MARITIME REVIEW

A PUBLICATION OF THE MARITIME LEAGUE

JULY-AUGUST 2006

ICTSI eye foreign locations for expansion

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→ The World Cup, ASEAN, EU and the Philippines

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IMO Files

Maritime Chemical Spills Clean Up - International Preparedness, Response and Co-operation Protocol to Enter into Force in 2007

The Protocol on Preparedness, Response and Co-operation to Pollution Incidents by Hazardous and Noxious Substances (OPRC-HNS Protocol), 2000, has now achieved enough ratifications for entry into force on 14 June 2007, twelve months after its accession by Portugal, on 14 June 2006, the 15th State to ratify the treaty.

The OPRC-HNS Protocol is aimed at providing a global framework for international co operation in combating major incidents or threats of marine pollution from ships carrying hazardous and noxious substances (HNS), such as chemicals. The OPRC-HNS Protocol follows the principles of the International Convention on Oil Pollution Preparedness, Response and Co operation (OPRC), 1990, which itself entered into force in 1995.

As in the OPRC Convention, Parties to the OPRC-HNS Protocol will be required to establish measures for dealing with pollution incidents, either nationally or in co operation with other countries. Ships will be required to carry a shipboard pollution emergency plan to deal specifically with incidents involving HNS, which are defined as any substance other than oil which, if introduced into the marine environment is likely to create hazards to human health, to harm living resources and marine life, to damage amenities or to interfere with other legitimate uses of the sea.

The entry into force of the OPRC-HNS Protocol will bring one step closer the completion of an international regime which will ensure that ships carrying hazardous and noxious substances will be covered by measures similar to those already in existence for oil incidents, concerning preparedness and response to spills as well as liability and compensation, which, in the case of HNS, is dealt with under the International Convention on Liability and Compensation for Damage in connection with the Carriage of Hazardous and Noxious Substances by Sea (HNS), adopted in 1996 and providing for a compensation and liability regime for incidents involving specifically defined HNS substances. (It has not yet entered into force).

Liability and compensation regimes for oil pollution incidents are covered by the 1992 Protocols (updated by the 2000 Protocols) to the International Convention on Civil Liability for Oil Pollution Damage, 1969, the International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage, 1971, as well as the 2003 Protocol on the Establishment of a Supplementary Fund for Oil Pollution Damage. ■

Tsuneishi Expands Capacity

by Carlos L. Agustin

Visitors to Western Cebu may well observe the busy coastal industrial town of Balamban, Cebu, home of the Tsuneishi Heavy Industries (Cebu) Inc. (THICI) that is located in West Cebu Industrial Park (WCIP). THICI is a joint venture between the Tsuneishi Group in Japan and the Aboitiz Group of companies in Cebu..

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It has been claimed that on completion of Tsuneishi Philippines' third Slipway the Philippines could be among the top 5 or 6 largest shipbuilding nations in the world. Korea currently leads the world in producing bulk carriers, followed by Japan, Taiwan and China. In 1998 I also had the opportunity to visit the China Shipbuilding Company in Taiwan, which was then being privatized

"Our vision is to be among the world's top three shipbuilding companies by the year 2010," a Japanese Tsuneishi executive had reportedly said. Estimated investment in building the third Slipway was at least US$50 million. With two Slipways after inauguration of the second in January of last year, THICI is reportedly capable of building one bulk carrier ship every 3 weeks. I believe they planned for at least 15 vessels in 2006. With the third slipway completed THICI would be responsible for providing work to close to 5,000 workers mostly from Cebu as well as neighboring provinces. The first car carrier is now being built and, according to my friend, former PEA Chairman Ernest Villareal will be launched in September of this year.

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Here in Tsuneishi, I see the greatness of the Filipinos - and they are not those swivel- chair types who enact laws in air conditioned rooms - so we can have a better country. I am referring to the lowly laborer, the welders, the pipe fitters, the crane operators, the field engineers, etc., working to build 52,200 dead weight ton bulk carriers - Proudly Philippine made - our "Native Handicraft here in Balamban." Workers working at minimum wage, under the heat of the sun, or in the rain, to earn an honest living so he can send his children to school and bring food to his family - some 4,000 of them.

