

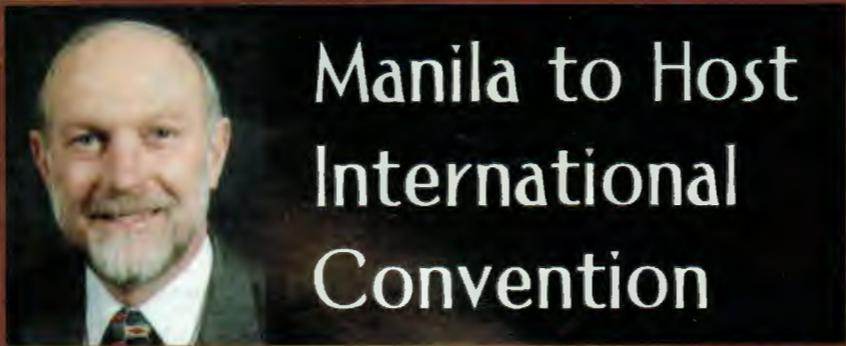


MARITIME REVIEW

A PUBLICATION OF THE MARITIME LEAGUE

OCTOBER 2005

TRANSPORT SECTOR BRACES FOR E-VAT IMPLEMENTATION



Manila to Host
International
Convention

Seafarers' Monument unveiled



MARITIME ACADEMY OF ASIA AND THE PACIFIC KAMAYA-POINT

Associated Marine Officers' and Seamen's Union of the Philippines-PTGWO-ITF



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5. LEGASPI CITY	BICOL UNIVERSITY	11 SEPTEMBER
6. NAGA CITY	UNIVERSITY OF NUEVA CACERES	11 SEPTEMBER
7. STA. MESA, MANILA	PIO DEL PILAR ELEMENTARY SCHOOL	17 SEPTEMBER
8. SAN FERNANDO, LA UNION	NAVAL FORCES NORTH, PORO POINT	24 SEPTEMBER
9. DAGUPAN CITY	DAGUPAN CITY NATIONAL HIGH SCHOOL	24 SEPTEMBER
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11. MANILA	MANILA HIGH SCHOOL	01 OCTOBER
12. DASMARIAS CAVITE	AMOSUP SEAMEN'S VILLAGE GYMNASIUM	02 OCTOBER
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5. Morally upright and has no derogatory record aged 17 and not more than 21 years old during the time of admission
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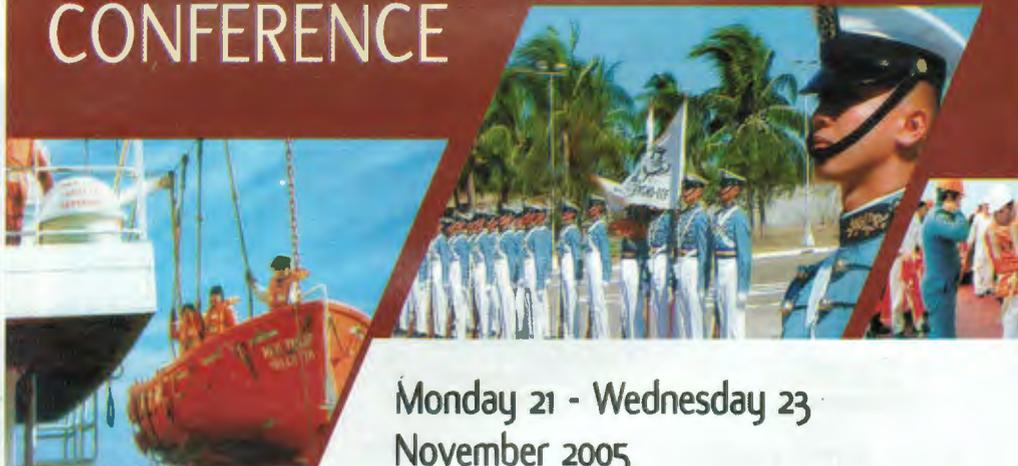
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by Carlos L. Agustin



The Wonder of Communications

Just 2 years ago we had great difficulty communicating with people traveling commercially in the domestic route even with the increasing usage of cell phones. Today, it is virtually impossible to miss a signal on the main roads of Luzon, and soon it will be similarly realized in much of the main domestic sea routes. No longer will domestic ships have difficulty transmitting reports and information to the Coast Guard and their head offices as well as transmitting routine and emergency broadcasts to the appropriate stations. Lots of opportunities exist here.

Even in isolated routes and points on the chart, seagoing vessels now need not have to suffer the lack of a back up communication. Last year we were introduced to a Smart satellite cell phone that costs almost the same as a standard cell phone, with slightly higher usage fee, but which can be used with its simple antenna anywhere the Indonesian *a Palapa* satellite can be "seen", which is pretty much between the Kuriles to the Indian subcontinent, and from Eastern Russia to Hawaii. The Navy has provided its units in the KCI with these, as they did *Dream TV* and wireless Internet. Communications technology has really revolutionized the industry.

China and maritime training

Last year I mentioned the meeting we had with the COSCO executives and the interest the company had in improving seafarers training. In an earlier visit, former President Fidel V Ramos had mentioned the possibility that we could cooperate with COSCO, the world's largest container shipping company, in the field of merchant marine training, and COSCO's chairman had been so kind as to direct its training school at Qingdao to work with us on the matter. In reality, its training institution, Xingdao Ocean Shipping Mariners College in Xingdao in Shandong province, is an excellent facility that is considered by the China Maritime Administration as world class,

but its officials admit that they are having difficulty on the officer side because of lack of expertise in the English language.

Just last September 26, I met with Mr Chen Fu Ren in the school's site in Qingdao (Tsingtao – home of the beer with the name), Party Secretary at the College to exchange views on such a possibility, following up from a discussion I had with its Director, Mr Lin Jenhi in Shenzhen last year. Lin, who was at Hong Kong during my September 26 visit had given me the impression last year that soon China would be lacking in seafarers and this time Chen stated that they can only provide 25% of the requirements, but he went on to state that there is still a glut in the labor force, and it is in the officer category that they are having a hard time qualifying under IMO rules. Thus the opportunity for cooperation is along this line.

China and the Philippines – the Sulu connection

Talking of cooperation with China, I came across an interesting bit of historical information not so well known in the Philippines. Last May 2005, our Ambassador Willy C. Gaa of the in Beijing, China, led a group of Filipino community members on a "cultural and friendship" visit to the 598-year-old tomb of the Sultan of Sulu in Dezhou City, Shandong province, as part of a series of events to celebrate the 30th year of Philippine-China relations. A DFA press release on the item on 24 May read:

Ambassador Gaa said that the visit to the tomb was the first undertaken by the Filipino community in Beijing as a group. The group members thanked the Ambassador for leading the tour as it gave them a wider understanding of the long history of Philippines-China relations.

The tomb is that of Sultan Paduka Butara of Sulu, who traveled to China along with a 340-

member delegation in 1417 to improve relations between Sulu and China. The Sultan was welcomed by the Chinese Ming Emperor Zhu Di, and was conferred the title "East King." Unfortunately, on the way back to Sulu, the Sultan fell ill and died. Upon learning of his death, the Ming Emperor instructed local leaders to hold grand funeral rites, and to build for the Sultan a mausoleum in Dezhou in accordance with China's imperial tradition. The Sultan's family members stayed in Dezhou to take care of the tomb.

The Sultan's descendants, 21 generations removed from him and carrying the family names of An and Wen, continue to live in Beiyong Village, beside the tomb.

The tomb of the Sultan of Sulu has been declared a protected historical and cultural site by China's State Council. The Chinese Government, including the Dezhou Municipal Government, has invested more than RMB 12.37 million (US\$ 1.5 million) in the renovation and maintenance of the tomb.

The tour group mingled with some of the Sultan's descendants, taking pictures and calling them "kababayan," Ambassador Gaa said. He added that one descendant informed him that a book that was written on the genealogy of the An family will be published soon.

In a dedication written at one of the halls on the tomb's grounds, Ambassador Gaa wrote that he was privileged to visit a monument to Philippines-China friendship on the eve of the 30th anniversary of diplomatic relations between the Philippines and the People's Republic of China. He also thanked the Governments of Dezhou City and Shandong province for the excellent care they have taken to preserve the Sultan's tomb.

The visit, organized by the Philippine Embassy

Turn to page 21...

IMO head hails new 'golden age' for shipping



IMO Secretary-General Eftimios Mitropoulos

In a special message to mark the World Maritime Day celebrated recently, IMO secretary-general Eftimios Mitropoulos called for a greater appreciation of shipping's role in society and for increased efforts to 'promote the notion of seafaring as a viable and attractive career for people of the highest calibre'. The IMO leader said the global society and global economy 'simply could not function if it were not for ships and the shipping industry' which he describes as 'the most efficient, safe and environmentally friendly method of transporting goods around the globe'.

Mr Mitropoulos added that the state-of-the-art engineering and technology in shipping today 'deserves to be ranked alongside the very finest achievements of our global infrastructure'. He also stressed the 'vital contribution' made by seafarers who 'take on the onerous task' of operating ships.

'Given the enormous responsibility those in

command have both for the very lives of those who serve with them and for the environment, not to mention the commercial success of the enterprise in which they are engaged, it requires a very special kind of person to take up the challenge of a seafaring career – especially these days when ships, because of their capacity to carry passengers in their thousands and also because of their size, enabling them to carry cargoes in hundreds of thousands of tons, have the potential to cause enormous damage in the wrong hands.

Mitropoulos furthered that all those concerned should never forget the collective responsibility to help promote the notion of seafaring as a viable and attractive career for people of the highest caliber. He added, 'We should treat seafarers with the respect they deserve in full recognition of their vital contribution to the community, seaborne trade and the economy at large.' (NUMAST) ■

Shipowners Quickly Mannin

LAST month's International Shipping Federation (ISF) Manning and Training Conference was characterized by a degree of goodwill between the employers' and employees' representatives that simply couldn't have been believed five years ago. Ironically the one really divisive issue last week was raised by one shipowners' representative and opposed by another.

A call from the Hong Kong Shipowners' Association (HKSOA) for a review of the way minimum manning levels are set by administrations was resisted robustly by the UK's Chamber of Shipping. HKSAO director Arthur Bowring made a strong plea for a review by IMO of its current goal-based rules on minimum manning because of the dangers of fatigue among crews. He argued that either the goal based system should be improved and made to work properly or there should be a return to prescriptive standards.

The UK Chamber's Tim Springett, speaking for European owners, argued however that nothing should be done to change the existing rules but that they should be strictly enforced. Interestingly, he argued that regulations on minimum manning should be dealt with regionally rather than globally, an approach which contrasts with that of shipping industry representatives on most other issues. The background to this debate is that the UK's Marine Investigation Branch did a study on fatigue that concluded that the minimum manning levels for some ships were too low.

