to Sibulan, Negros Oriental; and Dumanjug, Cebu to Guihulngan, Negros Oriental.

The DBP is also exploring the possibility of a triangular connection for Ilocos Norte, Batanes, Cagayan and Isabela to harness trade and tourism activities.

Based on DBP records, the SLDP has so far benefited the private sector to the extent of P1.6 billion covering 11 projects involving vessel acquisition and upgrading as well as multi-purpose construction. These projects are currently serving the routes connecting Ozamis City and Mukas, Kulambugan; Lucena City and Boac, Marinduque; Batangas City and Calapan, Mindoro; and Cagayan de Oro City and Cebu City. The SLDP also helped fund the multi-purpose port development project in Mabini, Batangas. In the DBP pipeline are 8 more projects amounting to P482 million involving vessel acquisition and port construction and upgrading. "We are also currently evaluating projects amounting to P350 million involving vessel acquisition and port construction in Masbate and Southern Leyte," David explained. The DBP is also planning to set up 3 big cold storage projects linking Benguet, Dagupan and Davao.

The cold storage chain will cut down spoilage of food being transported from farm to end-users. David said they are now currently negotiating with the local government units of Benguet, Dagupan and Davao for the project. The bank is also talking with the private sector for additional investments.

"We are collaborating with some local government units and the private sector in developing the three big cold chain projects," David said in his speech during the conference on the Strong Republic Nautical Highway. In the North, the project involves the processing and vacuum-packing of fruits and vegetables in Benguet, bangus-processing and packing in Dagupan, and a refrigerated transport system.

In Davao, meanwhile, the DBP is looking at funding similar cold chain investments for the transport of chilled cut meat. "Our fundamental approach is to develop a complete cold storage chain whereby we can bring produce from supplier to consumer at controlled temperature and atmosphere thus maintaining the quality and freshness of goods that will ultimately result to lower costs of food products," David explained.

The DBP has earmarked about 2.4 billion for the development of the cold chains. The budget will come from the P17 billion available funds for investments in the Sustainable Logistics Development Program (SLDP) whose funding come from the Government of Japan through the Japan Bank for International Cooperation. The SLDP was designed to achieve an efficient movement of goods and people throughout the country through investment projects in the Ro-Ro Terminal System (RRTS), cold chain and the grains highway.

PPA Completed Port Projects as of December 2004

Extension of RC Wharf in the Port of Coron in Palawan. Completed on January 2004 for P60 million.

Extension of RC Wharf in the Port of Puerto Prinses in Palawan. Completed on February 2004 for P75 million.

Extension of RC Pier and Construction of Ro-Ro ramp in the Port of Roxas, Oriental Mindoro. Completed February 2004 for P15 million.

Marine Slipway Berth Improvement Project at the North Harbor in Manila. Completed on November 2004 for P500 million. The project is one of the most vital in the modernization of the country's premier port.

Reclamation and Widening of Causeway at the Port of Tubigon in Bohol. Completed May 2004 for P99 million

Development of the Port of Larena in Siquijor. Completed Novermber 2004 for P69 million

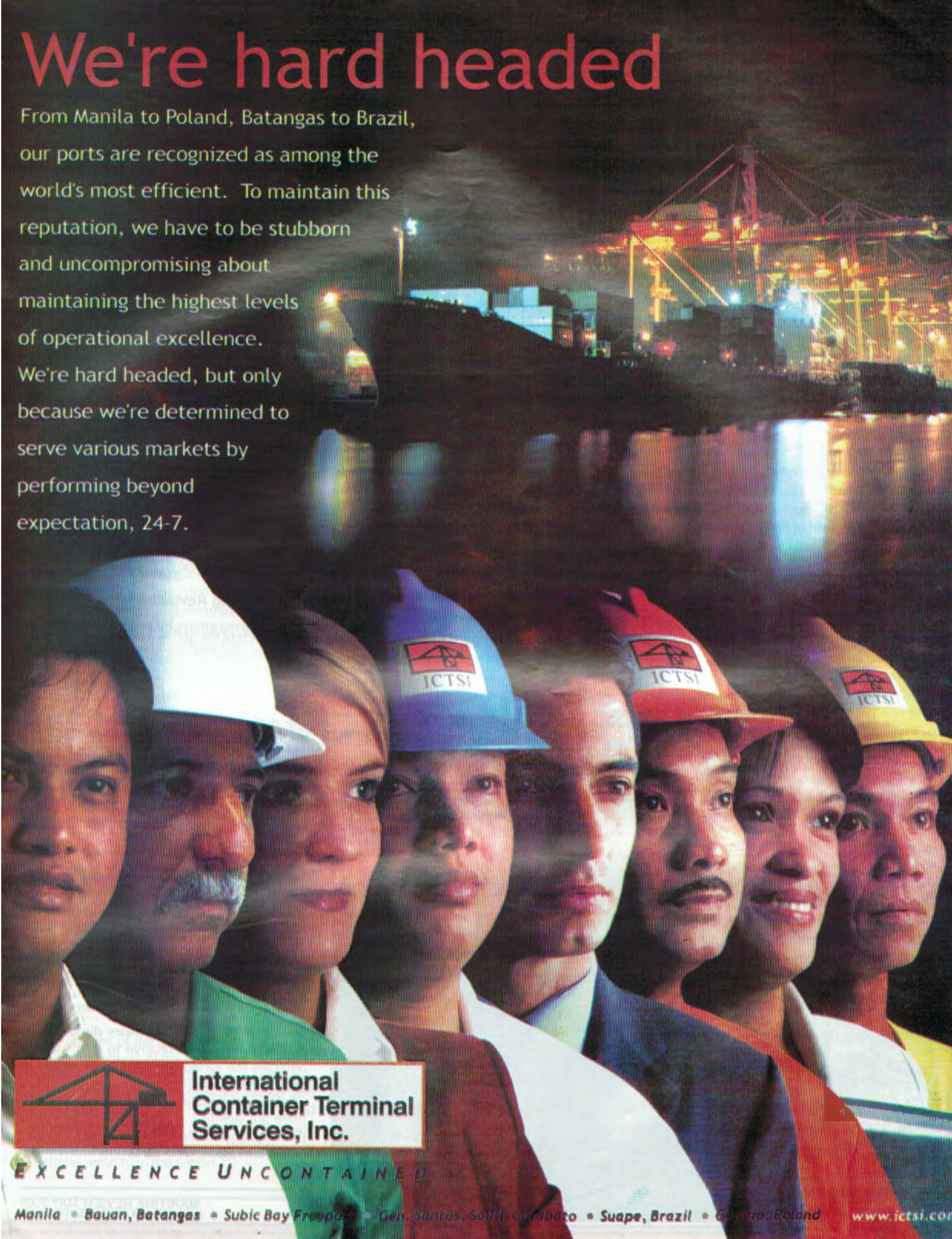
Malangas Port Development Project in Zamboanga, Sibugay. Completed on April 2004 for P34 million.

Reefer Rack Structure and Powerhouse in the Port of Davao. Completed on February 2004 for P37 million.

RC Wharf Extension Project at the Port of Nasipit in Agusan del Norte. To be completed on February next year for P102 million.■

We're hard headed

From Manila to Poland, Batangas to Brazil, our ports are recognized as among the world's most efficient. To maintain this reputation, we have to be stubborn and uncompromising about maintaining the highest levels of operational excellence. We're hard headed, but only because we're determined to serve various markets by performing beyond expectation, 24-7.



International Container Terminal Services, Inc.

EXCELLENCE UNCONTAINED

Manila • Bauan, Batangas • Subic Bay Freeport • Gen. Santos, South Cotabato • Suape, Brazil • Gdynia, Poland

www.ictsi.com

By VAdm. Ernesto H. de Leon

Strengthening Navy Cooperation on maritime security in the ASEAN Region

The Third ASEAN Navies Interaction (ANI) held at the Pan Pacific Hotel early this year (February 28 to March 3) that saw the gathering of navy chiefs from the 10-member nations of the association, had agreed in principle to come up with more multilateral cooperation and activities to address the still over-riding concern of Maritime Security in the region.

The ANI, which was first held in Pattaya, Thailand in 2001 and later in Kota Kinabalu, Malaysia in 2003, is composed of formal and informal dialogues among the chiefs of navies of the ASEAN-member countries and their respective staffs.

Among the attendees for this year's ANI were the Chiefs of Navies of Brunei, Malaysia, Philippines, Singapore and Thailand. The Navy Chiefs of Cambodia, Indonesia and Vietnam were represented by their respective Deputies. The theme of this year's meeting was "Meeting the Challenges – Now and in the Future".

The Philippine Navy regularly participates in the ANI as part of its multilateral commitments under the ASEAN. This year's ANI coincided with the ASEAN Regional Forum Meeting on Confidence Building Measure on Maritime Security Cooperation in the Asia-Pacific.

First Meeting Revisited

The success of the ANI as a multilateral meeting was highlighted during the Singapore meeting in light of the Asian tsunami disaster of December 26, 2004.

The participants noted that the first ANI held in 2001 has the theme "Cooperation among ASEAN Navies for Disaster Relief" and a number of issues and the subsequent agreements reached in that meeting were applied by the ASEAN Navies that participated in the recent tsunami disaster that hit Indonesia and Thailand.

The importance of multilateral gatherings in fostering regional cooperation to address current and emerging security concerns of the ASEAN region has become even more imperative as the resulting benefits of the ANI 2001 has shown.

Meeting of the Minds

The range of topics and issues discussed by the chiefs of navies relative to ANI's theme reflected the varied concerns and interests of the ASEAN Navies. Even for countries bordering the Malacca and Singapore Straits, there are significant variations in views as to the most immediate maritime security threats facing the region.

For Singapore, the immediate maritime security concern is the security of the Malacca and Singapore Straits. Maritime Terrorism is identified as a very real threat that could disrupt the smooth flow of trade and commerce in the Malacca and Singapore Straits. They advocated for multi-lateral cooperation among ASEAN Navies, especially Malaysian and Indonesian Navies in securing the straits, against maritime terrorism.

The Royal Malaysian Navy (RMN), on the other hand, regards transnational crimes as the immediate security concern in their maritime area to include the Malacca Strait with maritime terrorism as just a potential threat. RMN espoused collective cooperation among ASEAN Navies in addressing these maritime threats especially in areas of capacity building, information sharing, and maritime domain awareness.

The Indonesian Navy regards piracy and armed robbery against ships as the immediate security concerns in their maritime domain including the security of ships passing through the Malacca Strait. Like the RMN, maritime terrorism is just a potential threat. To address these maritime security concerns, the Indonesian Navy likewise proposed capacity building and coordinated patrol among ASEAN Navies.