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Asian Agreement Thwarting Piracy to Take Effect

A landmark regional cooperation pact against marine piracy in Asia is set to take effect in early September. Singapore's foreign affairs ministry says 11 countries have now ratified the regional pact on combating piracy and armed robbery of ships in Asia. Singapore serves as the depository of the agreement and will host the group's information sharing center, which is a permanent body with full-time staff. Cambodia, Japan, Laos, Singapore, Thailand, the Philippines, Burma, South Korea, Vietnam, India and Sri Lanka have all ratified the agreement. Brunei is also in the process of ratifying the pact. Officials say vessels plying the Malacca Strait are vulnerable to pirates and sea borne "terrorism". An international maritime authority last week urged leading insurer Lloyd's to remove the Strait from a list of dangerous waterways, saying pirate attacks there had sharply declined. (Source: ABC Asia Pacific TV / Radio Australia)

China COSCO orders eight new ships

China COSCO Holdings, owner of China's second-largest container shipping line, has ordered eight new container vessels worth US$516.8 million (HK$4.03 billion), to be delivered when the company believes global shipping capacity will be stretched.

China COSCO Holdings, owner of China's second-largest container shipping line, has ordered eight new container vessels worth US$516.8 million (HK$4.03 billion), to be delivered when the company believes global shipping capacity will be stretched. The Hong Kong-listed company said it signed an agreement with China State Shipbuilding Corp and its unit, Jiangnan Shipyard (Group), to construct the vessels, each with a capacity of 5,100 TEUs (20-foot-equivalent units).

Two of the ships are scheduled for delivery before June 30, 2009, while the remaining vessels are expected to be delivered before July 2010, China COSCO said.

"According to current market forecast, global demand for container shipping services will maintain its growing trend in the next few years," the company said in an announcement.

This despite recent over capacity in the sector, as Asian shipping lines overexpanded to meet China's growing needs. In addition, the industry, which tends to be highly leveraged, has faced concern triggered by worries that interest rates might continue rising globally, a UBS report said. The firm believes that the sector is trading at relatively high valuations to forward return expectations.

China COSCO said it plans to finance 70 percent of the purchase through bank borrowings, 20 percent from the proceeds of its 2005 Hong Kong initial public offering and the rest from internal resources.

As of June 2006, China COSCO operated a fleet of 136 container vessels through wholly owned COSCO Container Lines, with a total capacity of about 370,000 TEUs. Shares of China COSCO closed unchanged at HK$3.725 in Hong Kong. The stock has gained 8.8 percent this year, outpacing a 6 percent increase in the benchmark Hang Seng Index. UBS said COSCO's earnings are set to decline for at least two years and might only recover in 2008.

But Monday, the banks upgraded China COSCO Holdings to "neutral" from "reduce," while raising its target price to HK$3.85 from HK$3.35, due to an exceptional gain that will come from 70 percent owned subsidiary COSCO Pacific's US$869 million sale of container boxes earlier this week.

Post Panamax vessels like this one will be built by Daewoo a German client.

Daewoo's Romania shipyard wins new orders

South Korea's Daewoo Shipbuilding and Marine Engineering shipyard in Romania has secured $280 million in new orders to build four container ships for two German clients.

Daewoo Mangalia Heavy Industries would build two Panamax carriers for Gebab Holding and another two for Conti Holding by October 2009 under the deals, its Seoul-based parent company said.

The latest contracts would boost business performance in the Romanian shipyard in Mangalia, acquired by Daewoo Shipbuilding in 1997 and turned around into the black in 2000, the parent firm said.

Daewoo Mangalia Heavy Industries reported $200 million in revenue last year, with 18 container ships now under construction. – AFP

By Marie S. Neri

Biometric ID cards for Pinoy seafarers

Shielding its strong hold over the deployment of Filipino seafarers in global fleets, the Philippines is currently working on renewing the identity cards of seamen leaving the country using biometric ID cards.

Labor Undersecretary Manuel Imson said the Philippines will be the first to introduce the biometric seafarers ID card in Asia by June or July of this year.

Imson explained this will benefit the seafarers because the hassle of renewing the seamen's document would no longer hound them since the ID card would be valid for five years.

"The advantage is Filipino seafarers would be accepted in many shores. Their leaving their ships would be least inconvenient for them," he said.

Asked what prompted the Philippines to introduce the biometric ID cards, Imson said the International Labor Organization (ILO) recommended it and the country as a signatory to the Standards of Training Certification and Watchkeeping Convention (STCW) of 1978 must abide to this.