Reviewing guidelines

It recommended that the UK's Maritime and Coastguard Agency forward the conclusions of the study to the International Maritime Organization (IMO) with the aim of reviewing the guidelines on safe manning, to ensure that all merchant vessels over 500 gt have a minimum

ers Need to Act on Minimum

of a master plus two bridge watchkeeping officers, unless specifically exempted for limited local operations as approved by the Administration. It also made recommendations reinforcing the role of the lookout and that a bridge lookout can be more effectively utilized as an integral part of the bridge team. The UK duly prepared a paper for IMO earlier this year and then pulled it back at the last moment as the European Commission objected to the UK making its own proposals at IMO.

The general feeling among many of the shipowner representatives was relief that a thorny problem has been kicked into the long grass though Mr. Bowring was far from happy at the development. Much of the pressure on Mr. Bowring comes from Hong Kong based shipmanagers who say that current demands on officers and crew demand higher minimum crew levels. The managers find themselves being squeezed by new regulations, such as on working hours, and the increasing bureaucracy that is being imposed on ships on the one hand and, on the other, owners who point out that their ships meet the IMO minimum manning rules as administered by the flag state.

Mr. Bowring argues that the way flag states administer the manning rules is the major problem. In theory, the rules are goal based and intended to match the operating requirements of a particular vessel with a sufficient level of officers and ratings. In practice, as he said last week, these decisions are really made by reference to prescriptive charts that can be found on the desks of the relevant officials. Unfortunately those charts are not quite the same. Some flag states compete by allowing owners to have smaller crews.

One owner told me last week that his national administration, which was also an open register, was asked by another owner to take a handy sized bulk carrier. It stipulated a minimum crew

of 21 at which the owner said a competing flag state would only demand a crew of 16. The first flag state stuck to its guns, and lost the vessel to its rival.

Global standards

That case is an argument for global prescriptive standards. The HKSOA says it would prefer goal based standards but the problem is they allow interpretation by national shipping officials. Prescription may be a blunt instrument but it works, is fair and can be enforced easily.

Many shipowners, including perhaps most in Singapore, may be reluctant to commit to having larger crews with the inevitable increase in costs. They may very well ask, 'Why should we?'. The answer is simple. Unless the shipping industry agrees to at least the UK MAIB's recommendations it will very soon be once again in the position of being dictated to by European politicians and officials who will probably come up with something far more unwieldy and onerous.

The idea that the EU's intervention has meant the end of the debate on manning is wishful thinking. Sooner or later, and probably within about 18 months, Brussels will force the issue back into IMO. It would be much better to grasp the nettle now, before European officials get involved. Strangely the main opponents to having larger crews are European owners. That is because the region which has the most acute problem in terms of large vessels being driven by too few, often chronically fatigued officers, is indeed Europe.

It would be a nice reversal if an Asian country could introduce a paper on the MAIB lines and get it pushed through IMO before Brussels cooks up some draconian measures of its own. Time, though, is running out. ■

- Shipping Times

Asian ship owners buoyant over rates

Asian ship owners are generally upbeat about the outlook for ocean freight rates, despite a considerable downward correction in the first half.

"The market has come down substantially, but rates are still good if you look at it historically," said Otto Jan van Diepen, regional head of global shipping at Fortis Bank in Singapore.

For example, the Baltic Dry Index, a barometer of the cost of moving dry-bulk cargoes around the world, fell as low as 1,750 points in July from a record high of nearly 6,200 points in early December. But even at 1,750 points, the rates were still above their 20-year average before 2004.

Freight rates have since recovered by about 50 percent from that low this year, and "some owners believe the market will pick up momentum in October because stock levels have been falling in China, and the country may need to restock raw materials soon," van Diepen said.

With crude oil prices at high levels, offshore drill and oil rig supply boats are the most in demand among Asian ship owners.

"We are witnessing a building boom in oil rigs in Asia, around the North Sea, in Brazil and also in other parts of the world ... they all need supply boats. We think this is a sector of promising growth ahead," said Peder Bogen, vice president of Marine Money International.

Supply boats, also known as a jack-up fleet, are a highly globalized sector, said Dan Barrett, senior maritime and offshore analyst at Fortis Securities.

"[Rates for supply boats] today are at the highest level," he said. "We expect rates to exceed expectations for the third quarter

By Marie S. Neri

AIDS threatens Pinoy seafarers

FILIPINO seafarers are considered now the most vulnerable group among the migrant workers due to the increasing number of sailors detected to be infected with the deadly Human Immuno Virus (HIV) or the Acquired Immune Deficiency Syndrome (AIDS).

Dr. Ma. Elena Filio-Borromeo, UNAIDS country coordinator said that the data of Filipino seamen found to be carrying HIV/AIDS continue to escalate.

Citing the April 2005 reports of the National Epidemiology Center (NEC) of the Department of Health (DoH), Borromeo said about 36 percent or 268 of the total 2, 260 HIV seropositive cases are seafarers followed by the domestic helpers with 17 percent or 126 cases.

"This is really alarming," says Borromeo. According to Borromeo the figure of Filipino seamen infected with HIV/AIDS is rising and immediate action should be taken to stop its possible spread.

While it's a common knowledge that Filipino seafarers have the reputation of being great lovers, Borromeo stressed that more of the HIV/AIDS cases now are product of emotional dilemma of being away from their families.

She said some mariners easily fall to temptations thus ended up keeping a girlfriend in every port of their destinations.

Borromeo noted that since the surveil-

lance made by the NEC indicated that seafarers are the most vulnerable sector, the UNAIDS has decided to include the Filipino sailor in its program in the county.

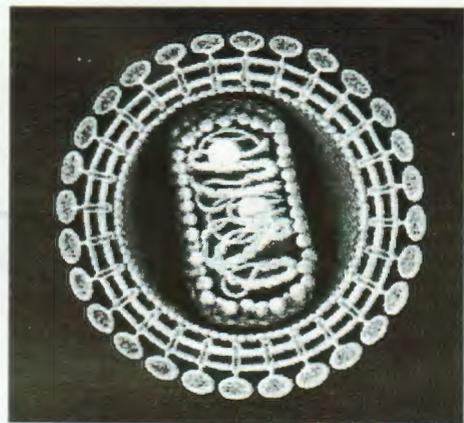
In fact, Borromeo said the UNAIDS has recently signed up an agreement with the Maritime Industry Authority (Marina) for the implementation of some salient projects that would enlighten and inform the seafarers on the dangers and risks of being infected with the HIV/AIDS.

Under the project, Marina were tasked to show a film clip involving AIDS cases in order to promote awareness. Borromeo said the 15 minutes film clip can be watched by the seafarers while they were processing their seaman's book.

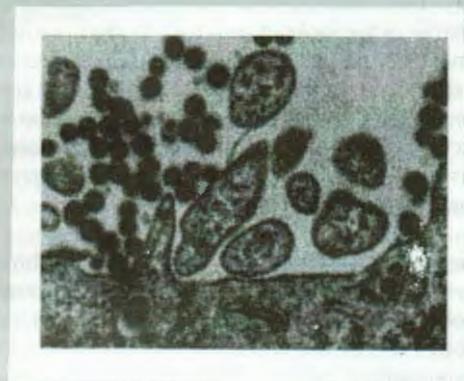
"Discrimination based on workers' general state of health, notably on their HIV status has become a critical issue today particularly on the seafarers," explained Borromeo.

Labor Secretary Patricia Sto. Tomas in a separate interview admitted that seafarers found infected with HIV/AIDS are really defenseless since they only find out that their infected once they were subjected to the AIDS testing.

"We know that subjecting our seamen to AIDS testing is a form of discrimination among our seafarers but we cannot do anything about it because the principal are requiring it prior to the deployment and we have to follow this rules," she said. However,



The human immunodeficiency virus (HIV), the causative agent of AIDS, is a retrovirus. It enters living cells and uses the host cell's replication machinery.



The battle between the viral infection and the cells of the immune system continues throughout the course of the infection.

Sto. Tomas said that so far there are only few cases of Filipino that were prevented from boarding their ships due to AIDS.

Beside the film showing, Borromeo said a number of programs for the seafarers are also being prepared by the UNAIDS in partnership with the DoH, the Philippine Overseas Employment Administration (POEA), Marina and other concerned agencies.

Meanwhile, Borromeo is optimistic that with the programs to be undertaken, they expect the number of Filipino sailor with HIV/AIDS to decline.

At the moment, there are 2, 260 Filipino living with AIDS with 33 percent of the cases are overseas Filipino workers while about 266 died due to the virus. ■

...from page 7

Asian ship-owners bouyant...

Offshore rig owners are unlikely to risk losing a US\$400,000-a-day operation [by skimping on] supply boats costing only US\$10,000 [HK\$78,000] a day." Rates would then plateau early next year, with new boats continuing to command high rates and staying busy and old boats finding less demand and being forced to offer discounts, Barrett said.

Looking ahead, he said more consolidation among supply boat owners will lead to "2006 being a year full of [merger and acquisition] deals. "My suggestion is if you want to grow through acquisitions, do it now. Don't wait for nine months," he said, adding that possible acquirers included New York Stock Exchange-listed Tidewater, which has historically grown through acquisitions and has a solid balance sheet right now.

With the availability of good investment portfolios shrinking and loan-rates at record lows, banks and financiers are chasing shipping companies with attractive financing options, analysts said.

There are also new entrants from among banks who are getting into the shipping financing business. Whether these "tourist banks" are long-term players remains to be seen, but shipping companies are enjoying enough choices to tie up their long-term financing needs. It's also easier now for established ship owners to raise funds by listing their shares on Asian stock exchanges, industry participants at the Shipping Finance Forum in Singapore said.

"After the US\$2 billion offering from China's top container shipper COSCO Shipping in Hong Kong and the US\$367 million offering from South Korea's biggest dry-bulk carrier STX Pan Ocean, word is out [among investment bankers] there's money to be made in [taking Asian shipping companies public]," said Ronald Lee, managing director at Goldman Sachs, the lead underwriter for STX Pan Ocean's listing.

There are more share sales in the pipeline, including that of Taiwanese dry bulk shipping company Courage Marine Group, which is expected to tap the Singapore market in a month. ■

- DOW JONES NEWSWIRES

Truckers want guidelines for No Overloading Law

The Confederation of Truckers Association of the Philippines (CTAP) wants the Department of Transportation and Communication (DOTC) to issue a guideline involving the implementation of the RA 8794 or the No Overloading Law.

CTAP president Rodolfo de Ocampo, in an interview, said that the rules will guide enforcers in apprehending overloaded trucks particularly in areas without portable weighing scales.

He added that they are having problems in places without these scales since trucks are apprehended by mere perceptions and not based on actual load.

The Department of Public Works and Highways (DPWH), on the other hand, continue to implement the No Overloading Law even if they are crippled by the lack of equipment to prevent the early wear and tear of roads as well as prevent accidents.

"We want the DOTC to issue a guideline wherein load receipts will be the basis in apprehending trucks particularly in areas without scales. Our business is largely affected by unreasonable apprehensions in areas without weighing scales," de Ocampo stressed.