For the Thai and Vietnamese Navies, immediate maritime security concern is the enforcement of their respective maritime laws. However, both agreed in multi-lateral cooperation as a positive approach in addressing this maritime issue.

The commonality in the issues discussed however revolved around the context of how the ASEAN Navies can improve cooperation to meet the maritime challenges in the region particularly the threats of piracy and terrorism in their respective territorial seas, common borders as well as the international waters in the region.

Cooperation Measures Agreed

In the process of the discussions between and among individual Navy Chiefs, both during formal and informal talks, a range of ideas, proposals and suggestions were raised and discussed leading to informal agreements and arrangements with the end in view of improving cooperation to better address the threats to maritime security in the region.

Significant among the issues discussed were the collective review of all common initiatives to address identified threats; prioritization of areas needing immediate attention and actions; increasing cooperation through conduct of bilateral and multilateral exercises and other confidence building measures; need for transparency in the conduct of unilateral naval operations particularly in common borders; and activation an informal "hotline" among ASEAN navies.

To substantiate and translate these issues and suggestions into action, PN delegation proposed the immediate implementation of informal arrangements and structures to put into operation a system where contiguous local commanders of Naval operating units of neighboring countries will have direct communications and interaction to improve coordination on operational matters.

The delegation also emphasized the need for the said unit commanders to optimize interaction to avail of actionable intelligence resulting from shared intelligence and information both at the operating level as well as respective national levels.

While the Chiefs of ASEAN Navies present were unanimous in their respective positions for the imperatives of closer cooperation among Navies at the operational level, the issue of interoperability, in particular doctrinal and capability gaps is ever present.

To this issue, the Chiefs of ASEAN Navies present agreed to heighten bilateral and multilateral engagements and other activities such as increased frequency of naval exercises, exchange visits and staff talks and other operational activities to narrow the identified gaps.

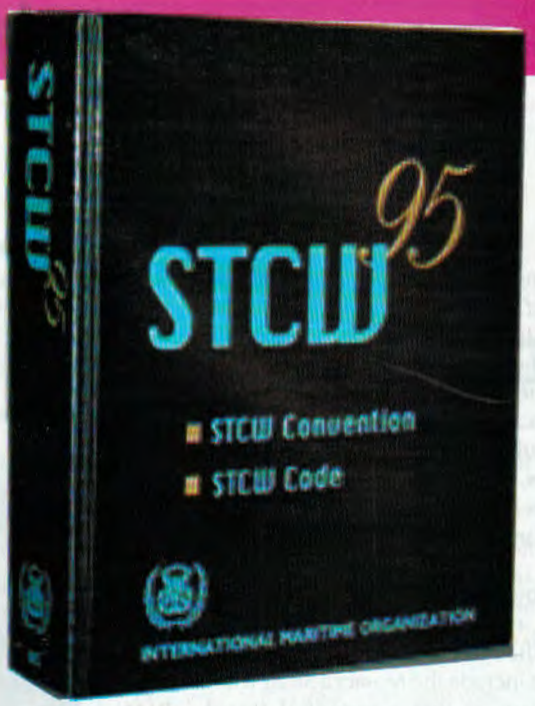
On to the Future

In the course of the three-day ANI, particularly outside of the scheduled formal talks, the Navy Chiefs were able to optimize personal interactions with one another bringing to fore practical solutions to a number of operational constraints experienced by naval operating units.

As a result of all the discussions, the Chiefs of the Philippine and Royal Malaysian Navies and the Deputy Chief of the Indonesian Navy have agreed in principle for their respective neighboring operational commanders to initiate direct personal contacts to improve unit to unit coordination among other pressing concerns.

As a way ahead, the interaction resolved to translate the agreed upon arrangements into practice as action items were lined by priority for implementation soonest possible. These will undoubtedly redound to conditions where the ASEAN countries will be better prepared to meet the challenges and threats to maritime security, and in cases of emergencies, to mitigate at the effects of such threats and challenges if indeed they occur.■

Management Level Course: Boon or bane?



With the Maritime Training Council (MTC) hell-bent on making the Management Level Course mandatory, Filipino seafarers, probably the most regulated workers in the world sees no respite from government bureaucracy.

Under the new mandatory requirement, marine deck officers will have to shell out more hard-earned cash to pay for the course and sacrifice more quality time with their family. This is according to Commodore Adonis B. Donato, president of the Masters and Mates Association of the Philippines Inc (MMAP), the most vocal of the groups opposed to the implementation of the MLC.

In implementing the MLCs (7.01 and 7.02), MTC officials argued that this is still part of the country's requirement to be able to stay in the White List, and a provision that is mandated under the STCW '95 Code. Despite claims by different sectors in the manning that the MTC have not been properly consulted concerned agencies and associations, MLC seems headed for a sure implementation anytime this year with "Pilot Classes "already conducted.

"We have submitted a position paper to the MTC regarding our stand on this matter, and despite our earnest efforts to have more dialogues, the MTC seems just about ready to implement MLC" Donato added.

MMAP's position paper submitted to the MTC clearly outlines the various points as to why they are against it being made yet another requirement.

MMAP argued that there is no need to implement it based on the presented course outline by the MTC as most areas of study have already been taken up during the four year curriculum under BSMT/BS Marine Engineering.

The association further pointed out that specialized training is to be taken and administered as per vessel requirement which is relative rather than generic in nature. Foreign principals, when requisitioning for crews, especially for officers, normally specify the particular additional or advance training requirement to enable the concerned crew to perform the job expected from them especially for those who are due for promotion to the management level course position, i.e. chief officers and masters and on the engine dept, 2/E or chief Engineers.

MMAP also argued that the so called "Pilot Class" cannot be considered as representing the totality, cross section of the profession and similarity in interest and needs of other officers within the seafaring profession. Results of such endeavor cannot and must not be utilized as a basis in paving the way for the MLCS' continued implementation.

The intent in administering MLC according to the association would be detrimental to seafarer personally with the additional unnecessary training cost and the period originally allotted to much needed crew vacation will instead be channeled to redundant training on a longer duration.

For the company, its implementation will undoubtedly result to a shortage of much needed crew and opportunities to meet and new additional requirements will be dramatically affected. Also, the cost of manning operation will increase and the shifting of sourcing of crew by principals from the country to another is inevitable.

As for its effect on the seafaring profession as a whole, MMAP pointed out that the impending regulation is regressive in nature and it's not meant to be congruent to the Philippine Educational setting.

AS for the claim of the MTC that the implementation of the MLC's is mandated by the provision of the STCW '95, MMAP simply denied it. This was supported by Gunnar Dysbesland of OSM shipping anc one of the Panel of competent persons whc evaluated the Philippine Documents of the Compliance to the STCW 95 requirements IMO, he said, was made to believe tha the Philippines Maritime Educatior Baccalaureate Degree (BSMT/BSMARE majoring in Navigation and Seamanship

basically complies with the requirements of 7.01/02 in so far as the theoretical or academic knowledge on the four functions are concerned. Thus the Philippines was included in the IMO White List.

MMAP claims it would be insensible to presume that the IMO Panel would have endorsed the Philippine documents of Compliance based on a promise that the pending requirements for MLC will be complied within one year.

"Its either we are in compliance or not", Donato stressed adding that the association wonders why the country impose so much burden on the part of the seafarers with a requirement not mandated from the very beginning

MMAP's position paper also pointed out that "assuming for the sake of argument that IMO has since the white listing of the Philippines" strictly required the country to come up with an appropriate MLC as a condition precedent for a continued inclusion to be in the said White List, "why then have we continued to be in the said list for four years now considering our failure to immediately comply with such requirements?"

Efforts to regulate and at the same time result in income generation on the part of the Government is no longer in line with the "Parents Patriae" doctrine of the States obligations to its citizenry

The State as a rule should look after the well being of its citizens and protect and promote industries and professionals geared towards the advancement and upliftment of the citizens and the nation's interest as a whole "Adapting regressive regulations only result to a backward effect and are deemed detrimental to the general interest of the citizenry and the country", MMAP stated.

MMAP furthered that the course outlined prepared serves more of a review of the BSMT/ BSMar.Eng. courses. CHED through its Technical Panel on Maritime Education is undergoing or just finished the upgrading and updating of its Curriculum and Course syllabi for BSMT and the association is confident that the basic requirements for the IMO Model Course 7.01/7.02 have been well considered.

Also, MLCs are intended for those in the seafaring profession where initially short upgrading or specialization courses were taken up and not those who, based on the Philippines setting, have already taken the cited subjects in the Baccalaureate degrees. Management level courses, if really needed to be taken up to enhance the knowledge and skills of incoming chief officers and masters, these courses should concentrate more on Advanced Navigation, Advanced Seamanship, Advanced Cargo Operations, Management Leadership and Aptitude, Charter Parties, Maritime Laws and Commercial Operators to be supported by simulators, CBTs and other hi-tech equipments as necessary.

AS to the argument of MTC that the MLCs are supposed to address problems in the lackluster training of most officers nowadays, MMAP pointed out that the problem can be traced more on some maritime schools that want only administer BSMT and BSMar.Eng. course without the proper equipment to support its theoretical instruction hence, they become a mere diploma mill to the detriment of the poor graduates who sometimes finds himself in the mainstream of maritime profession yet ill prepared in knowledge and skills.

MMAP also took a shot at the MTCs "pilot class "saying it does not reflect the general interest of the entire Philippine seafaring profession. The result of the class cannot and must not be utilized as a supporting basis to validate the official action of the MTC in continuously implementing the MLCs. Given the glaring inconsistencies and untimely adoption of MLCs, MMAP strongly enjoined the concerned government agencies to give the planned action a deeper study and evaluation.

"If indeed, we are really intending to promote the Philippine seafaring profession and not killing it abruptly to our country's detriment", pointed out MMAP. (CIH)■

PHILIPPINE FLAGGED VESSELS TO CARRY FOREIGN TRADE CARGOES

By Cris Paringit

International-going Philippine-flagged vessels will soon carry the country's foreign trade cargoes by having the opportunity to participate in the freight tender starting with the country's rice imports.

The Filipino Shipowners Association (FSA) said that the National Food Authority (NFA) has agreed to put on auction 200,000 tons of rice import beginning next month on an FOB (free-on-board) basis, which will shift shipping terms from the usual CIF (cost, insurance, freight contract).

Unlike the CIF, FOB buyer or importer takes upon himself the chance to nominate the ship that would carry his cargo.

FSA said that NFA's shift to FOB will set a pattern for other state companies to follow suit and give Filipino operators a chance to boost Philippine-flagged vessels and stimulate investment in overseas shipping.