Another feature and advantage of having a biometric ID card, Imson noted is that they don't need to show any seaman's book and the fact that it will be given for free. "It will be given for free and it has a validity of five years," he told reporters.

However, Imson said they are still looking at the possibility that some seafarers would not comply with the biometric since "some seafarers want that the ID be more regularly updated."

The biometric ID cards, Imson said would contain not only the personal information like name, age, and home address, the ID would also contain the promotions a seafarer has received.

He said the Philippine Overseas Employment Administration (POEA) through the Maritime Training Council (MTC) is now working on the biometric system and expect that the 250, 000 Filipino sailors would comply with this.

Filipino seafarers are among the overseas Filipino workers (OFWs) that help the country's economy by sending in dollar remittances to their loved ones.

On the daily basis, about 1, 000 to 1,500 seafarers were deployed in various foreign vessels globally, and deployment figure indicated an increase constantly. ■

Truckers w

Truckers want the seven to 10% retainer's fee charged by shipping lines to truckers scrapped as it has eaten up to their falling revenues.

They added that the percentage is too high since only a handful of cargoes have been loaded by shipping lines to their trucks.

Allied Transport Group (ATG) president Lino Costales explained that this practice should be prevented as this has negative effects to truckers particularly at these times.

"If shipping lines continue to collect such amount and the needed rate increase is not given to truckers, it will be very detrimental to the trucking industry," Costales said.

He added that if this continues, truckers will be forced to increase rates regardless of approval from the Distribution Management Association of the Philippines (DMAP) and the Philippine Liners and Shippers Association (PLSA) to offset such added cost.

Shipping lines are charging the retainer's fee as payment for giving truckers loads to carry. It is automatically being cut by shipping lines before full payment for the cargo is handed to truckers.

Of date, truckers are finalizing their letter to DMAP and PLSA asking for another round of rate increase as the recent hike is minimal and not appropriate for the current business condition.

"The rate increase is minimal and wanted more as the approved trucking rate hike is not enough to cover even our VAT expenses," Costales stressed.

Costales added that truckers are more amenable and happy with the earlier announced 30% rate increase or P5,600 per container within Metro Manila and 10% of existing rate for containers going outside

The World Cup, EU, ASEAN

By Former President Fidel V. Ramos

This week and for three weeks the sporting world's attention and that of most of the EU, Asia, Africa and Latin America- is rivaled on the World Cup hosted by Germany. The 32 survivors of a global elimination contest in which more than 100 national teams took part over three years will fight it out until just two finalists remain for the world championship of soccer football in the ultimate game in Berlin on 09 July. On the basis of the result of the qualifying rounds, the favored teams do not necessarily come from the global economic and political heavyweights such as those who dominate the Olympics, but include the likes of Brazil, Argentina, Italy the Czech Republic, Ghana and Tunisia. Over the last 35 years, the developing countries have been equally successful as the developed nations in World Cup competition.

This was the prevailing atmosphere in which, last 15 June, an important conference- The third of a series- took place at the New World Hotel on "RP-EU Business Opportunities ad Challenges". The gathering was jointly organized by the Ramos Peace and Development Foundation (RPDEV), the Hann Seidel Foundation (HSF), the Delegation of the European Commission (EC) and the European Chamber of Commerce in the Philippines (ECCP).

As the keynote speaker, I was joined by other "experts": Trade and Industry Secretary Peter Favila; Deputy Executive Secretary Jose Tale (on behalf of Executive Secretary Eduardo Ermita); Ambassador Herbert Jager of Austria (Representing his country as EU Chair); Ambassador Jan de Kok, head of the EC Delegation; EVP Henry Schumacher of the ECGP; HSF Resident Representative Paul Schafer; Former DTI Secretary Cesar Bautista; former DILG Secretary Rafael Alunan; and Executive Director Ernesto Santiago of the Semiconductor and Electronics Industry in the Philippines, Inc. (SEIPI).

The people of Asia in general, including Filipinos customarily think of Western Europe and the United States together as making up the "Western Powers". But this generic term is becoming less and less useful as a framework for decision making particularly for Asia's policy makers- because Western Europe and the United States are differentiating on political and economic issues. The EU has finally emerged as an independent actor on the global stage. With 25 members states 450 million people and gross domestic product of some 9 trillion USD, it has become a world power in its own right. After enduring two centuries of internal strife and war. Europe has steadily moved to the threshold of "perpetual peace".