"The receipt should be the basis in the absence of scales and not only by mere perception," he lamented.

Of date, only the North and South Luzon Expressways are equipped with portable weighing scales. According to de Ocampo, the No Overloading rule is strictly enforced in these two thoroughfares wherein overloaded trucks are escorted to the near-



est exits since apprehensions are temporarily suspended in their area.

The DOTC, on the other hand, said they are still in the process of crafting the guidelines and there has been no definite date yet as to when it will come out.

Last month, CTAP members implemented a 20% rate increase brought about by the enforcement of RA 8794 to offset extra cost related to fuel since their trucks are only limited to 13.5 axle capacity resulting to more trips and burning more fuel.

Fuel mainly comprises 40 percent of a trucker's overhead cost. As of date, the price of diesel per liter has notably gone up roughly from P27 to about P32 per liter or a whopping 50% increase in prices in the last 6 months.

Due to the high fuel prices, suppliers have likewise increased the prices of spare parts, tires, batteries and lubrication oil.

CTAP also warned of 'sky high' trucking rates when the Expanded Value-Added Tax (e-VAT) is enforced. ■ - Bong Paringit

Transport sector braces for E-VAT implementation

by Cris Paringit

The business sector are all knee-jerk when the controversial expanded value-added tax (e-VAT) takes effect anytime now as the Supreme Court upheld its constitutionality at the start of the month.

The e-VAT is also expected to increase at the start of next year if President Arroyo opts to exercise her power to increase the rate by another 2 percent.

Businesses all warned of rate and price increases once the e-VAT is implemented but such increases will be immediately pass on to end-users since according to them, there is no way they could handle that added cost.

This paper asked the transport sector particularly those directly involved in the supply chain which is the most affected by the e-VAT. Here are what they have to say.

Shipping Lines

Philippine Interisland Shipping Association (PISA) executive director Col. Leonardo Odoño warns of surging shipping rates once the e-VAT is implemented. This will immediately trigger an upswing in shipping prices of not less than 10 percent.

He explained that the continuing rise in fuel prices is also dousing cold water on the growth of the country's ailing shipping industry. "A double-whammy hit the entire transport industry and not jut in shipping but the whole industry," Odoño said in an interview.

He added that shipping firms have no choice but to immediately factor in the additional 10 percent e-VAT or they will shoulder the additional cost.

"In the end, consumers will feel the brunt of the newest revenue measure by the government," Odoño lamented. Domestic shipping lines have already informed PISA of their intention to immediately factor in the 10 percent e-VAT to their ticket prices

as soon as the law is enforced. Cargo operators, on the other hand, are still determining the extent of increase they will levy but said it will not be lower than 10 percent.

Aside from the e-VAT, vessel operators are also looking at further raising their rates as prices of diesel continue to surge. PISA said although there are shipping lines which expressed intention to maintain their current rates, it doubts if lines could continue to hold on to such rates with the VAT and the surge in fuel prices.

Truckers

The Confederation of Truckers Association of the Philippines (CTAP) expects trucking rates to be much higher when the Expanded Value-Added Tax (E-VAT) is enforced. CTAP president Rodolfo De Ocampo said that the implementation of the E-VAT added to the continuous surge in oil prices and the implementation of RA 8794 or the No Overloading Law will greatly affect the trucking business and eventually will trickle down to consumers.

"The impending implementation of the E-VAT will trigger an upswing in logistics rates, not just in land transportation but all modes of transportation," De Ocampo said.

The CTAP president added that the end-user or consumers will shoulder all the added cost brought about by these increases. De Ocampo said trucking rates could increase by about 50-60 percent overall, which will be immediately pass on to clients, which the group believe will also be immediately passed on to the end-users. Factored in the projected rate increase percentage were E-VAT, fuel prices and RA 8794. "As long as fuel prices continue to rise added to the limited cargoes carried by trucks brought about by the implementation of the No Overloading Law, a constant rise in trucking rates will also be implemented to recover added

costs," De Ocampo stressed.

Last month, food and containerized cargo haulers started to implement a 20 percent rate increase to keep up with the increasing business costs.

Ocampo added that they are expected to increase by another 20 percent if the current trend continues plus the limited 13.5 axle capacity of trucks which will result to higher trips and burning more fuel will trigger another 10-20 percent rate increase.

Meanwhile, big three local vessel operators Aboitiz, Sulpicio and Negros Navigations, logistics services providers such as 2GO as well as airline operators Philippine Airlines and Cebu Pacific said they will start factoring in the 10 percent e-VAT to their ticket prices the very same day the controversial law takes effect.

Fuel prices, on the other hand, also continue to increase. Just over the weekend, oil companies implemented another round of increase putting gasoline prices almost at the P35 per liter level and diesel, which is the common fuel for truckers, already reached the P32 per liter level from only P27 two months ago. Prices of gas are also expected to increase by about P3 to P4 per liter due to e-VAT.

Forwarders

International air and sea cargo forwarders, meanwhile, said their business will only be hit minimally by the implementation of the e-VAT since international freight are zero tariff except for their local services.

Philippine International Seafreight Forwarders Association (PISFA) president Rico Brizuela said as far as the e-VAT is concerned its approval is good development.

"Government now can collect the revenues needed to plug the current financial crisis we are into," he explained. He added

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Manila To Host International Manning And Training Conference

The Philippines will again be the venue for one of the world's most important crewing conferences. From November 21 to 23, Manila will host the 6th Asia-Pacific Manning and Training Conference.

"The internationally acclaimed event will examine where Asia, and specifically the Philippines, currently stands on international maritime requirements," Lloyd's List Events Director for Maritime Research and Production Danielle Kirton said.

"In addition, an enlightening session on value-added training will involve speakers voicing their views on future training developments. Highlighting the training aspect of the conference will be a visit to the Maritime Academy of Asia and the Pacific, one of the most advanced and progressive training schools in the region. This will take place on the Friday following our Crewing Agencies Workshop," she added.

To be held at the Westin Philippine Plaza, participants can register at 44(0)20 70175511 or on-line at www.manningandtraining.com. Philippine participants shall be accorded special rates.

The designation of Manila as the host of this international conference is significant as the Philippines has for more than three decades been the biggest supplier of seafarers to the world commercial shipping fleet.

"The Philippine manning industry offers world class service to clients all over the world. It is very important for the stakehold-

IMEC Secretary-General David Dearsley will be one of the Speakers during the conference and he will tackle developments at the International Bargaining Forum which will set the ground-rules for the changes in wages and employment conditions that will affect some 100,000 seafarers of all nationalities from 1 January 2006

ers of the manning and seafaring industry to keep abreast of trends in the global market. The conference will thus give us an opportunity to update ourselves with the increasingly stringent standards required by our customers," noted Doris

Magsaysay Ho, Chairman and CEO, Magsaysay Maritime Corp and President of the Philippine Seafarers Promotion Council. The conference will also feature some of the world's leading maritime experts and senior industry executives who will analyze and review issues affecting the manning of ships and crew training. International Shipping Federation Secretary Natalie Wiseman will brief the audience on the new Consolidated Maritime Labor Convention due to be passed by the International Maritime Organization in the first quarter of 2006. "This convention will become the key piece of international law governing the working and living conditions of seafarers and is predicted to become a pillar convention alongside SOLAS, MARPOL and STCW. The topic will highlight progress made to date and areas still of



concern to the shipowner group," she explained.

Another prominent speaker is IMEC Secretary-General David Dearsley who will tackle developments at the International Bargaining Forum which will set the ground-rules for the changes in wages and employment conditions that will affect some 100,000 seafarers of all nationalities from 1 January 2006. "My presentation will explain the outcome of these negotiations and, in particular, focus on the consequences for Filipino seafarers," he pointed out.

Other prominent speakers include: Department of Labor and Employment Secretary Patricia A. Sto. Tomas; ITF Secretary of the Special Seafarers Department Steve Cotton; Filipino Shipowners Association President Carlos Salinas; Hong Kong Shipowners Association Managing Director Arthur Bowring; International Chamber of Shipping and International Shipping Federation, Secretary-General Chris Horrocks; and Indian Government Senior Deputy Director General of Shipping Naresh Salecha among others. ■



SEAFARERS' MONUMENT UNVEILED

AMOSUP, City of Manila pays tribute to Pinoy seafarers

Associated Marine Officers and Seamen's Union of the Philippines' (AMOSUP) president, Capt. Gregorio S. Oca and Mayor Jose "Lito" Atienza Jr. unveiled recently a "Monument for Mariners" at the Baywalk on Roxas Boulevard in Manila.

Cast in bronze and standing more than 7 feet tall, this memorial will be an imposing landmark along the Baywalk area of a historic Manila bay and a fitting tribute to the country's proud seafaring heritage.

In a ceremony during the unveiling, Mayor Atienza declared that the city of Manila is more than proud to be the venue of the seafarer's monument. He said it is not only a tribute to all those who were lost at sea but also a "thanksgiving to the noble sacrifice and heroism of all Filipino seafarers".

Atienza said that Filipino sailors reflect the true Filipino character that is trustworthy, loyal and hardworking but also lamented that these traits, particularly loyalty, seem to be lacking in some of Filipino political leaders today, probably alluding to the current political mood of the country.

For his part, the AMOSUP president expressed his gratitude to the city of Manila for hosting such a tribute which according to him, "is a long time coming".

"The Filipino seafarers have been a name

in the international shipping community for decades now, earning a distinction of being the most preferred crew to man the biggest and the most modern vessels in the world because of the quality of their work and their dedication to their chosen profession", Oca said.

The six-foot bronze seafarer statue, which serves as a memorial, was rendered by world-renowned Filipino sculptor Julie Lluch. Among those who attended the event were Labor Secretary Patricia A. Sto. Tomas, Sen. Pia Cayetano, Manila 3rd district Rep. Miles Rocas, and Deputy Mayor Don Bagatsing.

The memorial was conceived sometime last year when Oca, president of the 75,000-strong AMOSUP, began discussing with Sto. Tomas a plan to build a monument in honor of Filipino seafarers who were lost at sea and to pay tribute to the highly skilled, competent, capable, disciplined, loyal, and worldclass Filipino seafarers, who are considered as among the country's new economic heroes.

AMOSUP then sought Atienza's assistance who immediately agreed to help build a fitting memorial for seafarers in the city. Lluch was commissioned to create a work that will depict the noble sacrifice and heroism of all Filipino seafarers, whose love of country and family enable them to endure the loneliness, physical hardships, and the harsh environment of the sea. ■

...from page 10

Transport sector ...

that the effect of the e-VAT will come naturally and need no controversies.

The PISFA chief however said they will still increase their rates but still within the 10 percent requirement. Of date, the group is still determining the rate increase for their local services.

Distributors

Distribution Management Association of the Philippines (DMAP) said they might increase their prices higher than the expected 10 percent when the expanded VAT law takes effect anytime now. This after the recent increases in the prices of raw materials such as tin cans that are commonly used by distributors in the country which increased approximately 20 percent in the last few months. Also, the expected increases in shipping rates due to the upsurge in prices of oil and its by products will also have to be considered on top of the e-VAT.