The NFA and the FSA is set to sign a Memorandum of Agreement anytime now. Operators of international-going vessels, for years, have been clamoring for the chance to carry state-owned foreign cargoes in order to have enough capital to modernize their fleet and at the same time save the government dollars.

Apart from rice, which NFA projected to import 1.3M tons this year, FSA is also pressing the government to put its coal imports on FOB basis.

Transport and Communications secretary Leandro Mendoza has favorably endorsed FSA's request for consideration to the Department of Energy (DOE).

In his letter to the DOE, Mendoza said that he is endorsing to the DOE's consideration and review the suggestions of Filipino shipowners that the coal imports of the National Power Corporation (NPC) be bidded out on an FOB basis such that separate bids for the cargo of coal and freight will be conducted.

"This will allow Filipino shipowners the opportunity to participate in the carriage of the coal requirements of NPC for the operation of its power plants," Mendoza said.

He added that 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 likewise lead to the revitalization of our shipyards and the creation of other ancillary services like, manning, ship management, chandling, ship agency and banking, among others, Mendoza added

DBP Cu

The Development Bank of the Philippines has reduced the interest rates for shipping loans under the Road RORO Terminal System (RRTS) from 8.5 percent to 7.5 percent for missionary routes, and from 9.5 percent to 8.5 percent for commercial routes.

DBP president and chief executive officer Reynaldo G. David said this major policy shift was prompted by issues raised during the Strong Republic Nautical Highway (SNRH) conferences held in Cebu and Makati recently.

The bank is continuously looking for ways to encourage more investments in the RRTS under the Bank's Sustainable Logistics Development Program (SLDP), one of DBP's priority

Source: Manila Bulletin Online By Edu H. Lopez

ts rate on Shipping loans

programs. This is also part of DBP's commitment to speed up development initiatives in the countryside.

David has reiterated the need to retain the international classification of vessels in order to ascertain the structural and mechanical fitness of ships.

This, he added, is critical in ensuring the quality of the vessels and the safety of passengers in accordance with the global standards of a modern shipping industry. The essence of DBP's lending program for the shipping sector is to modernize and promote the safety of vessels in the domestic fleet, said David. He stressed that while the Bank is working closely with the Maritime Industry Authority (MARINA) in improving vessel inspection policies, the international class requirement on all DBP-financed vessels will be retained.

The maximum repayment period can be stretched to 15 years, with a grace period of three years, subject to evaluation of the proponent's cash flow. The loan value of classed vessels has been increased from 50 per cent to 60 percent. The SLDP is an investment financing facility for a comprehensive and integrated transport system. The program supports the government's Nautical Highways Network with its three components: the RRTS, Cold Chain and Grains Bulk chain. The program was designed to improve the country's basic infrastructure for the efficient movement of basic commodities and to bring down the cost of goods through the introduction of a modern storage handling and transport system under proper quality control management. Under the SLDP, DBP is helping develop identified missionary routes which include those in Palawan province. In Palawan, this missionary route runs from Manila to Batangas; Abra de Ilog, Mindoro; San Jose, Mindoro Occidental; Coron; Taytay; El Nido to Puerto Princesa and vice versa.■

by Maritess Mesias

A closer glimpse at the SBSR Issues and prospects

In the Philippines, among the most lucrative businesses are those involved in trading, particularly by sea. Being an archipelagic country, sea transport plays a vital role in sustaining the livelihood of its people and its socio-economic development.

Earlier studies showed about 95% of the total volume of cargoes and services to and from the major commercial and trading centers throughout the country are transported by sea. Sea trading means ships, from tugboats to large vessels, old and new, repaired and built to clear-cut specifications and schedules.

Thus, the shipbuilding, ship repair (SBSR) sector is a key component in maintaining the competitive edge of the Philippines in conducting business with the rest of the world. It is likewise envisioned to open opportunities for employment to Filipinos and respond to the increasing demands for the construction or acquisition of new vessels to meet the overall transport requirements of the domestic trade.

The Maritime Industry Authority (MARINA) is the agency tasked to develop a comprehensive development program for the country's shipping industry, including the enhancement of domestic capability for shipbuilding and ship repair.

Issues, concerns affecting the industry

However, just like any other industries, the SBSR is currently plagued with issues that hamper its continuous growth, according to the latest situation report issued by the maritime agency.

For instance, the low demand for local construction is detrimental to local shipyard companies. Shipbuilding in the Philippines has long been limited to barges, fishing boats and other less sophisticated vessels for domestic use.

A sad fact is that despite the relatively low labor cost, the price of locally built vessels is more expensive than second hand imported vessels. This has resulted to the preference of ship owners to import vessels from abroad rather than buying locally-made ships. This is because there is lesser risk involved and lower capital investment requirements.

Data showed that in 2003, locally constructed ships increased to 259. These were smaller ships – passenger ferries and bulk carriers – constructed for export. From 1999-2003, the demand for local construction of bulk carriers for exportation showed an increasing trend.

Also a concern is the lack of financing and other fiscal incentives for the SBSR sector. According to sources, there are existing policies that impede foreign investments to shipbuilding.

However, with the passage of the Republic Act No. 9295 or the Domestic Shipping Development Act (DSDA), shipping stakeholders are optimistic that this problem will soon be addressed. The law provides exemption of shipyards from the payment of Value Added Tax on the importation of spare parts and materials to be used in the construction of ships.

Moreover, a Supreme Court Ruling on Shipyard Investment stated shipyards are not "public utilities" and thus, are not covered by limitations on foreign ownership that would encourage more foreign investors. Foreign investors are now allowed to acquire or set up their own companies that are 100% foreign-owned.

While the issue of lack of financing has haunted shipyard companies, this has resulted to old, outmoded and inadequate shipyard facilities and equipment. Unlike its neighboring Asian economies, the local shipbuilding industry does not have the sophisticated, technology-advanced facilities and equipment and this leads to low demand.

Other issues concerning the sector are: absence of well-developed ancillary industries supportive of the requirements of the shipbuilding sector; shortage of competent and trained shipyard workers that causes the low labor productivity in the local shipyards; and lack of technical enhancement programs to develop the shipbuilding and ship repair technology.

Where is the SBSR headed?

The MARINA, as the head agency responsible for the promotion of the sector, is currently undertaking various initiatives to foster its development. R.A. 9295 plays a crucial role in the future of the SBSR as the government initiates the formulation and review of policies affecting it.

The maritime agency's Shipyard Regulations Office (SRO) spearheads the drafting of these policies under the Philippine Shipyard Rules and Regulations. This aims to: provide for the best safety and quality practices in shipyard

Industry:

operation, establish safeguards against all identified risks and avoid damage to the environment; ensure compliance with mandatory rules and regulations, applicable codes, guidelines and standards set by MARINA and other industry organizations; ensure continuous improved management and technical skills of all personnel; and ensure that safety and quality policy is implemented and maintained at all levels of the organization.

There is also a current pre-feasibility study being conducted under the Japan International Cooperation Agency Technical Assistance on the viability of wooden-hulled ships. This will aid MARINA in determining the policy direction for this type of ships as it recognizes their importance in the transport of goods and services between islands and coastal areas in the Philippines. As MARINA puts it, considering the number of boat builders in the country, their contribution to the national economy cannot simply be overlooked.

Further, in line with the implementation of R.A. 9295, the maritime regulator is currently undertaking the evaluation of shipyard facilities, including the assessment of competencies of local shipyard manpower. The objective here is to come up with training standards that would upgrade and enhance their existing capabilities. The evaluation of shipyard capabilities, on the other hand, would determine the direction the industry will take – towards shipbuilding or only ship repair or ship breaking or purely boat building.

The industry from 1999-2003

According to the data released by MARINA recently, the growth of licensed shipyards has been stable from 1999-2003 with an aggregate average of 412.5. These include newly-licensed shipyards and those which have just renewed licenses, particularly small shipyards, ship repairers, afloat ship repairers and boat builders. For the five-year period, there has been no increase in the number of large shipyards. Medium shipyards, meanwhile, decreased in total number as it fell 12.50% from 1999-2001 and 7.14% from 2002-2003.

For the period 1999-2003, MARINA-licensed shipyards were mostly afloat ship repairers at 38.36%' boat builders, 32.79%; small shipyards, 17.94%; ship repairer, 4.67%; medium shipyards, 3.45%; large shipyards, 2.30%; and ship breakers, 0.48%.

Of the 475 licensed SBSR firms as of December 2003, 144 (30.31%) are in Luzon, 160 (33.69%) in the Visayas and 171 (36%) in Mindanao.

Statistics further showed there were 130 shipyards with facilities for building and repair or dry docking ships. These are classified according to the capacity of their facilities. Of the total, nine are large shipyards, 13 are medium, 84 are small and 24 are ship repairers. The biggest chunk is the afloat ship repairers or those without facilities with 37.47% (178), followed by companies engaged in boatbuilding with 34.74% (165).

In terms of shipyard facilities, there were a total of 157 dry docking facilities with a combined capacity of 1,598,254 dead-weight ton (DWT). Of these, 112 are marine railways; 28 are launching pads; five are graving docks; and three are lift docks. It was found that there are more shipyard facilities in Luzon (91), while Visayas and Mindanao have 35 and 31 each, respectively. Compared with 2002 licensing figures, SBSR facilities declined 29.86% in 2003. However, total net capacity went up 101.19% during this year.

The nine largest shipyards in the Philippines has a combined total building / dry docking capacities of 242,600 DWT or 15.18% of the total capacity of shipyards in the country. Keppel Batangas Shipping comprises 40.02% of the total capacity of large shipyards, followed by Tsuneishi Heavy Industries, Inc. with 27% and Subic Shipping and Engineering with 14.01%.

Of these nine, five are joint ventures with foreign shipbuilding and ship repair companies. The Keppel Group is composed of Subic Shipyard and Engineering, Inc. in Zambales, Keppel Shipyard, Inc., in Batangas and Keppel Cebu Shipyard, Inc, all of which are subsidiaries of the Keppel Corporation Limited of Singapore. Tsuneishi Heavy Industries in Cebu is a subsidiary of Tsuneishi Shipbuilding Co., Limited of Japan.

In a span of five years (1999-2003), a total of 1,604 ships of various types and sizes were locally constructed for use in the domestic trade with an aggregate gross tonnage of 54,564.54. A total of 896 fishing boats were constructed, 315 bancas, 135 passenger ferries, 103 pleasure yachts, 65 barges, 49 general cargoes, 16 patrol boats and nine speed boats.

The ship repair industry, meanwhile, indicated a bright market potential since ship repair activities continue to dominate the operations of shipyards and considering the current age of the domestic and overseas fleet and the increasing traffic in the country.