REGIONALISM IN ASIA

In East Asia, regionalism has been slow to develop-because of historical discords, competitive economies, inward-looking political systems and wide cultural division. But South East Asia's experience over these past 40 years proves that even its plural communities can be unified- though they may lack for the overarching Christian civilization which facilitated the unification of Western Europe. Having gathered under the ASEAN umbrella, its leaders are exploring the idea of an East Asian Economic Grouping (EAEG) that would combine ASEAN and the 3 Northeast Asian states of China, Japan and South Korea. The Initial phase of this grand union- a Free trade Area of ASEAN and China - began operating two years ago and should complete its consolidation by 2010. Concurrently, separate negotiations are on going to bring about the largest ASEAN + 3 FTA.

Not so far behind, India has also been working to strengthen its relations with ASEAN by developing productive links in software development, R & D, engineering and manufacturing. Trade between India and ASEAN grew rapidly in 2005 and is expected to reach 30 billion USD by end 2007. Negotiations on FTA between them began in 2005, pursuant to an agreement signed in October 2003 in Bali. I his remarks in Kuala Lumpur last December, Indian Prime Minister Manmohn Singh talked about an Asian community characterized by the large scale movement of people, capital, ideas and creativity and regaled his audience with his vision of a common Asian Currency an Asian Regional Credit Rating Agency, an Asian Exim Bank and an Asian Energy Forum- in which India will play a major role. Like the European Union, Asia is pursuing its objectives starting with practical, doable steps in economic, cultural and security cooperation of "self-evident usefulness". Even now, ASEAN is tracking the progress of European solidarity- its steady enlargement, its an agreement on a common security and Foreign Policy; and its effort to organize its own Armed Forces apart from NATO.

ASIA-EUROPE PARTNERSHIP

Since March 1996, economics and political cooperation between our two continents has been institutionalized in the Asia –Europe Meeting (ASEM). I represented the Philippines at ASEM's inaugural meeting in Bangkok. For the EUROPEAN Union, the ASEM Connection will avoid it being shut out of the world's fastest growing region- which is Asia Pacific. For East Asia, Europe is a welcome counter weight to the overpowering American presence. Europe and Asia have a common interest in the outcome

and the Philippines

of vital economies and political issues, making it necessary for our government to consult regularly on the problem of global peace shared development, and cultural interaction. The specific problems needing close collaboration include international terrorism arms control and maintaining peace in the Korean Peninsula, the Middle East and other crisis-region. Then there is the problem of smoothing the way for globalization- of reconciling the priorities of global market with society's need for equity, fairness and compassion.

THE PHILIPPINES PERSPECTIVE

Relations between Asian and Europe are less cordial on "North South" issues- such as agricultural subsidies and protectionism for sunset industries in the EU. Developing countries argue that farm-trade liberalization alone in the European Union, the United States and Japan would yield them benefits with 142 billion USD by 2015. Thus, if the Doha round is to materialize, the EU should begin to level agricultural playing field.

AS the senior Philippine official present at the RP-EU Conference, DTI Sec. Favila aptly focused on the historical connection by asking, "Considering that the Philippines was under a European country for more than 300 years and our trade engagement goes back several centuries to the Galleon Trade, shouldn't the Philippines and Europe be doing more business with each other?" Citing the fact that the Philippine export to the EU are about to breach the 7 Billion USD mark this year, he challenged both EU and RP party participants to develop areas of sustainable growth other than the electronic sector- to ensure sustainable expansion of our trade. He averred: "The biggest threat is another down turn in the Electronics market. Electronic continue to dominate our exports to the EU, accounting for 74% of the total. It was in fact the strong performance of electronics that enabled the Netherlands our main gateway to Europe, to emerge as our number one export market in April, surpassing China, the US and Japan. Therefore under the Philippines Export Development Plan our promotion efforts are mainly on I.C.T processed food and beverage; branded garments and stylish home furnishings; automotive parts; amend designer –driven consumer goods. In 2005, the EU accounted for 17% of RP global trade. The trade balance has remained in favor of the Philippines for several years now with bilateral trade growing at an average annual rate of 4.3% for the past 5 years. Given the challenges of non-tariff market access, the Philippines will focus on capability building for our industries bilaterally with the EU as well as under the Trans- Regional EU ASEAN Trade Initiative (TREATI). Such close interaction will ensure that our activities are realigned with EU regulatory framework and minaret requirements".