John Guillermo, DMAP spokesperson, at the sidelines of the DMAP annual membership conference and exhibit last week, explained that they have to factor in this increases on top of the 10 percent e-VAT as required by law. "It's a triple whammy for the distribution sector — the e-VAT, increasing fuel prices and the shipping cost. This will really cripple the industry," he lamented. He added that the bottom line will be the consumers will shoulder these added costs. "We will pass these to consumers since there's no way we can shoulder it."

As of date, DMAP members are deliberating on the issue and expected to come out with their final statement anytime prior to the implementation of the VAT. Guillermo said they are considering to add another 2 percent on top of the 10 percent e-VAT in their current prices to offset their operating costs brought about by the recent upsurge in prices.

The public is still awaiting for the Supreme Court to lift the temporary restraining order issued against the controversial e-VAT law on July 1 this year after they upheld the constitutionality of the law at the start of the month. As of presstime, there has been no word yet from the High Tribunal but the decision is expected any time now. ■



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Shipping lines to increase bunker surcharge by 10% next month

Local shipping lines will implement a 5% to 10% bunker surcharge in their cargo and passage services starting next month following the fuel surcharge they implemented earlier this month.

Vessel operators said they are forced to hike their surcharge in order to offset increasing costs related to fuel. Fuel is a major cost factor in shipping, making up for about a third of the industry's total revenues. Vessel operators are allowed to adjust their bunker surcharge if fuel prices go up by approximately 10% from the date of the last adjustment and roll back when the price of fuel is reduced also by 10%.

Aboitiz Transport System Corp., Lorenzo Shipping Corp., NMC Container Lines, Inc., Sulpicio Lines, Inc., Negros Navigation Co. Inc., and Solid Shipping lines on October 1 all at the same time will implement the bunker surcharge. The amount will range from P90 to P130 per link. The Maritime Industry Authority (Marina), meanwhile, warned of further increases in rates both for cargo and passage services if the prices of fuel continue to rise in the international market.

"Current economic conditions continue to pester local businesses including shipping that forced them to enforce the necessary

adjustment," Marina added pertaining to the reason stated by the shipping lines in their application for the adoption of the upward adjustment in rates.

Earlier, several shipping lines tried to hold current rates despite the surging fuel prices but yielded immediately when the world oil price hit record highs the past few weeks. Diesel fuel, which is used by the shipping lines, increased significantly in the past few months almost breaching the P32 per liter mark last week or some 40%-50% higher compared to its prices in the last six months. Gasoline prices, meanwhile, is nearing the P35 per liter level. ■

DBP to launch MEC within this Quarter

The Development Bank of the Philippines (DBP) will launch the National Maritime Equity Corp. (NMEC) within this quarter to provide local operators enough access to vessel financing.

DBP chairman Vitaliano Nañagas said the NMEC was formed to kick start growth in the local shipping industry by giving affordable loan programs to commercialized and non-commercialized vessel operators since foreign financing are not attractive to local operators.

NMEC will utilize the 6 billion fund from the Japan Bank of International Cooperation (JBIC) initially intended for the scrapped Domestic Shipping Development Program in the late 1990s. Another P17 billion is scheduled to come in within the period as additional fund for the NMEC, also from the JBIC. "DBP lends money to the NMEC and lease it to the operators for those

commercialized and non fully commercialized," the DBP chief added.

Under the NMEC, the equity placement of investment is placed at 90%, 80% and 70% while the lease deposit of the loan propopent is placed at 10%, 20% and 30% respectively. Loan value for classed vessels, on the other hand, is placed at 60% for safety reasons.

Interest rates, on the other hand, are at 9% per annum for missionary routes and 10% for commercialized routes.

The NMEC was formed as provided under Republic Act 9295 or the Domestic Shipping Development Act of 2004 aimed to modernize the country's still-berth domestic shipping industry.

The Maritime Industry Authority (Marina), meanwhile, expects that the MEC has been will pull the ship-financing scheme out from the banks and transfer it to them.

MEC will own, manage and lease ships to provide ship owners full access to ship financing.

It explained that the current ship financing setup hinders the country to have a sustainable ship modernization program since it discourages ship operators to access it due to high interest rates and strict collateral requirements of Philippine banks.

The regulatory agency said the industry needs a more relax and refined financing scheme to lure ship operators, especially small- and medium-scale operators, to tap it and modernize their fleet and expect that the MEC could provide it.

The small- and medium-scale operators are the biggest service provider of the country's shipping industry that incidentally needed modernization but failed to jumpstart because of lack of alternative ship financing schemes. ■

Foreign Shipping Lines Continue To Carry Bulk Of Gov't Foreign Trade

Foreign shipping lines continue to carry the bulk of the government's foreign trade as local vessel operators are bugged by uncompetitive rates. A source from the Maritime Industry Authority (Marina) said local overseas vessel operators are not keen in joining biddings for the government's foreign trade since their rates cannot compete with the rates offered by the foreign-flag vessels.

"Foreign freighters can offer very low tariff rates as well as can afford to give tariff discounts during peak seasons while local operators cannot since they are subject to the different taxes and duties levied to RP-flag vessels," he added, pertaining to the claims of the operators.

Of date, only 5% of the total 169 overseas-going RP-flag fleet participate in biddings since the government shifted to the Freight-On-Board (FOB) practice from Cost

Insurance-Freight (CIF) in shipping the government's foreign trade in May this year. Since then, only one local operator won in a bidding for the shipment of 400,000 metric tons of rice from Vietnam or US but was later on disqualified due to technicalities.

The government shifted from CIF to FOB to give in to the request of local operators in order to provide them enough business from the government to finance their refueling program as well as in its bid to increase the number of RP-owned tonnage.

Earlier, the Filipino Shipowners Association (FSA) said local operators want to enjoy the same benefits as that of their foreign counterparts when bidding for the government's foreign trade in order to be competitive in terms of rates. The operators claim that not enjoying the same benefit render them uncompetitive in terms of

the bid price for the country's imports.

The locals want the NFA to amend, if possible scrap, the existing tax requirements provided under the Terms of Reference when shipping on FOB. Foreign operators are often exempted when transporting Philippine imports via CIF.

"For instance, freight shipped in FOB is subject to the 6% Value Added Tax (VAT) and 2% contractor's tax. These taxes are inputted in the bid price, thus, increasing its final value," FSA pointed out.

"Foreign bidders, on the other hand, are often exempted from these taxes. So chances for Filipino overseas operators in winning the bid are very minimal," the group added.

Marina, meanwhile, the agency responsible for the shift in government trade practice, said they are somewhat dampened by the number of locals joining biddings since they work hard to give them (locals) what they requested.

It added that with the number, they are now hesitating to continue negotiating with other government agencies like the National Power Corp. and the National Food Authority to prioritize local operators over their foreign counterpart but the agency continues to remain optimistic that there will be enough local interest for other big government transactions. ■

PISA opposes new scheme in determining company financial capability

Philippine Interisland Shipping Association (PISA) is against the proposed 2.5:1 debt-to-equity ratio to determine the financial capability of shipping companies. It added that a 4:1, or 80% debt and 20% equity structure is enough to determine such.

Doris Magsaysay-Ho, in her letter to Marina Administrator Vicente Suazo, Jr., said PISA recognizes that a minimum capitalization requirement should be imposed by the Maritime Industry Authority (Marina) for a new shipping company to receive accreditation.

"However, PISA finds the 2.5:1 ratio requirement as one of the measures to determine financial capability unrealistic and proposed that the 4:1 debt-to-equity structure generally required

by the Development Bank of the Philippines and other banks be adopted," Magsaysay-Ho argued in the letter. She added that PISA is not in favor of a continued Marina assessment of the debt-to-equity ratio for going concerns as a condition for Certificate of Public Convenience (CPC) renewals. "PISA believes that adequate controls are imposed by banks on shipping companies."

Marina, on the other hand, is introducing a new set of parameters to determine the financial capability of shipping lines, new or existing, in order to institute a high level of financial standards for shipping companies operating in the domestic trade.

In a recent interview by PortCalls with Marina chief Vicente Suazo, Jr., he explained that

the Authority must be very strict in monitoring the financial capability of shipping lines to ensure their viability and capability to maintain operations.

Suazo explained that so many aspects will be at stake, particularly safety, once a shipping firm does not have enough operating capital. "We do not want that to happen. Marina would like to maintain their viability."

Last year, Marina halted the operations of oldest domestic carrier Negros Navigation for three days after the Authority found out that Nenaco is experiencing severe financial illiquidity that forced the firm to seek a court-approved rehab program in order to continue its operations. ■

High cost of fuel, pulling down growth of the shipping industry

Philippine Interisland Shipping Association (PISA) executive director Leonardo Odoño said the biggest setback to the country's shipping industry now is the volatile prices of fuel.

He added that the continuing upsurge in its prices is pulling down the growth of the local shipping industry.

"The increasing fuel prices continue to bug

the industry. It is pulling down growth to the already weak business," Odoño stressed. Approximately 30% of the overall cost of a shipping company is being set-aside for fuel and it is increased further once the price of oil surge higher. Of date, price of diesel, the common fuel for vessels, increased by some 40% to 50% in the last 3 to 6 months from only P20 per liter last year to the already P32 per liter today and still expected to rise by some P3 to P4 due to VAT.

surcharge by some P90 to P130 per link to offset costs related to fuel. Aboitiz Transport System Corp. (ATSC), meanwhile, shares the sentiments of the PISA officer.

In an earlier statement, ATSC said their biggest challenge is the rising fuel cost in the world market. It said that ATSC is preparing for it by reducing assets without reducing capacity too much by sailing more with its current fleet by bringing technical downtimes closer yet to zero – less ships will sail more and they will burn less fuel as successful fuel reduction techniques are implemented everywhere.

Sulpicio Lines Inc. (SLI), on the other hand, also stressed that the volatile fuel price is one of the factors contributing to the downtrend in the local shipping business.

Salvacion Buaron, SLI vice president for Passage, in an interview, explained that the fuel factor plus a shortened peak seasons this year really rendered a big blow not only to their business but to the entire shipping industry.

"Due to the high cost of living, SLI believe that the public chose to limit their travel. This is evident particularly last summer when we experienced a slower and shortened peak season unlike the previous years," Buaron said, adding that the constant rise in fuel prices forced them to increase their rates.

Overseas-going vessels, on the other hand, also started to adopt additional surcharges related to fuel for their services from the Philippines. However, despite the current situation, PISA remains to be bullish in the local shipping industry and expect to recover in the near future. ■ - *Cris Paringit*

Odoño said it (fuel prices) also clearly affected the purchasing power of the riding public by discouraging them to travel more nowadays compared to some two or three years ago because of high ticket prices. Of date, shipping firms such as Aboitiz, Negros Navigation, Sulpicio and cargo carriers Solid and National Marine already increased their bunker

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DBP finances cold-storage facilities in Luzon area

The Development Bank of the Philippines (DBP) is embarking on a project that will connect the east side of Luzon or the Quezon province to the west side or the Pangasinan area via the tip of Luzon, according to DBP chairman Vitaliano Nañagas.