For the five-year period, a total of 3,113 domestic ships had been repaired / dry docked with a combined gross tonnage of 2,612,682.61. It is expected in the next few years, repair / dry docking of fishing vessels, passenger ferries and cargo vessels will be the main activities for the SBSR.

A total of 492 foreign vessels of different types were dry docked or repaired in the country during the period, with a combined gross tonnage of 10,873,286.12. Top five vessels include: bulk carriers, 164 or 33.33%; general cargo, 135 or 27.44%; container ships, 8.13%; fishing boats, 31 or 6.30%; and tankers, 29 or 5.89%. ■

by Conrado R. Banal III

Reprinted from Inquirer News Service

Fuel on the hill

PETRON

According to an external legal counsel of Petron Corp., this partly government-owned business, one of the "Big 3" oil companies in the Philippines, is losing billions of pesos worth of fuel in its inventory.

The government owns 40 percent of Petron. So it might come as no surprise that, with the government in Petron, the company would have no idea that pilferage on a large scale has been going on in its backyard.

Really, Petron lost such a huge inventory. It amounted to something that you just could not carry around in your person. Fuel is liquid — bulk liquid, at that. It's not as if, to steal billions of pesos worth of it, you can just hide it in your pocket.

Something must have failed in Petron for the company to misplace millions of liters of fuel. Just look inside the closet, stupid! But the whole thing can blow up in its face. For instance, the foreign part owner of Petron, Aramco of Saudi Arabia, is already screaming for an explanation.

Petron also happens to be a publicly listed firm. In a couple of months, it will hold its annual meeting of stockholders. The public will lynch the company, if not its chairman. That's Nicasio Alcantara, who heads the conglomerate called Alcantara group in the south.

Before he starts to look like a fool on Petron's big hill of a problem, the company must do something about the fuel inventory loss. The simplest way to do it, of course, without actually doing research, is for Petron to blame somebody else.

It is "common knowledge," Petron's highly paid external legal counsel told the court. He was referring to all that big time stealing in the "transport" of fuel in the country.

There, Petron has found the way out of its woes. It must blame those companies it hired to bring the fuel from its refinery to its depots. The haulers stole all that fuel.

Petron, in short, was the victim of a crime. But if Petron is a victim of anything, it is the victim of its own ignorance. Look, because it had to argue against its culpability in a billion-peso crime, Petron had to rely on "common knowledge."

The oil refinery and distribution business is a highly technical line. They use all sorts of hi-tech instruments to measure temperature and volume, not to mention octane content and all that.

Moreover, fuel is flammable. A little neglect in its handling can easily kill people. Those in the business, from refinery to distribution, are obsessed with safety. And here comes this lawyer, accusing breathing human beings of a devious crime, simply referring to the incident as, well, "common knowledge." I mean, where is the proof? For without it, this media-sensational court case of Petron against its haulers can only sound like a witch-hunt.

Just a couple of months ago, Petron's external legal counsel who was hired specifically for the court case against its haulers, got a warrant from his favorite court. The Petron lawyer alleged that the vessel called M/T Bocaue, which transported fuel to Petron's depot in Manila's Pandacan area, stole some 11,870 liters of fuel during one delivery.

The vessel actually belongs to the Herma group, which for the past 20 years or so has been a transport contractor for Petron. The Petron lawyer filed the information in court last Feb. 11, accusing the M/T Bocaue crew of the crime of theft.

Media had a field day on the filing of the case. The name of the main stockholder of the Herma group, a certain Hermie Esguerra, got prominent treatment in the news.

It's just right that Petron should only pick on the Herma group. This group, after all, is by far Petron's biggest hauling contractor. It had the biggest sin, right? Media reports even talked about "secret compartments" in the vessels of the group, in which it could retain (i.e., steal) part of the fuel for delivery. Petron, armed with a warrant, made a surprise visit to the vessel, right after it delivered fuel at the Pandacan depot. This happened five days after the filing of the criminal case.

Petron even detained the crew. Expecting to find close to 12,000 liters of fuel in the vessel, Petron actually found a lot of nothing. Even the sheriff had something to report to the court: "We did not find anything unusual." Petron was thus faced with another problem, which was this embarrassing charge of theft. It tried to prove itself before the court by using the "common knowledge" argument. To avoid further embarrassment, Petron went straight to the Department of Justice, asking that the charged be changed from "theft" to "estafa" [swindling].

Where is Petron's proof that big time stealing, leading to a billion-peso loss, has been going on? Its stockholders will surely want to know during the annual meeting this July.

But more than that, if I were part of Petron management, I would worry about how the company could lose millions of liters of fuel without anybody knowing how. This simply means management failure of the highest order. The company should be firing its executives. Its entire board should resign. Even the smokescreen from the drummed-up case against its haulers cannot hide such a glaring breakdown of controls and checks.

Petron claimed in the case that the "stealing" took place in the last five years involving 2,000 deliveries of about 18 million liters worth P375 million. Look at that-five years in the making, millions of liters, thousands of deliveries! And Petron detected the damned thing only a few months ago? Wow!

Me thinks that, at best, Petron had no freaking idea how it lost that much fuel. I hope it is not just covering up for some syndicate inside the company itself.

For if Petron actually lost that much fuel — and I mean, PHYSICALLY lost it — then there must have been collusion between the haulers and Petron insiders.

How come Petron did not file charges against anybody in the company? Petron never even fired anybody in the company remotely responsible for the loss. Okay, I heard that a vice president of Petron resigned over the issue. But it was more out of a misunderstanding with the Aramco executives in Petron.

It seems that the Aramco guys have been pestering him to do something about the

problem. But the former vice president insisted that the company should dig into it deeper.

They actually discovered the "inventory loss" through a computer program called SAP. The computer did not say if it was actual physical loss, or what caused it. Now if Petron must blame everything on the usual fall guy, which was the Herma group, it must be sure to win the court case, right?

Petron perhaps knows something that we don't about one of the many courts in this country. It filed an "intra-corporate" case against the Herma group in Manila. Why was it an "intra-corporate" case, anyway? Herma is a contractor! It is not even a stockholder of Petron.

Well, I just learned from some lawyers that there is only one court in Manila that hears that kind of case. No need to raffle the case, in other words! Yet insiders tell me that the standard contract between Petron and its haulers specifies that, should there be any dispute, both parties must submit themselves to "arbitration." And they must do so either in the Makati business district, where the office of Petron is, or in the city where the hauler's officers are, which in the case of Herma group is Quezon City.

As for my query as to why Petron went to court instead of going through arbitration, it said that whatever comes out of the arbitration, they will still go to court, anyway. That's total BS, of course, because the contracts say that the result of the arbitration is final. Where did Petron get its lawyer, anyway? From a drug rehab center?

Surely, despite the witch-hunt of Petron, its contractors would want to save their business with the company. After all, they invested heavily on their equipment.

Not wanting to strain relations with Petron further, they suggested the hiring of technical experts to trace the reason for the big "inventory loss." In fact, the haulers already contacted the University of the Philippines' Engineering Department to take a look at the technical aspects of the problem. For all you know, it could be a technical problem. On the other hand, the fuel distribution process involves several steps, not just the bulk hauling from the refinery to the depots. The haulers suggested that Petron should take a look at its internal process, particularly since one of its executives in the Pandacan depot was reportedly murdered.

Why Petron would insist on putting the blame solely on its haulers — despite the clear lack of proof even with the "raid" and all — is the biggest mystery to me. I don't even know if somebody big wants the huge hauling business of Petron all for himself.

But I know that the chair of Petron, Nicasio Alcantara, is an honorable man. In fact, he owns one of the more famous conglomerates in the country.

As to why the owner of a conglomerate would want to become chair of a government firm like Petron, your guess is as good as mine. ■

A bogus advisory throws industry into chaos

A clear case of smear campaign against Far East?

Three months after a bogus advisory memorandum was circulated advising the manning agents not to accept training certificates issued by Far Eastern Maritime Foundation Inc. (FEMFI) and Southern Institute of Maritime Studies (SIMS) because of gross disregard of training standards, the training centers involved are still reeling from its negative impact.

Antonio J. Bacani, a ranking official of FEMFI revealed that a week right after the purported advisory letter came out, enrollment dropped by almost fifty percent (50%). "Although we have bounced back quite easily, the idea that anybody claiming affiliation with some big maritime organization can just circulate a dubious advisory and ruin another institutions' name had made us wary and extra vigilant", Bacani explained.

The dubious letter signed by one Bjorn Ugsted of European Union Association of Shipping Owners, Operators and Managers made mention of another memorandum circular dated January 7, 2002 that read in part, " The right of the Norwegian Maritime Directorate not to accept training certificates of seafarers from training institutions is recognized and this document of evidence from Admiral Maritime Training Center Inc. and The Maritime Training Center f the Philippines are not acceptable for service on board vessels flying Norwegian flag and that of the member countries of the European Union.

The letter than added FEMFI and SIMS in the list and stated that the "evidence of gross disregard of training standards by these training centers is overwhelming".

In response to a query by FEMFI and SIMS, the Norwegian Embassy came out with its own statement. Through Trine Joranli, Charged' Affairs, the embassy pointedly stressed that the Embassy, through the NMD is "relating strictly to the bilateral agreement between the Philippine government and Norway in accordance with STCW-Convention article 1/10.

Joranli further said that the Norwegian maritime authorities acknowledges the Philippine authorities' sovereign rights to decide and control their own educational Institutions and therefore Philippine authorities included in the so called White List have the total responsibility to make sure that the maritime education and learning un the Philippine satisfy requirements to the STYCW- Convention accordingly."

Most importantly, Joranli clarified the Embassy's position in the issue denying any knowledge of the mentioned European Union Association for Shipping Owners operators and Managers. The alleged secretary general Bjorn Ugsted and signatory to the advisory letter is unknown to the NMD and the Embassy.

Bacani also voiced his concern over the "careless handling" of the issue by the Filipino Association for Mariners Employment (FAME). FAME received the first copy of the bogus advisory and without even checking its veracity, immediately circulated the advisory letter to its membership, most of which are clients of FEMFI.

Like FAME, the Maritime Training Council (MTC) the governing body of all training centers did not made any effort to allay the fears of FEMFI. It chose to be mum about the incident considering it is the government agency that accredited FEMFI. Nothing was issued out of the MTC despite a clamor by some concerned sectors in the industry.

Bacani said, "MTC seems to have relegated the graveness of the problem the bogus letter had caused and its impact to the international shipping community, to the backseat.