At the 7th ASEAN Economic Ministers-European Union (AEM-EU) consultations held in Makati last May, the ministers welcomed recommendations to upgrade the ASEAN – EU Economic partnership to a Free Trade Area level that would be mutually beneficial and could support the ASEAN integration process. This higher partnership would be based on two pillars: 1) the establishment of a WTO-consistent FTA; and 2) the expansion of economic cooperation that ensures that the benefits are maximized and balanced. A recent study commissioned by the European Commission to assess the impact of an FTA between the two regions showed that ASEAN stands to gain by way of a 2% increase in its GDP by year 2020, govern the liberalization at the services sector. It will also provide a strong incentive for implementing structural reforms in ASEAN to enhance its competitiveness and attractiveness for FDI.

"Governments have the responsibility to create the right environment for business to prosper. But to turn opportunity to growth and create wealth for people, the global economy requires intensified public-private partnership. It is precisely this kind of participative government that will move the Philippines into a new era of prosperity," Secretary Favila said.

CONCLUSION: PHILIPPINES MUST TRANSFORM

EU and Philippines relations must be more of a caring, sharing and daring partnership for each other- instead of as a contest between developed and developing nations. Accordingly, the conferees resolved to:

1. Call on the government of the EU and RP to develop a comprehensive roadmap for the enhancement of service industries;
2. Improve cooperation on infrastructure development and,
3. Further improve the "sunrise" industries of the Philippines.

Already a new regional order is emerging in Europe- as states give up portions of their national sovereignty in favor of a higher " civilization synergy." Even now European stability rests no longer on the balance of power but on adherence to " self-enforced rules of behavior." Indeed in the fiercely competitive global economy, there is no gain without pain.

For the Philippines, the pain must be borne by those who can afford to sacrifice out of their riehes and not by those who do not have much in life. Self-discipline, renewal, change and performance are vital by those who aspire for equitable and sustained progress. Even as the EU and the RP reach out to each other, the Philippines must first transform and move out of the ranks of the uncompetitive and inefficient. Can the Philippines play in the world Cup someday? Why not? Did not the Czechs wallop the Americans, 3-0, last 13 June? ■

(Reprinted from Manila Bulletin)

After infiltrating into the Indonesian port business, International Container Terminal Services, Inc. (ICTSI) sets its sight on four vital locations which the Razon-owned firm will concentrate for its overseas expansion this year.

ICTSI general manager Francis Andrews stressed that ICTSI has formed a team on each area to look at the most viable locations for the company. Among the locations they are aggressively looking into include South America, Europe, Middle East and China. ICTSI is very active in other ports worldwide. We would like to have a port in Dubai, China and another one in South America and we are set to bid on several of it this year," Andrews said.

On the other hand, Andrews said they have no immediate plans to expand its do-

ICTSI eyes four more foreign locations for expansion

mestic operations as there is still no significant market in the country that will merit domestic expansion.

ICTSI operates Tecon Suape in Brazil, Baltic Container Terminal (BCT) in Poland, and took over the Naha port in Japan and the Port of Madagascar in Toamasina last year. Recently, they bought 95% of the total outstanding shares (equity) in PT Makassar Terminal Services in Indonesia and they are looking at restarting negotiations for the Guerero Port in Guam after new officials took over the control of the Guam local government last month. The firm is also looking at the possibility of landing a port in China. They are now closely looking at three possible locations in China.

"We have already submitted one bid and we're preparing to have some more, but these things takes time. And it would take us about six to 10 months to complete it," Andrews added.

At the moment, 66% of the revenues of ICTSI come from its operations in Manila International Container Terminal and 36% from its overseas terminals, particularly from Brazil and Poland. ICTSI likewise added that they are also eyeing to improve the capacity of its international ports to handle about 500,000 TEUs to 1 million TEUs a year.

Last year, Tecon Suape handled a volume of 179,473 TEUs, while BCT had a volume of 400,000 TEUs.