Speaking before members of the Distribution Management Association of the Philippines (DMAP), Nañagas said the route is designed to hit the Batanes region to tap its booming traffic.

"The project is aimed to accommodate more traffic from the Pacific Ocean, mostly from the United States, and some volume from the Batanes area," he explained.

He added that the traffic coming from the Batanes group of islands as well as those coming from the Pacific is enough to support Ro-Ro operations in the area.

Nañagas likewise stressed on the importance of this triangular connection to the small businesses as well as fishermen in the area since they will have enough access to market their product going to the north all the way to the other west and vice versa.

"DBP believes that there is enough cargo and passenger traffic in the area to support Ro-Ro operations in the route," the DBP chief explained.

The planned triangular connection will link the islands of Calayaan, Fugo, Babuyan, Camiguin, Dalupiri and Sta. Ana.

The DBP is now in the process of creating at least two corporations to kickstart Ro-Ro operations in the Quezon-Batanes-Pangasinan link.

Earlier, private firms Green Square Properties Corp. and Green Circle Properties and Resources Inc., is likewise proposing to build a 116-kilometer road that will link Aurora through the provinces of Rizal, Bulacan and Quezon.

The aim is also to get more international



cargo traffic coming from the Pacific Ocean. The DBP also plans to install cold chain facilities in Real, Quezon to tap the huge volume of perishable goods such as fish in the area. Nañagas said the installation of the cold storage facility will prolong the storage life of the goods in order to reach more markets in Luzon.

"The area is abundant in fish because of the pacific ocean but only die of old age due to lack in facilities. Fish consumption for Luzon could come from the area," Nañagas said, adding that the facility is also needed for cargoes coming from the Pacific particularly the United States.

The Quezon project will be the fourth cold chain facility that will be funded by the DBP after they announced earlier in the year that they are also financing the facilities that will be installed in Benguet, Dagupan and General Santos. The projects are all in coordination with the local government units in the areas involved.

The bank said the Benguet facility will be built to prolong storage life of vegetables coming the area. Benguet is the vegetable capital or 'Salad Bowl' of Luzon since it contributes about 80 percent of the total vegetable consumed in the Luzon grid.

In Pangasinan, meanwhile, the facility is aimed at extending the storage time for its fishes such as bangus (milk fish) while that in General Santos will be designed for tuna storage.

DBP expects to commence all these projects anytime this year or early next year. Funds will be coming from the P30-billion Sustainable Logistics Development Project of the bank.

Of date, the DBP released P991 billion for 28 projects involving food processing and cold storage facilities. Nañagas is encouraging the private sector to invest more in cold chain facilities since the bank's fund for the said facilities are largely untapped and remained idle for some time now. ■ - *Bong Parangit*

Cargo Throughput Increases For The First 6 Months

Philippine cargo throughput for the first six months of the year rose by 4% or 2.52 million metric tons from 66.6 mmt in 2004 to 69.1 mmt this year despite the recorded drop in domestic volume at some major ports nationwide.

Philippine Ports Authority (PPA) documents showed that the cumulative favorable performance can be attributed to the 10% rise in foreign cargoes particularly the notable growth in exports of 35%.

Foreign cargoes rose to 37.2 million metric tons (mmt) for the period in review from 33.7 mmt in 2004 while domestic cargoes dropped 3% from 32.9 mmt last year to 31.9 mmt for the first semester of this year.

Ports with high export volume include Batangas, Manila International Container

Terminal, San Fernando, Calapan, Tagbilaran, Legazpi, Iligan and Zamboanga while those ports with low domestic volume include South Harbor, Batangas, Cagayan de Oro, and Iligan.

Container traffic, on the other hand, soared 3% as both domestic and foreign containerized cargoes increased 2% and 4% respectively. Total twenty-foot equivalent units (TEUs) handled is pegged at 1.482 million TEUs for the period in review compared to the 1.436 million TEUs handled for the same period last year. Containerized imported cargoes contributed 491,266 TEUs while boxed exported cargoes contributed 477,332 TEUs.

Total shipcalls made, meanwhile, both domestic and foreign reached 15,032 indicating a slight 0.21% increase than last year's figure of 154,706. ■

Cargo Traffic for First Semester 2005

	June			January-June		
	2005	2004	% Inc/(Dec)	2005	2004	% Inc/(Dec)
Cargo (mmt)	12.665	11.779	7.52	69.162	66.647	3.77
Domestic	5.951	6.103	(2.49)	31.959	32.912	(2.90)
Foreign	6.714	5.676	18.29	37.202	33.734	10.28
Import	4.532	3.884	16.67	23.304	23.443	(0.59)
Export	2.182	1.791	21.8	13.898	10.292	35.04
Container (in TEUs)	260,252	266,338	(2.29)	1,482,250	1,436,560	3.18
Domestic	86,925	94,075	(7.60)	513,652	502,494	2.22
Foreign	173,327	172,252	0.62	968,598	934,066	3.70
Import	88,283	87,391	1.02	491,266	478,463	2.68
Export	85,044	84,871	0.2	477,332	455,693	4.77

Source: Philippine Ports Authority

Marina to review

by Bong Paringit

The Maritime Industry Authority (Marina) is set to review the implementing rules and regulations (IRR) of RA 9295 or the Domestic Shipping Development Act of 2004 to fine tune vague aspects of the guidelines.

"These are birth pains, it is expected that some problems will be encountered in the implementation of the law and we have to correct it," said Roberto Arceo, Marina NCR chief.

He added that the fine-tuning of some of the sections of the IRR will further clarify some of the controversial portions of the law such as cargo insurance.

The compulsory cargo insurance is one of the major concerns that will have to be addressed in the review. RA 9295 mandates that all cargoes onboard should be insured compulsory.

Marina said it should be the cargo liability of the vessel operators that should be insured and not the cargo itself since operators have no claims over the cargoes not just like in the passage service.

Of date, Marina is circling the Philippines to conduct some public consultation on the revision or amendments that will be made in the IRR. Marina expects a clearer IRR by next year.

Meanwhile, local vessel operators continue to prefer cheap second-hand imported vessels for the domestic trade than patronizing new buildings rendering a big blow to the local shipbuilding business, according to a report from the Board of Investments.

The report showed that locals prefer to import second-hand vessels since it is cheaper than new ones, less risk since it requires low capital investment requirements.

New IRR of Domestic Shipping Development Act

From 1999-2004, local shipbuilding industry continuous to suffer from low demand for new buildings with shipbuilding activities limited only to barges, fishing boats and other less sophisticated vessels for domestic use as a result of the continuing preference of second-hand vessels over the locals.

However, with RA 9295 and the scarcity of cheap second-hand vessels in the world market could address the issue.

"Our ship acquisition policies, be it domestic or overseas, that follows the entry of imported second-hand or bareboat chartered vessels, which relatively cost less, still runs counter to the objectives of the development of a shipbuilding industry," the report said.

Marina data, on the other hand, showed that the ship repair industry in the country has a bright market potential since this activity continues to dominate the operations of shipyards.

This prospect hinges on two factors, one is the current age of the domestic and overseas fleet and the increasing shipping traffic in the country. Between 1999 and 2003, a total of 3,113 domestic ships had been repaired/drydocked with a combined gross tonnage of 2,612,682.61.

According to Philippine Interisland Shipowners Association Executive Director Col. Leonardo Odoño, 15% cargo-handling rate increase is reasonable.

Odoño, in an interview, explained the rate hike is needed to offset costs related to fuel, power and wages. "I think it is reasonable and justified considering the continuing upsurge in fuel cost," he added. He likewise stressed that the increase is long overdue if you consider the last time cargo-handlers increased their rates. Cargo handlers

last raised their rates in 2003 prior to the order of President Arroyo to freeze all cargo-handling and port rate increases to make domestic cargoes competitive.

Originally, the cargo-handlers, led by the Philippine Chamber of Arrastre and Stevedoring Operators (PCASO), petitioned for a 25% rate hike with the Philippine Ports Authority (PPA) but was later on trimmed down to only 15% by the PPA arguing that the former is too much.

PPA general manager Oscar Sevilla, in an interview, said the increase was justified because of the increased spending for fuel, electricity and wages.

He likewise explained that the increase would not affect the agency's plan to impose a discounted rates on cargoes, particularly farm goods coming from the South to make it more rate-competitive against cargoes from Luzon. The PPA is planning to reduce shipping rates from Mindanao to Manila by some 30%. They are now in the process of forging a tie-up with several oil companies to reciprocate the incentives that will be given by shipping lines through fuel discounts.

Earlier, distribution managers said they will seek justification from the Philippines Ports Authority (PPA) regarding the 15% cargo-handling rate increase it approved. The group said the PPA should explain why they allowed such raise when almost everything is increasing. It added that the extra cost will again douse cold water to the already anemic industry and to the consumers as well which will shoulder the extra charge.

Also, earlier this year, the PPA allowed ports and logistics operators International Container Terminal Services, Inc. (ICTSI) and Asian Terminals, Inc. (ATI) to increase their cargo-handling rates by 22% and 20% re-

spectively that will be implemented in two tranches. Both operators in April this year already enforced the first 10% and the remaining percentage will be implemented April next year. ICTSI and ATI, meanwhile, are not included in this round of increase even if they are members of the PCASO. ■

Maritime Calendar 2005

OCTOBER 10
PCG Anniversary

OCTOBER 10-14
Diplomatic Conference on the Revision of the SUA Treaties
IMO, London

OCTOBER 18-20
Seatrade London
London, England

OCTOBER 19-21
SNMAE Maritime Technology Conference
Houston, TX (www.sname.org)

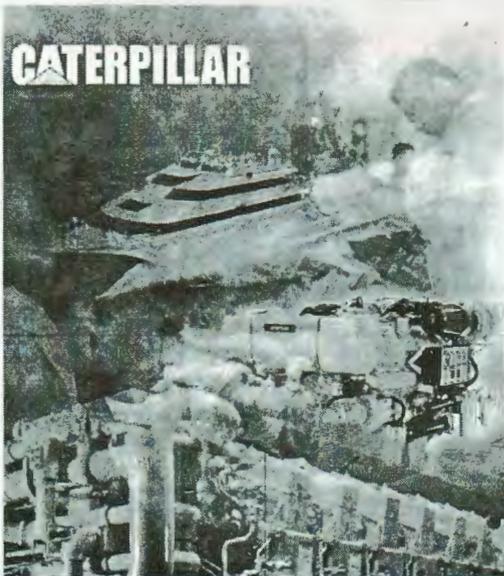
NOVEMBER 1-13
2005 National Salvage Conference
New Orleans, LA (dac-comm@aol.com)

NOVEMBER 6-11
Geophysical Exploration/Seafloor
Engineering SEG 2005
Houston, TX

NOVEMBER 11
41st Maritime Breakfast Forum,
PCG Headquarters, Manila

Turn to page 21...