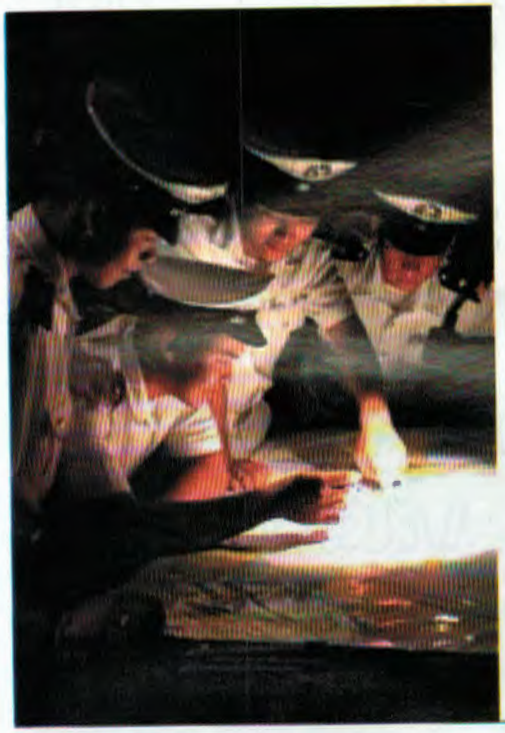
He added that the scenario it painted is not very healthy and could send out a wrong signal to the whole shipping community, half of which hired Filipino seafarers.

This does not speak well for a country whose one major source of revenue is the dollar remittance from the seafaring sector. A staggering 2 billion US$ dollars annually is raked in by the government.

FEMFI for its part had issued a formal statement reiterating its commitment to the service for all seafarers. It also stated that based on FEMFI's initial investigation, the training center complies with the IMO model courses and those imposed by the MTC as evidenced by the continued renewal of accreditation to its courses. (CIH) ■

by Cesar E. Tordesillas

Are Marine Engineers "True Engineers"?



Engineering is defined by Merriam-Webster's Desk Dictionary as "the practical applications of scientific and mathematical principles."

Engineers in a popular sense are those that pass the engineering licensure exams after completing the commensurate bachelors degree with 5 years of academic training.

Those from the field of marine engineering – the marine engineers - used to be armed with associate degrees consisting of a 2 -years academic program complemented by 2-years sea going apprenticeship. But the necessity of satisfying the STCW requirements and the development of maritime technology was heeded by the leaders of maritime education.

In 1991, it was transformed into a Bachelor of Science degree as mandated by the primary students guideline (PSG) for maritime education. The B.S. Marine Engineering is a 4-year program that requires three classroom work and a one year sea-going service.

Recently, certain groups have been pursuing an upgrade of the current 4-year B.S. Marine Engineering program to 5-years. The argument posed in support of this move stems from the fact that all other engineering programs are 5 years in length.

Is it a sound move to convert the 4-year B.S. Mar. Eng. to a 5 year program?

"I am not necessarily for the upgrading to a 5-year program," said Dr. Felicito P. Dalaguete, President of the Philippine Association of Maritime Institutions (PAMI) and Vice-President of Academic Affairs of the Asian Institute of Maritime Studies (AIMS).

"Making it a five year program is impractical. For what? Just to equate it with other engineering courses? By nature, it is certainly not the same as the others," said Dalaguete. In fact, he explained that while traditional engineering courses have many units in mathematics, it is being reduced in Marine Engineering.

According to Dalaguete, the idea of keeping at par with the usual engineering programs will not serve its purpose since the traditional engineering courses are geared toward engineering design with strong emphasis on the sciences such as thermodynamics, mechanics, hydromechanics, etc. Meanwhile, the orientation for those in marine engineering programs is to go abroad as merchant marines and earn something for the family since most of them are from Class C economic status. "In Marine Engineering, the focus is more on ship operations and maintenance of marine power plants – we don't really need such subjects as calculus with analytic geometry" explained Dr. Dalaguete.

With its focus on operations and maintenance, marine engineers are also desired by non-maritime companies whose problems are based on operations and maintenance such as the National Power Corporation (NAPOCOR).

Nonetheless, according to Dr. Dalaguete, the Asian Institute of Maritime Studies (AIMS) prefer graduates of traditional engineering courses to teach allied engineering subjects to Marine Engineering students because they are more articulate on higher mathematics and sciences. AIMS seldom gives it to marine engineering majors.

But because of CHED requirements, there are Marine Engineering subjects that cannot be taught by those from traditional engineering subjects as it demands peculiarity with ship board operations.

Furthermore, increasing the Marine Engineering program to 5 years will not make it at the same level with other engineering courses since only three years will be allotted for academic training with the other two years devoted to sea-going programs.

But marine engineering is in a dynamic state – changing to cope up with the changes of the times Requirements by the likes of ISM and ISPS Code are very stringent nowadays with enhancement trainings taking up the slack in management level education for marine engineers. Add the specialized training required by the type of vessel the marine engineers board and the foreseen benefits that could be brought upon by a 5 year program is already satisfied.

Dalaguete instead suggested a closer look on "bridging programs" to prepare marine engineers for other opportunities upon retirement like careers as surveyors, port managers, crewing & manning officers or to be college instructors.

In addressing the clamor for a 5-year program, the Philippine Merchant Marine Academy now implements a curriculum simulating a 5-year program by increasing the load to 33 units per semester. This is according to Capt. Aurora R. Borromeo, Dean of PMMA Graduate School and Secretary of Board of Trustees.

Capt. Borromeo says that this is possible in PMMA because of the "live-in" arrangements of the students. "Since they are already within the school premises, we could easily maximize their time," she explained.

However, Capt. Borromeo also disagrees with the move to extend the marine engineering course to five years arguing that the focus should

Are Marine Engineers "True Engineers"?

be shifted to providing more on-board training for the students.

"Majority of the maritime schools just keep getting more students without having arrangements with shipping companies to place the students on board. The students spend a lot for their education only to find out that they will not become seafarers," said Borromeo. "Prolonging the course to five years will just aggravate the situation," she added.

Meanwhile, reverting back to the 2-year academic program does not bode well because of certain constraints in the curriculum. Also, there are around 36 to 39 units of general education that has to be satisfied by the program.

Focusing on Design Aspect

But is there a need for a Marine Engineering program that focuses on design?, we asked Dr.Dalaguete. "There is another course called B.S. in Naval Architecture & Marine Engineering – a 5-year program that focuses on design. Yet, it is a moribund program because students are not very interested," revealed Dalaguete.

It is no secret that the employability of those from the Naval Architecture program is not very good since ship building is not a very robust industry in the country.

Aside from reviving the ship-building industry in the country, Dr. Dalaguete also emphasized that the Filipinos social orientation on maritime education as another cause for the stagnating status of ship design in the country. With the current trend, Marine Engineering remains to be pursued by those who wanted to work overseas and increasing it to 5 years will only serve to prolong their goals.

For the field to marine engineering to prosper, it should not be perceived as something that just leads to a job overseas. It should be appreciated in its pure technical form in the same way that mechanical, civil, electronic, electrical, chemical and other standard engineering courses.

"In order for this to happen, it is imperative for marine engineering to get good inputs as a field of engineering design. This will attract more brilliant and financially well-off students interested in pursuing a career on ship building and improvements of ship engines," Dalaguete explained.

Filipinos are college degree oriented. Since it is a bachelors degree that qualifies for the status of "having finished college," most Marine Engineering majors do appreciate the upgrade to the bachelors degree status.

However, programs should not lose focus on the technical aspect even for those formulated for merchant marines since with automation, less and less manpower is required on board. With all the differences between marine engineering and other engineering courses, can we still say that marine engineers are true engineers in the real acceptation of the term?

"They are," said Dalaguete. All this notwithstanding. "They may have different ways of practicing their chosen professions, but they all end up as licensed engineers."■

WELCOME TO THE LEAGUE

Life Members

Commo. Daniel T. Delgado
President,
Phil. Navy Savings and Loan Association, Inc. (PNSLAI)

Capt. Ricardo P. Silva
Exec. Vice Pres. and Gen. Manager,
Phil. Navy Savings and Loan Association, Inc. (PNSLAI)

Commo. Dante Z. Ruiz
Senior Vice President for Operations,
Phil. Navy Savings and Loan Association, Inc. (PNSLAI)

Hon. Margarita Cojuangco
President,
Philippine Public Safety College

Engr. Claro V. Maranan
Asst. General Manager for Engineering
Philippine Ports Authority

Corporate Member

Phil. Maritime Institute
c/o Ms. Rizabel Cloma-Santos
President

by Bong Paringit

Lack of port and transport infastructure hounds PPA dream to lure foreign investors

The lack of infrastructure in the country's ports and shipping industry hold back foreign investments as well as more cargoes for the Philippines. This was revealed in the 3rd Ports and Shipping Conference held in Manila last month.

The Asian Development Bank (ADB) and Meyrick and Associates of Australia as well as the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) stressed this problem of the country.

The three institutions recommended that the private sector should help the National Government kick start infrastructure projects integrating the ports as well as the hinterlands to spur growth.

"There is no way that the current Philippine Government can support 100 percent infrastructure projects now and it is in dire need of private sector participation to support these projects," ADB lead transport sector specialist, Regional and Sustainable Development Department Charles Melhuish said. He added that many foreign investors are dampened by the lack of infrastructure in the Philippines.

Steve Meyrick, Managing Director of Meyrick & Associates Pty. Ltd., Australia, on the other hand, said these infrastructure projects are the newest challenge not only to the Philippines but to the entire shipping industry worldwide.

Meyrick said that with the shift to containerized shipping worldwide, it needs a massive infrastructure in order to accommodate the increasing traffic of international containerized cargoes. "Failure to do will push the cost of shipping higher and will create a trade imbalance," he stressed.

In Asia alone, the number of container volume grew four-folds in the last 12 years reaching 160 million twenty-foot equivalent units (TEUs) in 2004 from only 41 million TEUs in 1992.

Container growth in the Philippines, meanwhile, almost remained flat at 2 to 2.5 million TEUs annually in the last 10 years due to the lack of port infrastructure to accommodate more cargo traffic compared to the constant growth in other Asian ports such as Japan, Hong Kong, Singapore and China because of its adequate infrastructure.

World container traffic, on the other hand, is estimated to grow 6.5 percent annually or about 120 million TEUs yearly until 2014.

Among the problems highlighted by the presentation of the 3 groups is the road congestion coming in and out of ports; inefficient linkages; absence of a rail service and

Inadequate berthing areas in ports to accommodate more and larger vessels.

"The congestion is a dilemma for the port, and it does hold us back. Access needs to be addressed. The port has to provide huge holding areas for cargo, which is not efficient. For four years, together with ICTSI, we have been encouraging the government to improve the access, but there are still only discussions. Realistically, everyone knows what has to be done, but it is a matter of getting on and doing it," John Buckley, CEO of Asia Terminals Inc. said.

On rail service problems, International Container Terminal Services, Inc. (ICTSI) established an ICD at Cavite-Laguna-Batangas-Rizal-Quezon (Calabarzon) growth area in 1998. It was closed early in 2003.

"It was a pity we closed the ICD, but we could not get the rail volumes up because it was such a poor service. It might work in another four or five years. It was also only a single-line track, and passenger trains always took precedence. If it had been double-tracked, it would have taken 30 percent of the traffic off the road to Calabarzon and reduced congestion," said Enrique Razon, President of ICTSI.

On the part of the carriers, they also require structural deliverables in their ports of call. "We need long-term commitments to deliver sufficient capacity, and we need terminal operators that can and will react quickly to the

Poor infrastructure and lack of modern ports hounds

market developments," said Brian Kristiansen, General Manager, Maersk Sealand operational and commercial activities in the Philippines, adding that carriers are also increasingly looking to optimize their supply chains and delivering cargo, when it is needed and not before or after and it is extremely important to carriers to maintain schedule reliability and this requires berthing window guarantees and consistent productivity.

Aside from that, carrier also asked that terminals to invest and expand continuously to cater for future higher demands or about 10 to 15 percent above its projected demand.

To address the current infrastructure problem of the Philippines, Kristiansen listed at least 3 recommendations. First is the privatization of the ports to create market forces that could further improve efficiency and customer service.

He said that this will allow carriers to work on developing better services in the Philippines.

However, he stressed that for the privatization to be successful there must be clear ground rules, a transparent bidding and awarding process and a firm commitment that the rules of the game are not changed for the duration of the awarded term.

There is also a need to increase competition with more than one stevedoring company and tugboat operator in each port. This would most likely reduce costs and improve competitiveness of the Philippines export commodities.

Current drafts do not allow larger vessels and thus economies of scale for carriers, so costs are stagnant for shippers and it is difficult to compete with China and other countries.

"There must be approved and funded projects not only for one-time dredging of the ports but also for maintenance dredging to keep the obtained draft," Kristiansen explained.

On the part of the ADB, to mitigate the problem, they are embarking on a three phase technical assistance to the Philippines.

Phase 1 of the Technical Assistance, though its Intermodal Transport Development Project, will start this year, which include the integrated transport network of Southern Philippines and identification of individual projects.

Phase 2 of the Technical Assistance will be on 2006 that include a Feasibility study of individual projects and Loan preparation. "Probably, by 2007, we could give out the loan and execute the projects," Melhuish said.■

FREIGHT FORWARI

Amending t

After a decade since it was first proposed, the need to amend the existing charter of the Philippine Shippers Bureau (PSB) remains just that, a proposal. The issue dates back more than a decade ago where a need to revise the existing administrative order (AO) containing the rules and regulations for international and domestic sea freight forwarders as well as non-vessel operating common carriers (NVOCCs), consolidators and break-bulk agents arose.

Even back then, the constant policy change in the national government and the erratic business conditions adversely affected every effort to re-structure the existing regulations. Rene M. Cruzada, deputy director of PSB said the proposal for the amendment of the AO has long been overdue. However, its finalization would only come once the issues raised by the freight forwarders have been answered.

As of date, the PSB has had a number of dialogues with the concerned sector, especially in coordination with the Philippine International Sea freight Forwarders Association (PISFA), which is the duly accredited organization representing the sector. But since PISFA only represents roughly 25% of the total sea freight forwarding populace, the PSB is also reaching out to non-PISFA members or those from the newly-organized Alliance of Concerned Freight Forwarders (ACFFO).

Unfortunately, a handful of meetings or public hearings have come and go but the issue remains hanging mid-air. The good thing is that differences [dividing the groups] are slowly being addressed.

PSB's original proposal

In the original proposal presented by the PSB, the minimum capitalization will be increased to P5 million for both NVOCCs [from the curren P500,000] and cargo consolidators [from P400,000].

The regulator also considered collapsing into one category the currently separate categorie of International Freight Forwarder and Break bulk Agent. Under the proposal, the new category will have a minimum paid-up of P million.

e Philippine Shippers Bureau charter

Earlier, Cruzada said it is justifiable to increase the capitalization requirement since the existing ones being used now go as far back as 1997 when the peso per dollar exchange rate was only at P26 on the average. Current requirements are P300, 000 and P250, 000, respectively. Domestic freight forwarding firms, on the other hand, would still be required a minimum paid-up of P250, 000.

Also, there was a proposal to enforce a 100% Filipino nationality requirement for the stockholders of the company. Meanwhile, the proposed minimum amount of insurance coverage was P5 million for NVOCCs, P3 million for international freight forwarders, and P250,000 for domestic freight forwarders.

Too much to handle for forwarders

The freight forwarding companies find these proposals too much to handle. PISFA, from its previous position to increase the paid-up capital, suddenly opposed the P5 million capital requirement and, together with other forwarders, seek to preserve status quo.

The forwarders find no compelling reason for the bureau to increase the capitalization requirement from the current P500,000 to P5 million. They said not all forwarders have the capability to raise such a large amount of capital.

Majority of international freight forwarding companies are for the retention of the status quo rate of paid-up capital requirement. They reasoned that a company's capitalization depends largely on its personal operation.

For its part, the PSB stressed the increase in the financing requirement was intended to uplift the current operational level of the country's freight forwarding firms. "We have augmented the current amount... so that you can operate at the level of international trade," Cruzada told them. He said at present, there are about 632 operational forwarding firms in the country and most problems arise from the newly-organized ones. As long as the forwarding industry cannot protect itself from frauds, PSB will always intervene, he added.

Cruzada noted if PSB were to break down the necessary elements for a company to be able to operate a forwarding business, it would call for the establishment of 'ideal firms' or those which have their own fleet of trucks, warehouse, complete set up of computers and equipment and strong manpower.

The forwarders, on the other hand, argued most industry players are opening up their doors for outsourcing and there is no need to acquire all these requirements.

In its second public hearing, the PSB urged the freight forwarding firms to justify their end in black and white. "You have to support what you want as your paid-up capital. PSB will be waiting for your position on this matter. We are just following the suggested amount before," he told forwarders during the meeting.

Issues in black and white

As a response, PISFA submitted an initial position paper containing the four major issues of the freight forwarding sector. These include the minimum paid-up capital requirement, qualification requirements of corporate officers, cargo insurance and violations and sanctions.

PISFA president Erich H. Lingad said the association has solicited the opinion of the non-members, through ACFFO and incorporated these on the position paper. Each group conducted separate surveys regarding the proposed capitalization of the PSB.

PISFA and ACFFO likewise came up with several recommendations on the qualification requirements of corporate officers and key operating personnel of a freight forwarding company. These include:

- At least one of the stockholders must have five years experience in a managerial position or at least equivalent functions in shipping, freight, forwarding and related activities subject to evaluation by the PSB.

- The officer must undergo training on basic freight or advance freight forwarding seminar, complete with certificate, or pass the qualifying exam of PSB before accreditation.

- If previously employed, the stockholder must secure a certification from previous employer.

- Announcement of new applicants to accredited forwarders via e-mail, letter and advertisement in any industry newspapers.

- For renewal, character reference from any two customers (importers / exporters) who are members of any industry associations. On cargo insurance, they said PSB should determine and justify the minimum amount required in the insurance. It added amount of coverage should also be determined.

The violations and sanctions, on the other hand, must be made more specific, particularly those involving the refusal or failure of an accredited firm to comply with lawful orders of PSB and the violation of the Code of Ethics.

In the most recent public hearing, the PSB presented a study which showed majority of currently operating freight forwarding firms have about P5 million capitalization. But in consideration of those companies which cannot afford to come up with such, the regulator said it is proposing about P2-3 million paid-up capital requirements. And the forwarders continuously deliberate on the matter.

For now, the battle has yet to be won. There are still no concrete rules and no definite timetables. (Thet Mesias)■

by P.V. Vergel de Dios

UNCTAD Convention On Conditions For Registration Of Ships

UNCTAD
UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Normally each state has the absolute power and freedom to legislate the conditions under which ships are or can be registered in its jurisdiction. The conditions basically provide for ownership, manning and management of the ship by nationals of the state of registry. Countries that require all the three conditions (also called key elements of "genuine link") are called "close registry" states while those that do not require any of the three are labeled "open registry" states. Countries that provide for one or a combination of two of the three elements are called the "hybrid" type. Example of the first is the United States, the second, Panama and the third, the Philippines.

Shipowners, like any businessmen, would naturally register their ships in open registry states for obvious reasons. Aside from the easy access to the registry, there are also fiscal benefits and other administrative conveniences given. And, because of these benefits, foremost of which is cheap labor costs, the beneficial owners of these vessels in open registry states dominate the world shipping market.

Developing maritime countries who felt they could be more competitive if the developed countries' fleets could be prevented from flagging out urged the United Nations Conference on Trade and Development (UNCTAD) to adopt a convention that would "phase out" the open registry system. The idea was to "legislate" the three conditions, namely, ownership, manning and management by nationals of the country of registry, as mandatory requirements for registration of ships thereby making it impossible for open registry states who do not have the capital, the manpower and/or shipmanagers to take into their registry fleets owned by the developed countries.

Expectedly, the developed countries resisted the move. They argued, firstly, that the so-called "genuine link" is not an economic link but a safety regulatory link. According to them, the 1958 Geneva Convention on the High Seas (and reiterated in the 1982 Law of the Sea Convention) already defined "genuine link" in terms of the flag state's effective jurisdiction and control over the technical, administrative and social matter over ships flying its flag. Secondly, they argued that since each state is sovereign within its own jurisdiction, the "convention" should be recommendatory only and not mandatory.

The period 1981-1985 witnessed a series of heated exchanges of arguments between the developed and developing countries with the Socialist countries including China providing the middle ground between the two protagonists. As in any international debate, reciprocal concessions had to be given by each protagonist if a convention had to be adopted. Hence, the extreme positions of the developed and developing countries somehow managed to meet in the middle.

The final text of the Convention on Conditions for Registration of Ships as adopted by UNCTAD 6 February 1986 thus provides, among others, as follows:

1. No longer is it required for all the three key elements of ownership, manning and management to co-exist. It is enough if either ownership or manning is present. In both cases, the level of participation by nationals of the State of registry is left to national legislation.
2. Management by nationals is not even a requirement anymore. It is enough that the manager is domiciled in the State of registry available for any legal process.
3. Bareboat charter registry is allowed so long as the underlying registry is suspended as regards nationality. The idea is that, even if the vessel is dually registered, there is only one nationality as symbolized by the flag the vessel flies.

An interesting question to ask is whether or not the convention would phase out open registry states?