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Maritime Calendar 2005

NOVEMBER 17-18
IMO Council 23rd Meeting
IMO, London, UK

NOVEMBER 21 – DECEMBER 2
ASSEMBLY 24th
IMO, London, UK

NOVEMBER 21-23
6th LSM Asia-Pacific Manning and
Training Conference
Westin Philippine Plaza Hotel,
Manila, Philippines

DECEMBER 2
IMO Council 95th Meeting
IMO, London, UK

Marintec China
Shanghai

in Beijing in coordination with the Foreign Affairs Office of the Dezhou Municipal Government, is part of a series of activities of the Embassy to mark the 30th anniversary of RP-China diplomatic relations.

In the course of the visit, Ambassador Gaa called on Mayor Sun Yong Chun of Dezhou City and presented to him and Vice Mayor Miao Zhong Hua the 30th anniversary commemorative stamps issued by the Philippine Postal Corporation.

Dezhou is best known around Shandong and China for its braised chicken and its watermelon, and "It's biggest historical attraction is the tomb of SuLuWang", the Chinese term for the Sultan of Sulu. Bo Gon Wan, writing in Manila Times last June 2, Kumalarang and China wrote about another Filipino sultan. He stated that the kingdoms of Butuan and Sulu are recorded as having sent the earliest missions from the Philippines to China. Butuan established diplomatic relations with China through a tribute mission in 1003. The Sultan of Sulu paid tribute to Emperor Yong Lo in 1417 and died in Dezhou, Shandong, on his way back to Sulu. And there was another place, called Kumalarang, whose king also led a mission to China in 1420 and also died in China on his way back in 1421, buried in Fuzhou, Fujian province but is rarely or never mentioned in our history books. He wrote:

According to Ming Shi (Ming History) and Ming Shi Lu (Veritable Ming Records), Kumalarang paid tribute to the Chinese emperor twice. The first was in 1420 by King Ula-itunpen, who died in Fuzhou in 1421. The second mission was sent in 1424 by King Labi and led by Batijiesan. Earlier, in 1417, Ming Emperor Yung Lo even sent a eunuch named Zhang Qian to Kumalarang to deliver an imperial edict and gifts to King Ula-itunpen.

Where is this Kumalarang, which sounds so unfamiliar but appears to be an important place vis-à-vis China?

There is a place called Kuma-larang in Zamboanga del Sur, at Dumanquilas Bay. But the place did not appear—or the present name was not used—before the 1970s.

There was also a Kumalarang in Basilan, which was one of the three plains on the island. The plain appears on a map found in History of Sulu, written by Najeeb Saleeby in 1907. Moreover, there was a barangay and a resort with waterfalls in Basilan called Kumalarang.

Based on the Ming Dynasty records, Kumalarang then was a small state in Southeast Sea and the

treatment accorded its king was parallel to the reception given to the Sulu king. Considering that Sulu and Kumalarang sent tribute missions to China almost at the same time and given their geographic proximity, it is safe to conclude that Kumalarang is Basilan, which was also called Taguima before.

What is more interesting is that among the three Southeast Asian kings who died in China, two were from the Philippines. Sultan Paduka Batara of Sulu died in Dezhou in 1417, and King Ula-itunpen of Kumalarang died in Fuzhou in 1421. The third was the sultan of Brunei, who died in Nanjing in 1408.

The Sulu sultan's imperial tomb in Dezhou, Shandong, is well preserved and has been declared a national heritage site. The same can't be said of Ula-itunpen's tomb in Fuzhou, Fujian. It was destroyed in the 1950s and no longer exists. Nevertheless, the important role of Kumalarang in Philippine history, especially in relation to China, cannot be overlooked.

After the visit to Dezhou we took a train as there is no airport in that town (too close to Qingdao,

and too close to Beijing, relatively). We had really planned to visit the mausoleum of the Sultan of Sulu enroute from Dezhou to Beijing. We moved on to Beijing by panel wagon after the visit, a 4-5 hour ride. The highlight of my trip was the visit to the China NDU (which some of you might recall I reported that I visited in 2003), but on the way home we had a chance to visit some aquaculture projects in Xiamen. ■



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Number of LNG Ships Classed With Lloyd's Register Grows Over 100

The recent orders of classification services for six liquefied natural gas (LNG) ships have resulted an important milestone for Lloyd's Register: over 100 LNG ships now exist or are being built to Lloyd's Register class, confirming the organization's market leadership in the classification of LNG ships. This milestone is also significant because the new ships, two for Teekay Shipping and four for BP Shipping at Hyundai Heavy Industries,

will feature dual-fuel engines, a recent innovation in LNG ship propulsion.

In the shipment of LNG, there is a great deal of focus on efficiency and the environment, two areas in which dual-fuel engines excel. In contrast to traditional steam turbines, dual-fuel engines are capable of burning both conventional oil fuel, and gas fuel with oil fuel pilot injection, and can change between the two modes of operation when

required. The high efficiency of dual fuel, combined with its low fuel consumption, allows owners and operators to reduce their operating costs. In addition, dual-fuel engines incorporating electronically-controlled combustion give low NO₂ and CO₂ emissions, potentially making them a more environmentally friendly choice.

pect these vessels to set new standards for safety and environmental performance, and we are looking forward to working closely with Lloyd's Register and HHI in meeting the technical challenges in their design and construction," says Adrian Howard, Director of Technical Assurance for BP Shipping.

Lloyd's Register classed the first LNG ship in the world to bear the notation 'Liquefied Gas Tanker' in 1958. "From the earliest stages of the idea of transporting LNG by ships, through more than 47 years of new concepts and evolving technology, Lloyd's Register has established and maintained a leading position at the forefront of the LNG industry," says Tony Bingham, Global LNG Business Manager for Lloyd's Register.

"The 100th LNG ship-in-class milestone underscores our experience in the design, construction and operation of LNG ships, as well as our extensive knowledge of the dual-fuel engine and other new concepts in LNG ship propulsion and containment systems."

"Since our entry into the LNG transportation business we have worked closely with Lloyd's Register on many levels and have used Lloyds Register's core team of LNG specialists for training and project specification development. We value the input provided by Lloyd's Register with its history of experience within the LNG industry, its knowledge of emerging technologies and its appreciation of the complexity of LNG ships," says Robert Hedley, Vice-President of Marine and Technical Services for Teekay Shipping.

Lloyd's Register currently classes the largest share, 37%, of the LNG fleet worldwide with a total of 104 ships, 65 in the existing fleet and 39 on order. ■

"We ex-



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 QUALITY MANAGEMENT,
 THE NEEDS OF OUR
 PRINCIPALS AND THE
 FUTURE OF FILIPINO
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FOR THE EXPANSION OF OUR FLEET WE ARE CONSTINUOUSLY
 IN NEED OF DECK AND ENGINE OFFICERS




Nippon Yusen Kaisha plans to expand LNG fleet

Tokyo Nippon Yusen K.K., the largest Japanese shipping line, said early this month that it planned to order 20 new liquefied natural gas tankers by 2010 and use five or six tankers for spot contracts, a change in strategy that may bring higher returns.

The company will fund the purchase of 15 of the ships jointly with customers with whom it has long-term contracts, said Hitoshi Nagasawa, head of Nippon Yusen's LNG group. It may use new or existing ships for the spot market and will be the sole owner of those ships.

Yusen expects demand for LNG in the United States to grow as terminals are built on the west coast and expanded on other coasts, allowing utilities to buy more of the clean-burning fuel to run power plants. The company will operate the ships entirely on its own account instead of under the 10-year to 20-year contracts with customers that are typical in the industry.

"We don't want to miss this chance," Nagasawa said in an interview. Operating LNG tankers under spot contracts "would enable us to sell LNG to the U.S. if demand for LNG among domestic utility companies falls sharply due to a slump in demand for electricity in Japan."

The cost of building a standard 147,000 cubic meter, or 5.2 million cubic foot, LNG tanker is \$205 million, making it the most expensive type of commercial ship, according to Clarksons, a London-based shipping services company.

Yusen had ¥66.4 billion, or \$587 million, in cash as of March 31, according to Bloomberg analytics. The company typically shares ownership of its ships with the customers for which it operates long-term contracts.



Demand for LNG is soaring as oilfield discoveries slows and as power producers opt for gas to fuel their plants because it pollutes less than oil or coal. In the United States, where natural gas is traded mainly on the spot market, spot contracts for LNG tankers may also increase, Nagasawa said. Japan is the world's biggest buyer of LNG.

A total of 183 LNG tankers were in operation globally as of July, and the number is expected to nearly double to 350 by 2010, according to the Shipbuilders' Association of Japan.

Nippon Yusen operates 33 LNG tankers, making it the fourth largest shipper of LNG worldwide. It has already ordered 28 more LNG ships and plans to have a fleet of 80 by 2010.

"We don't want to miss this chance," Nagasawa said in an interview.

Hyundai Heavy Industries, the world's biggest shipbuilder, and Mitsubishi Heavy Industries, Japan's largest heavy machinery maker, are the two main shipbuilders for Yusen.

LNG is natural gas chilled to liquid form for transportation by tanker to destinations not connected by pipeline. On arrival, it is converted back into gas and piped to power plants and other customers. It accounts for at least 90 percent of the gas supply in Japan and Taiwan, and all of the gas supply in South Korea. ■

- Bloomberg

Who is the real party in interest in subrogation cases? (I)

Atty. Allan Joseph A Sheker, writes to criticize the decision of the Supreme Court in *Pioneer Insurance & Surety Corporation vs. C.A., et al* (G.R. No. 84197, July 28, 1989). To refresh your memory, said decision, as reported in my last article, ruled that it is the reinsurers who have paid their insurers reinsurance money who are the real parties in interest in prosecuting recovery case against indemnitors or wrongdoers.

Atty. Sheker says that this precedent, if left uncorrected, might allow indemnitors or wrongdoers to escape penalty for their obligation or wrongdoing thereby unjustly enriching themselves at the expense of sureties or insurers contrary to law (Art. 22, Civil Code). He explains this as follows:

To better appreciate the issue of who the real party in interest is in prosecuting a recovery case against an indemnitor or wrongdoer as the case may be, it is best to provide an insight on the reality of reinsurance relationships and the claim process that ensues therefrom:

"A contract of reinsurance is one by which an insurer procures a third person to insure him against loss or liability by reason of such original insurance." (Sec. 95, Insurance Code).

"In its usual sense, reinsurance is a contract by which an insurer protects itself against loss or liability on a risk it has already assumed." (46 C.J.S. Sec. 1220 p. 195).

The Insurance Code (Sec. 215) allows an insurer to retain any risk on any one subject of insurance in an amount not exceeding

twenty percent of its networth. Depending on what the insurer's underwriter thinks is prudent to retain, the insurer retains a risk up to a maximum of twenty percent (20%). The insurer then reinsurers (cedes) the excess liability thereof, either facultatively (voluntary) or automatically in accordance with a pre-arranged "treaty" with one or more local and/or foreign reinsurer(s). These reinsurers may in turn retrocede their acceptances with one or more retrocessionaires who may further retrocede with 2nd layer retrocessionaires and the latter with 3rd layer retrocessionaires and so on and so forth. These cessions and retrocessions are a convenient way of spreading the risk among various reinsurers, the fundamental purpose of insurance.

Applying the Pioneer case, these (last layer) retrocessionaires will now be the real parties in interest in cases against indemnitors or wrongdoers to the extent of their payment of reinsurance money.

The problem is accentuated when insurers have to reinsure abroad, thru a reinsurance broker where the reinsurers are not always acquainted with the local insurers. These reinsurers may be a couple or hundred in number depending upon the reinsurance cessions made to and accepted by them. And these reinsurers may be scattered all over the world.

The problem is further complicated by the fact that most, if not all, foreign reinsurers and retrocessionaires are not doing business in the Philippines such that prosecuting a recovery case in their own names in the Philippine courts quite often, may pose some procedural problems, e.g., personal-

ity to sue, as they may be construed as doing business in the Philippines without the proper necessary license, thereby allowing indemnitors or wrongdoers to perhaps escape penalty because of some procedural technicality.

In respect of the claims process, when an insured files his claim with his insurer, the latter thereupon advises its reinsurer(s) of such claim and makes a "cash call", a reinsurance terminology calling for indemnity.

After the insurers receive the notice of loss and call, it is normal practice of such reinsurers to pay in advance even before the insurer pays the insured. This is so because the insurer's payment to the insured is not a pre-requisite therefore. It is to be noted that at the time the reinsurers pay the insurer, the insurer is not yet subrogated to the rights of the insured against the indemnitor or wrongdoer since no payment has yet been made to the insured. The money so paid by the reinsurers to the insurer, although for a particular liability covered, forms part of the general assets of the insurer (Vane, p.1070). All funds owed by an admitted reinsurer are mere assets of the insurer (1 Cal. Ins. Law & Prac., Sec. 11.01 (2)).

The obvious reason for the advance payment is to prevent any serious cash strain on the financial resources of the insurer. Once the insured's claim is adjusted and the sworn statement of "proof of loss" accepted, the insured is paid his claim and consequently a "loss and subrogation receipt" is executed by him in favor of the paying insurer. Such receipt is usually worded along the following lines or of similar import:

interest part II)

"LOSS AND SUBROGATION RECEIPT

Ps. _____

200__

Claims No. _____

RECEIVED FROM _____

Pesos in full satisfaction, compromise and discharge of all claims for loss and expenses sustained by property insured under Policy No. _____ by reason of _____

which occurred on _____, 200__ and in consideration of which the undersigned hereby assigns and transfers to the said Company each and all claims and demands against any person, persons, corporation or property arising from or connected with such loss or damage and the said company is subrogated in the place of and to the claims and demands of the undersigned against said person, persons, corporation or property in the premises to the extent of the amount above named.

WITNESS

Insured"

No similar receipt, however, is given by the insurer to reinsurers as reinsurers merely "follow the fortunes" of the insurer.

"Reinsurers shall follow to the extent of their respective interest, the fortunes of the reinsured in every respect, including but not limited to premium collections and handling on the reinsured's behalf as respects all business contemplated." (1 Cal. Insurance Law & Practice, Section 11.0 (5) (b).

- to be continued-

Philippine Fleet Launches ' I-TEXT MO SI COMPHILFLEET'

The Philippine Fleet has recently launched "I-TEXT MO SI COMPHILFLEET" (text the Commander, Philippine Fleet) program, the latest innovation of the Commander, Philippine Fleet, designed to better address the morale and welfare of the Philippine Fleet personnel both ashore and in the operational areas through their cellular phones. This is intended to supplement the successful program by higher headquarters through the same medium and lessen their burden in attending the requirements/problems by the Fleet units.

All Philippine Fleet personnel may now send their suggestions, issues and concerns that can be addressed within Philippine Fleet level only, by texting cell phone numbers 09063048246 in the following format:

Type Fleet (F)
Staff Concerned (Space)
Sender's Unit Assignment (Space)
Sender's Name (Space) Message



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V. Ships Appoints Trivedi to Head V. Ships Agency

V. Ships has appointed Rishi K. Trivedi as Group Managing Director of the Marine Services Division's worldwide agency business - V. Ships Agency. The move follows Shay Devine's (former V. Ships Agency Group M.D.) appointment as Chief Executive Officer of V. Ships - Marine Services Division. Trivedi, who has been with the group since January 2000, joined V. Ships Agency UAE from Inchcape Shipping Services. Rishi holds commercial and LLB degrees from Bombay University. In a career spanning 29 years in the industry to date, he has been an active member of Institute of Chartered Shipbrokers, the Executive Committee of the Nautical Institute UAE branch and a member of the Chartered Institute of Logistics and Transport UK. Rishi has been working in the Gulf for over two decades, and is married to a Bahraini national and has two children.

The V. Ships Agency office in Dubai commenced operations in 2000 and since that time, under Rishi's guidance, it has grown to include facilities at the ports of Fujairah, Ras al Khaimah and Khorfakkan. The purpose built Fujairah facility opened in January 2003, also includes a warehouse and crew accommodation, in addition a new crew boat was purchased in 2003, with a second crew boat due shortly. In 2005, V. Ships Agency has been actively exploring opportunities for further agency operations in conjunction with JV partners IMC in Taiwan, Thailand and the merging operations in mainland China for the two companies. Further developments include India, South America and US Gulf, as well as worldwide logistics operations. ■

NUMAST challenges Irish Ferries on cuts

THE UK maritime union NUMAST has challenged Irish Ferries over its claims that cuts are needed to remain competitive with other operators. The company has threatened to abandon its Irish Sea ferry services if it is unable to replace more than 540 of its British and Irish seafarers with cheaper eastern European agency staff.

It has been estimated that the company will save some •15,000 per crew member by introducing the eastern European seafarers. NUMAST assistant general secretary Mark Dickinson said Irish Ferries seemed intent on pursuing a damaging race to the bottom' in its attempts to increase revenue. 'We have to remember that this is not a loss-making company and that these cuts are about increasing profits, not reducing losses,' Mr Dickinson pointed out.

The company posted net earnings of

•1.5m in the first half of 2005, with revenue rising to •139.6m from •135.8m over the same period. 'No one denies that there is competition from other ferry services and low-cost airlines, but other companies are able to compete without engaging in an onslaught against decent employment conditions,' Mr Dickinson added.

'Short-term cuts will not provide long-term sustainability and if Irish Ferries does introduce low-cost crews from eastern Europe, it will only be a matter of time before others seek to follow them and there lies the path to mutually assured destruction.'

Mr Dickinson said ferry companies should be cooperating to lobby for changes in European Commission policies to help promote the employment and training of EU seafarers and to safeguard conditions on services between member states. ■

Michael Tønnes Jørgensen is appointed Senior Vice President

As per 1 October 2005 Michael Tønnes Jørgensen is appointed Senior Vice President in A.P. Moller.

Michael Tønnes Jørgensen joined the company in 1985 as a trainee and after graduation he worked in the Line Department (now Maersk Sealand) as an assistant. In 1988 he was stationed in France and in 1991 he returned to Copenhagen, where he joined the Accounting Department. In 1994 he was stationed in Russia as a Finance Manager.

Michael Tønnes Jørgensen was then transferred to the Line Department (Centre Finance) where he was responsible for establishing a Business Audit section. In 1997 he was promoted to Senior General Man-

ager, in 2001 to Director and in 2002 to Senior Director. From 2001 he was the deputy in Centre Finance, with particular responsibility for Maersk Sealand's controlling activities as well as development of global accounting and financial systems.

In 2003 Michael Tønnes Jørgensen transferred to a position as Chief Financial Officer with Maersk Air.

Being appointed Senior Vice President Michael Tønnes Jørgensen takes up the position as Chief Financial Officer for Maersk Container Business. Michael Tønnes Jørgensen has complimented his education with management courses at a.o. INSEAD in France. ■

Philippine Manning Agent wins Asia's Best Manning Agent

Magsaysay Maritime Corporation won the Asia Best Manning Agent Award in the 7th Lloyds List Maritime Asia Awards last Sept. 29, 2005 in Singapore.

The Lloyd's List Maritime Asia Awards is a unique annual event that honors the best in the Asian maritime industry. This is the first time that a Filipino Manning Agent won the best manning award. MMC President Ms. Doris Ho, Chairman Mr. Eduardo Manese and the rest of the Executive Committee were present to receive the award. Magsaysay was also nominated in best in Youth Development Award.

Magsaysay has been in shipping since 1948 and ventured into crewing of ships in the 70's. Today it has in its pool over 20,000 officers, crew and cruise personnel. ■

by Marie S. Neri

DOLE's tough lady boss, Patricia Sto. Tomas

"PRO-management, union buster and notorious."

These are just some of the labels and names being called against Labor Secretary Patricia Sto. Tomas who had been the head of the Department of Labor and Employment (DoLE) for more than four years now.

But many really do not know her real background on labor related issues and policies and how Sto. Tomas started her career in the government.

Sto. Tomas or Pat to her colleagues and friends started her career at the DoLE as the executive director of the Institute for Manpower Studies in 1980 to 1982.

In 1982 she was appointed to head the Philippine Overseas Employment Administration (POEA) as its first administrator.

A protegee of the late Senator and Labor Secretary Blas Ople, Sto. Tomas led the POEA in formulating policies and standards that governs now the employment of overseas Filipino workers (OFWs).

Under her administration, about 700,000 workers and seafarers were deployed initially and this had been the start of the migrations of many Filipino workers seeking better paying jobs.

She stayed at the POEA for five years covering the periods 1982 to 1986 and within those years she was able to set up innovative welfare and protective mechanisms for our OFWs which later on became the model for other countries sending workers overseas.

After her stint at the POEA, Sto. Tomas' career in the government started to flourish as she had been named Assistant Secretary for the Human Resources Development of the now called Department of Education or (DepEd) from January 1987 to June 1987.

From DepEd, Sto. Tomas returned to DoLE as she was appointed Undersecretary in July 1987 to March 1988.

In 1988, Sto. Tomas was appointed chairman of the Civil Service Commission (CSC) where she implemented reforms to improve the quality of public service starting with the exami-

nation system, public accountability and discipline system, installation of a service-to-customer relations as well as the advocacy in the equal employment opportunities for female employees. Sto. Tomas stayed with the CSC for nearly 8 years.

She planned to leave government service but then instead of leaving she accepted consultancy jobs for various government offices and this includes the Department of Health from 1998 to 2000 for the project reengineering for Devolution; Department of National Defense covering the periods 1998 to 2000, Department of Agriculture from 1999 to 2000; Office of the Senate President 1999 to 2000 and Congressional Commission on Labor from 1999 to 2000.