My opinion is that it would not. On the contrary, it would open the doors for other "close" or "hybrid" registries to become open registries. Why? Because the convention legalized the open registry system. Open registry states, like Panama and Liberia, for instance, can easily comply with the convention. For one, they can choose between ownership or manning by nationals as condition for registration of ships in their jurisdiction. Either way, they can provide in their national legislation the level of participation by nationals. Thus, it would be perfectly legal and in accordance with the convention to provide that only 10% of the equity of the shipowning company need to be owned by Panamanian nationals. In the case of manning, there are loopholes in the convention that would allow manning by foreigners. Thus, the principle that a satisfactory part of the complement of the ship must be by nationals or persons domiciled in the state of registry is qualified by (a) the availability of qualified seafarers within the State of registration; (b) multilateral or bilateral agreements or other types of arrangements; (c) the sound and economically viable operation of ships. Panama for instance, can enter into bilateral agreement with the Philippines for the latter to supply the crew requirements of the former, and comply with the Convention requirement.

Other countries who are not yet open registries may be tempted to open their registries to compete with existing one to generate more employment and foreign exchange earnings. The Philippines, for one, can take advantage of the Convention provisions, as a labor supplying country, to open its registry. Right now, there are stringent conditions that hinder the growth of Philippine-registered tonnage. As to why the government is not moving fast enough to remove these impediments to progress is beyond comprehension.■

LIBRA To India

Star Cruises have announced that they will base SUPERSTAR LIBRA (ex SEAWARD, NORWEGIAN SEA) in Mumbai. "The Indian Government's decision to waive the cabotage requirement for cruise ships for 5 years reflects the tremendous support for the growth of cruise tourism and has provided the impetus for Star Cruises to position a ship in India", said a spokesperson for the line.

SUPERSTAR LIBRA will arrive in Mumbai on September 25th from Singapore after calling at Phuket in Thailand, Chennai and Colombo en route. After a series of one-night cruises to introduce the ship in Mumbai, she will commence regular 4-night destination cruises to Kadmat (Lakshadweep) and Goa, 2-night cruises to Goa and 1-night weekend getaway cruises from October 2nd.

South Korea, European Union continue argument over shipyard subsidies: Last month, the World Trade Organization cleared South Korea of EU accusations that it committed wide-ranging breaches of trade rules by helping its shipyards restructure. However, the WTO upheld another part of the EU complaint, focusing on some of the export financing given by the government-owned Korean Export-Import Bank. South Korea has 90 days to show it has fallen into line with the decision. But at the WTO meeting on Monday, Seoul's delegation said South Korea already had complied with the ruling. EU trade officials remain unconvinced, and have requested more details. See "EU, South Korea Face Off at WTO Meeting," Jonathan Fowler, Associated Press at Yahoo!

Finland to crack down on maritime emissions: Ships sailing in Finnish territorial waters account for up to 96% of the sulfur emissions from transportation interests. Nitrogen oxides and sulfur dioxides are also problematic. Under new emission standards to take effect next May, vessels sailing in the Baltic Sea will be required to use fuels containing no more than 1.5% sulfur. Shipping lines have noted that low-sulfur fuel is expensive, and not always easy to find in the Baltic Sea area. Current sulfur content use varies in the area — Sweden offers lower fees to ships with lower emissions, and Finland's ferry system already uses low-sulfur fuel. But many shippers are using fuel with an average 2% sulfur content, and foreign cargo vessels often use cheaper fuel with high sulfur content. See "Emission standards to be set for ships sailing Baltic Sea," Helsingin Sanomat, 4/11/05.■

Stolt Offshore offloads IMR business to Cal Dive

STOLT Offshore has sold its inspection maintenance and repair business, including nine ships, to Cal Dive International in a $125m deal to focus on subsea installation markets.

The sale strengthens Stolt Offshore's balance sheet and provides funds to invest in its existing fleet to upgrade ships for ultra-deepwater installation operations. It also enables the European contractor to build its market share in the global subsea umbilicals riser and flowlines (Surf) business.

"The sale provides the best options for us to concentrate on the developing Gulf of Mexico deepwater market," said Stolt's chief executive Tom Ehret. "We plan to strengthen our project management presence in Houston to support our deepwater Surf work worldwide. It also provides a solid platform for investments and our development."

Stolt is selling seven IMR ships including Seaway Defender, American Constitution, American Star, American Triumph, American Victory, American Diver and American Liberty to Cal Dive.

The sale also includes diving support vessel Seaway Kestrel and pipelay barge DLB 801, which Stolt will charter from Cal Dive in order to complete ongoing pipelay work in Trinidad.■

100 cruise ships – a milestone for Lloyd's Register

Lloyd's Register has reached a significant milestone in the classification of cruise ships: there are now 100 ships existing to Lloyd's Register class, totalling over 5 million gross tons (gt).

Lloyd's Register has played a significant role in the development of increasingly large cruise vessels over the last 40 years and has seen many other milestones during this period. A market-leading 45% of the cruise ship fleet is currently classed by the organisation, with ships ranging in size from 500 to over 150,000 gt. A major landmark was reached at the beginning of last year with the delivery of the world's largest passenger ship, the $800 million 151,400 gt Cunard flagship Queen Mary 2.

"As the leading classification society in the cruise ship industry, we offer a wealth of experience and technical ability which is acknowledged in passenger shipbuilding centres around the world," says Richard Goodwin, Lloyd's Register's Business Manager – Passenger Ships. "Reaching this latest milestone has reinforced our position at the forefront of cruise ship innovation."

As part of its commitment to even higher levels of quality service, technical excellence and client care in the cruise industry, Lloyd's Register announced the opening of its dedicated Passenger Ship Center in Fort Lauderdale, Florida in April 2004. With passenger ship specialists strategically located to serve clients' day-to-day needs, Lloyd's Register's classification services continue to be the first choice for the cruise ship industry.■

NYK adds second string to Asia/South Africa service

NYK Line has added a second string on its north-south route connecting Asia with South Africa and the east coast of South America. Citing "demand from customers for more space, faster transits, and broader port coverage" the new two string operation will go into service from mid-August 2005.

String one will be run by ten 2,500 teu vessels calling at: Nagoya - Yokohama - Pusan - Hong Kong - Singapore - Durban - Santos -Itajai - Paranagua - Santos - Singapore - Hong Kong - Nagoya String two meanwhile will use ten 1,700 teu boxships and will call at: Shanghai - Ningbo - Keelung - Yantian - Laem Chabang - Singapore – Buenos Aires - Rio Grande - Santos - Sepetiba - Singapore - Hong Kong – Shanghai.

NYK has been cautious in adding significant capacity to this trade for a while having seen the damage it did to both itself and its local rival MOL three years ago.

PPA extends ICTSI contract to operate MICT for 25 more years

The Philippine Ports Authority (PPA) has agreed to extend the contract of cargo-handling giant International Container Terminal Services, Inc. (ICTSI) for another 25 years to operate the Manila International Container Port (MICP).

PPA said they could not turn down the proposal since they are wowed by the huge investments laid down by ICTSI in its petition for the extension.

PPA General Manager Oscar Sevilla, in an interview, said with the fresh investments that ICTSI will pour to develop their flagship project will enable them to raise its revenues and build new ports with the income that will be collected from ICTSI alone.

ICTSI, which contract with the PPA is set to lapse on 2013, has been clamoring for the contract extension in operating the MICP. The new agreement is now with the Office of the President for signature.

Under the extended contract, ICTSI is set to inject huge investments in the next four years to further enhance its grip on the increasing international containerized cargo market.

According to Sevilla, some of the conditions of the new contract include that dredging operation being conducted by the PPA in the port will be shouldered by ICTSI as well as the extension of the current berthing area and the procurement of additional cargo handling facilities.

He added that ICTSI also agreed to pay the PPA higher fees compared to their existing charges.

Bulk of the revenues collected by the PPA is coming from ICTSI and another cargo-handling giant Asian Terminals, Inc. Just recently, PPA has agreed with the two firms to increase their rates for containerized and non-containerized cargoes by 22 and 20 percent respectively.

"With these conditions alone, the PPA will reap huge benefits with the contract extension and will be able to finance the development and expansion of ports and terminals using only the fees collected from ICTSI," Sevilla stressed. (Bong Paringit)■

DONORS FOR THE LEAGUE WELFARE

The Maritime League staff would like to thank the following for their warm response to our solicitation for the League's Employees Welfare Fund for CY 2004:

1. Cong. Plaridel M. Abaya
2. Col. Edgardo Q. Abesamis
3. RAdm. Danilo A. Abinoja
4. Mr. Ramon Ang
5. Mr. Ramon R. Atayde
6. Mr. Jose G. Baltazar
7. Ms. Josephine R. Bondoc
8. Capt. Reynaldo D. Casareo
9. Ms. Janet C. Clemo
10. Atty. Eliodoro C. Cruz
11. Mr. Alfonso G. Cusi
12. Commo. Gualterio I. dela Cruz
13. Mr. Carlos de Leon
14. Atty. Valeriano R. del Rosario
15. Mr. Cristeto E. Dinopol
16. Amb. Alberto A. Encomienda
17. Mr. Herminio S. Esguerra
18. Mr. Teofilo S. Eugenio
19. VAdm. Euceo E. Fajardo
20. Ms. Josephine J. Francisco
21. Mr. Cesar P. Galvez
22. Atty. Eusebio S. Go
23. Capt. Edgardo M. Gualberto
24. VAdm. Arthur N. Gosingan
25. HANJIN Heavy Industries & Construction Co., Ltd.
26. Ms. Doris M. Ho
27. C/E Christopher P. Maambong
28. Maersk-Filipinas Crewing, Inc. c/o Mr. Jerome de los Angeles
29. Capt. Philip P. Mendoza
30. Mr. Hector E. Miole
31. Capt. Oscar D. Orbeta
32. OSM Shipmanagement Phils., Inc.
33. Philippine Register of Shipping
34. Mr. Felipe Y. Pestaño
35. Engr. Tomas C. Quintos
36. Mr. David John Reynolds
37. Cong. Vicente A. Sandoval
38. Mr. Arsenio Benjamin A. Santos
39. Seawave International c/o Mr. Rely Zamora
40. Solid Shipping Lines c/o Mr. Quirimon Tan
41. Mr. Andres A. Soriano III
42. Mr. Alberto H. Suansing
43. Mr. Rustico G. Villanueva
44. Mr. Leonardo M. Yu
45. Capt. Desiderio G. Yupano

Games — to be united as a national sports community and to be winnable in terms of gold medals.

But economic competition is the name of the game out there in the real world of the 21st century, not athletic fame or glory or popularity — and it is more intense, more decisive and more deadly than any sports tournament because economic performance defines the quality of a country's future.

And where should we begin?