When Mrs. Arroyo became President with the successful ouster of former president Joseph Estrada in January 2001, Sto. Tomas who was then part of the selection of the newly installed Arroyo government was appointed Secretary of Labor where she succeeded Bienvenido Laguesma.

Sto. Tomas took up Bachelor of Arts in Far Eastern University in 1965 and in 1973 to 1976 completed her Master of Science in Development Communications at the University of the Philippines in Los Banos.

She also finished her Master in Public Administration in Harvard University from 1985 to 1986.

Beside her masters degree, Sto. Tomas is also the recipient of Honorary degrees for Humanities in FEU in 2001 and in Ateneo de Davao in 1994; Doctor of Education in Western Mindanao State University in 1994 and Doctor of Administration in Cagayan Valley State University in 1994.

The current Labor chief apart from holding key positions in government also in her early days were able to impart her knowledge on several students as Lecturer of the Ateneo Graduate School of Governance from 1999 to 2000; Professor of Public Administration, College of Public Administration, University of the Philippines from June 1985 to May 1986; Professorial Lec-



Sec. Sto. Tomas with Pres. Gloria Macapagal-Arroyo

turer UP Institute for Industrial Relations (1978-1979); Senior Lecturer UP Los Banos (1975-1976) and Instructor UP Los Banos (1973-1975).

At the moment, Sto. Tomas aside from being the head of Labor and Employment is also the chairperson of the Technical Education and Skills Development (TESDA), the National Wages and Productivity Commission, the Overseas Workers Welfare Administration (OWWA), POEA, Employees Compensation Commission (ECC), Occupational Safety and Health Centers (OSHC) and the National Maritime Polytechnic (NMP).

Concurrently she is member of the boards of the National Economic and Development Authority (NEDA), Social Security System (SSS), National Housing Authority (NHA), National Home Mortgage Mutual Fund, Land Bank of the Philippines, Philippine Health Insurance Corporation, Philippine Economic Zone Authority and the National Agriculture and Fishery Council.

In the international arena, Sto. Tomas is also a well known public official and to name a few of her positions held are President of the 89th Session of the International Labour Conference, International Labour Organization (ILO) in Geneva, Switzerland (June 5 to 21, 2001); Member Committee on Experts on Public Administration of the United Nations Economic Council in 2002 and Head of the Philippine Delegation, 90th Session of the ILO in 2002. ■

The Political Situation: Its Implications For The Economy And For Foreign Investments

by President Arroyo and her Cabinet.

Our Philippine Home — which shelters our family of 84 million people — was not built — nor will it be finished — during the tenure of any single President.

Our problems today are largely of our own making — and therefore they can be overcome by Filipino unity, solidarity and teamwork — just as we have overcome problems in the past.

3.) Compete to win. Competition is the name of the game out there in the real world of the 21st century — in the Asia-Pacific region and in the global arena.

The Philippine National Team must compete winningly. It must compete to win against vigorous national teams like those of Malaysia, Thailand, Indonesia, and Vietnam in our Southeast Asian League.

In this competition, political infighting will merely disadvantage us.

4.) Clean up the mess in government and in society. This means cleaning-up both our physical environment and the Philippine state of the corrupt practices that have eroded the people's faith in government.

Cleaning-up means restoring ethical conduct in both the public service and in corporate practice.

Corruption, red tape, and the poor enforcement of laws are disincentives to investors that our country's strategic location and our quality workers are hard-put to offset.

Let Us Carry Out Charter Reform Immediately!

Having said all these, what do I propose we do? My proposal is — not for the President to resign — not for a snap election — not a junta — not for a dictatorship — not for martial law — and certainly not for handing over this country to the communists.

I propose that we carry out institutional reform immediately — in the most expeditious means our Charter permits — through Congress's converting itself into a Constituent Assembly. These marching orders in fact, were already sounded by President Arroyo in the 25 July State of the Nation

Address (SONA) "the sooner the better."

The highest priority for change must be given the following:

1.) Our form of government itself — because the Presidential system we had inherited from the Americans, has not worked for us. After years of deterioration, presidential democracy has become a downright hindrance to our country's progress.

The American Constitutional system was designed deliberately to favor states rights by weakening the federal government. Hence, it set up complex checks and balances among the Executive, the Legislature, and the Judiciary.

In the Philippine setting, this system of deliberately divided government merely perpetuated — and sharpened — the traditional factionalism of our politics. And the high costs of national elections would be significantly reduced — for the government and for the candidates themselves.

The parliamentary system will unify the now-separate processes of policy-making and program-implementation. The executive and the legislature will be expected to work in concert rather than in opposition. And Government will become accountable directly to the people's representatives.

2.) Electoral reform — to raise the Commission on Elections beyond the reach of partisan politics and to modernize the "arithmetic" and electoral contests so that we can insure honest, orderly, peaceful elections (HOPE), which will be credible to the people and to the international community.

3.) Political party reform — to eliminate "turncoats" and "dynasties" that perpetuate the rule of oligarchic families, and to make political parties more efficient channels of popular expression and more effective agencies of representative and responsive government.

4.) Judicial reform — to speed up the dispensation of justice and to reinforce the sanctity of contracts.

Strengthening The State Machinery

We must deal with the weak capacity

of public institutions, which is self-evident in the uneven enforcement of the law and in poorly-developed patterns of political representation, among others.

We must establish a professional civil service — because, in the end, democratic practice comes down to the machinery of government.

Concurrently and collectively, we must plug the leaks in our Ship of State — instead of adding new holes to it.

And let us all row with a will, to get where we want to go. Needless to say, we — the people — must persuade — or compel — our leaders to steer in the right direction.

Things To Do And The Timetable For Getting Them Done

I have proposed that Congress convene immediately as a Constituent Assembly — charged with changing specific articles of the Constitution — within the next ten months.

I have also suggested that we agree to establish a High Commission of our finest leaders — and give them a joint Congressional mandate to examine the good and the bad about the national condition in support of, and working in tandem with, the Constituent Assembly.

And let us give this Commission full powers to prescribe policy reforms, needed executive actions, and cooperative private endeavors — in consultation with the concerned sectors of national society — to achieve our objective of national renewal, under the blessings of Almighty God.

The Charter — as amended — could then be submitted to a plebiscite in February or March 2006 — so that it could be in force by the end of June of next year.

No Major Role For Me In A Parliamentary System

This, in sum, is my modest proposal for our effort to break out of the political stalemate we are in.

It only remains for me to reiterate — once again — that I have no ambition to take part in the political system I have proposed — whether as a Member of Parliament, as

Prime Minister, or as ceremonial President. But I will continue to do my duty as a concerned Filipino citizen 24 hours a day.

This early, I also count myself out from membership in the High Commission I am proposing. I had been there before and "done it." The role I now cherish is that of being an older brother in the huge Filipino family of 83 million (and still counting).

As I have said again and again, I may have retired from public office — but I have not retired from my duties as a concerned citizen — because citizenship is neither a part-time job nor a hobby, but an everyday obligation.

The Role Of Our Friends In The Region

Our neighbors and friends in the Asia-Pacific obviously have a stake in how we deal with this crisis — and in the kind of situation we Filipinos will have, beyond it.

Charter change — the issue of the moment — will obviously impact on foreign investment. But once put in place, constitutional renewal will stabilize national politics, speed up structural reform, accelerate economic growth, and make this country a better place for you who live and do business here.

Not only will there be a more predictable continuity of public policies. The system should also respond more quickly to both internal weaknesses and external shocks.

Consider how quickly the Thai Government responded to the East Asian financial crisis in 1997 — in contrast to our own.

Through a "no-confidence" vote, the Thai Parliament replaced Prime Minister Chavalit Yonchaiyudh with Chuan Leekpai — and within months, it had enacted a Special Purpose Asset Vehicle (SPAV) law to expedite economic recovery.

By contrast, the Philippines took four years to enact a similar law (during the tenure of the 12th Congress).

The higher rates of GDP growth that should result will enable us — at last — to substantially reduce Philippine poverty.

It is in the interest of all the Asia-Pacific states that the Philippines come out of its internal problems positively — the sooner the better. ■

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THE POLITICAL SITUATION: ITS IMPLICATIONS FOR THE ECONOMY AND FOR FOREIGN INVESTMENTS

While President Arroyo still faces a crisis of legitimacy and credibility, she also has the breathing spell to try and ease her situation. And — for those of us who have been calling for basic reform — her crisis might, in fact, prove a blessing in disguise.

To these calls for reform, she must now pay heed — as her own survival strategy.

The key to how the political situation will develop remains in the big-city middle-class. And, so far, the “Tale of the Tapes” has failed to engage the big-city middle class in the opposition’s drive to bring down President Gloria Macapagal-Arroyo.

In her efforts to keep her job, President Arroyo is being helped by the quality of her Government’s economic management.

Last year, the economy grew by 6.1%. While growth this year is likely to be lower — if only because of higher oil prices — GDP touched 5% in April-June, after growing by 4.6% in January-March.

The fiscal deficit is less than the government had foreseen. Public spending continues to be well-contained. And consumer confidence — buoyed up by OFW remittances expected to hit US\$10 billion this year — remains still high.

Meanwhile, tax reforms have laid a strong foundation for growth and have been well-received by international lenders. The World Bank, for instance, was so impressed it offered US\$2 billion worth of credit over the next three years, to finance development programs. Normally, it lends our country only \$100 million a year.

Political Fallout on the Economy

But, as the political crisis has dragged on — with no resolution in sight — the international lending institutions and the multinational banks are beginning to worry about the collateral damage it could inflict on Government’s financial position.

The peso has already lost 4% of its value against the dollar since the beginning of May.

Meanwhile, the cornerstone of the financial reforms — the E-VAT — is tied up before the Supreme Court, and the economic managers have been decimated by Cabinet resignations.

And while Mrs. Arroyo’s replacements for her resigned economic managers have generally been well-received — by the financial community and by friendly governments — changing horses in midstream has caused a perhaps unavoidable drop in revenue collections.

Meanwhile, rising unemployment, higher-than-expected inflation, a decline in both exports and in investments, and the negative outlook of the country’s credit-standing — these are all expected to slow down the economy over the rest of the year.

Now that she has averted the “sudden-death” scenario her political enemies had planned for her, what is next for President Arroyo?

I do not represent any of the groups that fill our airwaves and our streets with their accusations and their denials — groups that hurt our ears and insult our intelligence with their probable options and their impractical solutions.

All I can claim is my fundamental interest in the Philippines — which I have served for more than a half-century in various capacities from combat soldier to President and now as a citizen who continues to be caring, sharing, and daring — for the well-being of our people and the integrity and security of our Republic.

Our Basic Tasks in the Political Crisis

As I see it, our basic tasks as a nation under our circumstances are the following:

1.) Consolidate the Philippine National Team. Once more — as in crises past — we Filipinos need to reach out to each other — to put our house in order — to restore our self-esteem — and to regain our rightful place of respect and dignity in the community of nations.

2.) Continue building on the gains we have achieved already — by carrying out the reforms launched by civil society, by Congress, by the Judiciary, and

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