As President Arroyo herself says, we need to build a strong Republic. We need to raise the political capacity of the Philippine State, particularly the effectiveness of our public institutions and processes.

But — in the meanwhile — political will in the national leadership — particularly in the Presidency — must make up for the weakness of the State.

Political will by itself must insure the unity of the Philippine national team so that it can be winnable in regional and global economic competition.

Attaining such a competitive condition is easier said than done in a bicameral presidential system such as we have in our country — but it can be put within reach — if we focus on team-building and forge consensus on the needed reforms.

As examples of these reforms installed by plain political will, let us the recall the forced dismantling of the telecommunications monopoly — which has now made the Philippines the unlikely "text capital" of the world — and brought more profits to our telecom firms than they ever dreamt of.

To carry our this reform, all I had to do was to decide to sign a Presidential Executive Order, which was the product of "completed staff work."

The decision to allow foreign banks into the country was harder to actualize — because it needed a law. But we managed to enact the Bangko Sentral ng Pilipinas reform law and implement it — in the teeth of resistance from the banking cartel.

Completing structural reform may be beyond the capacity of any single President to do. But each President must add a significant

component to the nation's structure, and not just a brick or two.

I also initiated by Presidential Executive Order, a national I.D. system, anticipating the need for each Filipino citizen, as stakeholder, to possess a membership card in the Republic of the Philippines in the face of the spread of organized and transnational crime — but that's another story.

The Tasks Of Government

Now let me enumerate briefly what I consider the most urgent tasks of Government. Given the intensity of our financial crisis, growth will be difficult — but not impossible.

To jump-start the economy, we must turn the whole of government from regulation to development. To agricultural modernization and countryside development we must assign the highest priority — because poverty among us still is a rural phenomenon. Our agriculture has been the worst performer in gross-value-added in Southeast Asia.

Only a modernized agriculture can provide the solid foundation for our country's industrialization.

Direct action against mass poverty should focus on poor people's most urgent personal concerns: avoiding illnesses; owning a decent habitat; finishing the children's education; and having enough food to eat every day. Apart from mass poverty, corruption is the other drag on the economy.

How are we to check it?
One obvious way is to limit state interventionism — to deregulate the economy — spur competition – and generally allow the market more elbow room.

Limited government is much more likely to be less corrupt government.

For transitional democracies like ours, civil service reform is painful, protracted, and complex. But it is an effort we can no longer put off.

The discretionary power of the administrative bureaucracy we must reduce by greater transparency in policy-making — by greater accountability and more predictability — and by institutionalized control through the participation of people's representatives.

Personal Lessons From The Presidency
Now let me add to these requisites my personal lessons in governance learned and applied to from the power crisis of 1989 to 1992 and from our economic stalemate during that period.

Lesson 1 — In dealing with national crises, speed is critical — because the costs of indecision, postponements, and protracted debates are more prohibitive than we imagine. Money lost can be recovered — but time, once squandered, cannot be restored.

Lesson 2 — National leadership should be "hands—on." Those in charge should learn to focus all their intellect, all their energies on the most serious problems of the people.

Lesson 3 — The political leadership itself should make the tough decisions — because the administrative bureaucracy will not do so for fear of career deterioration or loss of influence. The political leadership must point the way and take command responsibility.

Lesson 4 — Planning is essential, but it is useless if the plan is not carried out. In a word, policy must be followed by action which must, in turn, be monitored, supervised and evaluated.

Lesson 5 — We must learn to get international attention. The Government and private corporations need capital investments because our internal resources are never enough. We need foreign technology to modernize our industries. We need foreign markets to which to export our products. If we arouse sympathetic interest in the world in our efforts to put our house in order, we will surely get our friends to come and help.

Lesson 6 — Government intervention should always be tempered with restraint, because its proper role is to push and challenge the national work force to strive, to innovate, and to stand up against the best in the world.

Summing Up:
A Call To Community
Now to sum up and conclude.
Through policy reforms and institutional change, we must make a start toward modernization – for modernization is the end-goal we seek for our country and people. We see it not just as improving public administration and expanding the economy. We see it in a higher sense as enabling ordinary people to participate in team-building within our national society — for what purpose, and for whose benefit. But we shall still fall short if we do not cultivate the spirit of oneness, of community among all the socio-economic and ethnic-cultural groups that make up our pluralist nation.

Without this strong, enduring bond of community feeling, there is little we can achieve together. Singly, we Filipinos have excelled even against the best in the world. Where we have failed is in working together.

If we wish to be saved, we must redeem ourselves by way of stronger bonds of unity, solidarity and teamwork. Our nation, unfortunately, rests on a feeble feeling of union.

Historically, the Philippine State has required little of citizens — and Filipinos acknowledge few obligations to the national community. This mutual indifference between State and citizen cannot persist. We must accept that the national community has moral claims on us as individuals, families, economic groups, social classes, and ethnic minorities.

We must expand our concept of brotherhood, compassion, and empathy beyond the family, the village, and the faction. Only with steadfast civic commitment doessustained development become possible in a democratic society.

As Rizal foresaw, more than a hundred years ago, the time has come to tell ourselves that — if we wish to be saved — we must redeem ourselves.■

Opening Keynote of
Former President Fidel Valdez Ramos
Chairman,
Ramos Peace and Development Foundation
(RPDEV) and Boao Forum for Asia (BFA)

The "7th FVR-RPDEV Lecture Series"
Carlos P. Romulo Auditorium, RCBC Plaza, Ayala Avenue, Makati City
1400H 17 March 2005)■

Word From FVR

PRIORITY ECONOMIC REFORMS AND POLITICAL WILL

We are gathered here at a troubled time for our country. Once we Filipinos were the model of Southeast Asia. But, over this past generation, we have fallen low in the world. More than a century ago, our nationalist revolution created colonial Asia's first free Republic. And there was a time — in the late 1950s and early 1960s — when we seemed headed for sustained economic success.

But, in 1981, our neighbor Thailand passed us by. Right now, the average Thai is two to three times as rich as the average Filipino. We obviously cannot go on like this. Our economy must begin to surpass itself — since growing at its "normal" rate has not been good enough.

Over these past 30 years, our country has averaged 3.1% in GDP growth yearly (although during remarkable bursts of competitiveness, the Philippines enjoyed an average growth of 6.0% and budget surplus for three years).

But, over the same period, Malaysia has grown by 5.9%; Thailand by 5.7%; and Indonesia by 5.3%. And since our population has also been growing by 2.3%, there has been little improvement in living standards for the average Filipino since the 1970s.

We Filipinos will never succeed in substantially reducing poverty among our people — and catching up with our vigorous neighbors — unless our economy grows, for a minimum of 10-12 consecutive years – not by its historical average of 3-4%, but by at least 6-7% annually with an equitable distribution of such growth. The alternative is for our country to become reduced to a backwater in the world's fastest-growing region.

In fact, we may be losing the race already – because tomorrow's economic winners (and losers) are already being decided by the investments that other countries are right now making: in education and health care; in technology and in research and development – as well as in market-opening and in the efforts of governments and business to raise productivity.

Our misfortune is that we cannot hope to match what our neighbors are investing in services and infrastructure — because our budget deficit is starving public investments, even for our most basic needs.

Growth Has Been Narrow, Shallow And Hollow

Meanwhile, our country — like Disraeli's England of the 1840s — is separating into two segments – one for the very few who are very rich, and the other for the very many who are very poor. In 2003, it was estimated that the incomes of the richest 20% of Filipinos were 11.4 times those of the poorest 20%.

As Dr. Cielito Habito points out, what growth there was has been "narrow — shallow — and hollow."

"Narrow" — because it has been concentrated in a few families, industries, and regions.

"Shallow" — because three-fourths of all our export earnings come from only two products – electronics and garments. And these are import-export industries with only marginal local value-added, and without backward linkages to the rest of the economy.

"Hollow" — because what growth there was has been "jobless growth." Unemployment is, in fact, growing and is now at a four-year high of 11.4%. In October 2004, 10.9% of all our work-people were jobless, compared with 10.2% in October 2003. The lack of jobs and livelihood is still pushing Filipinos out of their own country.

Where does the weakness of the economy come from? Historical evidence has shown that the weakness of the economy comes from the State's inability to reduce monopolies and cartels that both breed economic inefficiencies and widen income disparities.

In 2000, the World Bank found only 39 corporate groups controlling 216 corporations that accounted for more than half of the total sales of the largest Philippine corporations.

As we know, the presence of monopolies and cartels means markets lack competition. And weak competition guarantees high profit rates — while also protecting managers from their own inefficiencies and lack of discipline.

Even now, oligarchic families are strong enough to defeat reformers' efforts to make Philippine business "rules-based" rather than "influence-based."

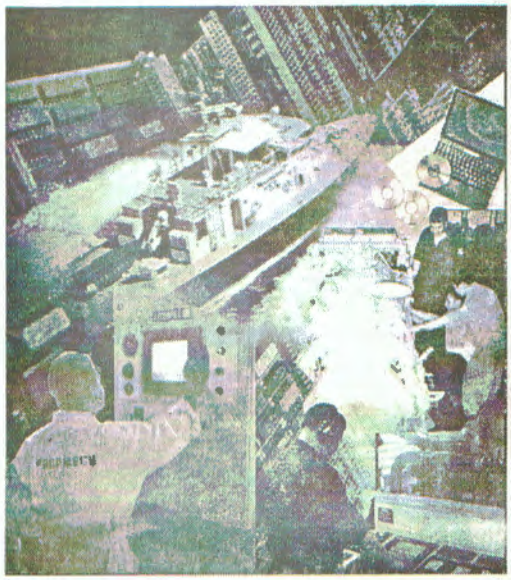
Political Will Must Make Up For State Weaknesses

So what are we to do?

Our "leaders," even "political" leaders must stop playing politics — and start leading — just as we elected them to do.

They should get their acts together — so that we can get this country out of the hole it is in, by fielding into the regional and global arenas of competition a united and winnable Philippine national team – as Thailand, Malaysia, Vietnam, etc are doing. It is a process we must undertake and a condition we must achieve in the same way that we prepare seriously for the Southeast Asian

From research and design to maintenance services, technical support and training... we provide a total technology package to our customers.



providing the kind of

After sales and service

you and your

CAT Engine

Deserves.

Propmech CATERPILLAR

ISO 9001:2000 CERTIFIED

PROPMECH CORPORATION
CATERPILLAR MARINE PROPULSION ENGINE
Marine Technology Center Bldg.,
A.Soriano cor. Arzobispo Sts.,
Intramuros, Manila • Phillippines
5279055-62 Fax 5279052

DNV

MGMT. SYS.
RvA C024

ISO-9001:2000 REGISTERED FIRM
DNV Certification B.V. THE NETHERLANDS