Recently, ICTSI announced that they will add four new rubber-tired gantries (RTG) and two new quay cranes to its cargo handling equipment fleet in BCT. The first two cranes will be ready for operation by the end of next month, and the two remaining units will come into service at the end of June also this year. The new equipment will raise the handling capacity of the terminal up to 750,000 TEUs a year. Last year, ICTSI started the roll out of its $100 million investment program, which runs until 2020, to improve the capacity of its Polish terminal to 750,000 TEUs. This year, ICTSI is concentrating on expanding their Madagascar terminal and they are setting aside $26 million to expand the capacity of the terminal. ■ *(Bong Parungao)*

ICTSI, ATS drops bid plan for North Harbor

Cargo-handling giant International Container Terminal Services, Inc. (ICTSI) as well as the country's largest domestic fleet operator Aboitiz Transport System (ATS) has permanently dropped plans to bid when privatization process for the North Harbor goes into full blast by July this year.

Both firms said they would rather focus on their main thrusts and operating the Manila's oldest and most inefficient port is not one of them.

Francis Andrews, ICTSI senior vice president, said they are not interested to bid for the country's premiere port since its focus is on acquiring small terminals around the world, developing it, and then reselling it at a premium.

"Our international operations is very different from the domestic operations and we would be focusing on our global expansion and we have no plans for the local industry as of yet," he said.

The firm, now on its acquisition mode, recently bought 95% stake in Indonesian port operator PT Makassar Terminal Services for $5.6 million. ICTSI bought the 51% stake of Portek Systems & Equipment Pte Ltd and the rest from PT Pelayaran Neusantara Meratus, which retained the remaining 5% stake in the terminal.

It has also placed several bids in other places across the globe, including the Leon D. Guerrero Port in Guam, which is still undergoing dispute as a result of the political conflict in the US territory.

Other than the North Harbor, Andrews said they are also not interested in acquiring some of the domestic ports up for privatization. ICTSI has facilities in Batangas, Subic Bay, and in South Cotabato, but most of these were underperforming due to the sluggish growth of the country's economy.

On the other hand, Jon Ramon Aboitiz, chairman of ATSC, said they would not bid for the North Harbor, even if the Philippine Ports Authority (PPA) opens the bidding process to shipping firms.

"We see no need to bid for North Harbor even if other shipping lines are planning to do so as we are based comfortably in South Harbor," he said.

Aboitiz also said that their present setup in South Harbor, operated by Asian Terminals, Inc., is much more convenient for their ships and passengers as the facilities are more secured and accessible.

Government wants the industry's leading players to operate the North Harbor since it would have enough financial muscle to undertake modernization of the facility, make it more efficient, and, in the long run, make it profitable. In February, when the PPA Board approved a version of the terms of reference, it limited the participation of shipping firms in the operation of the port to only 5%.

PPA general manager Oscar Sevilla, during a public hearing on the privatization of the facility, however, said he favored the entry of the shipping lines into port operations in order to widen the pool of potential operators.

The danger of unfair competition, or competing vessels would be refused berthing and among other practices, would not be a problem since PPA still would oversee the operations and could easily take over if they receive complaints, Sevilla said. ■ *(Bong Paringit)*

The MICT OP Center

ICTSI to install gamma

Philippine-based port operator International Container Terminal Services, Inc. (ICTSI) is planning to install Gamma Ray Scanners or radiation sensors at its Manila International Container Terminal (MICT) this year to boost its security measures being implemented at the port.

Plan is also at the drawing board to install optical identification system to be located at its import and export gate to further make MICT at par with international security standards particularly with the International Ships and Port Facility Security (ISPS) Code.

Francis Andrews, MICT general manager, in a press briefing explained that the gamma ray scanners are expected to boost ICTSI's ongoing centralized gate terminal project which features computer imaging and tracking systems, electronic boom barriers, and weighbridges.

The scanners will be "hard-wired" to an international network which is capable of alerting high-level officials of the need to examine suspicious cargo and take appropriate action.

The equipment will insure that no radioactive material will be smuggled in or out at the MICT.

The optical identification system, which is expected to be implemented early next year, will have all trucks plate numbers as well as its drivers to register in its optical ID system for a faster turnaround time and do away with voluminous papers for proper identification.

ICTSI officials earlier said that experts from the United States Homeland Security Department and US Megaport Initiative are helping them install sensitive equipment at the port's centralized gate project which is expected to become operational this month. The Megaports Initiative was set up by the United States government in 2003 to monitor, prevent, and intercept the trafficking of special nuclear materials and other radioactive materials, which could be used by terrorists in creating nuclear weapons, throughout the global maritime network.

During 2003 and 2004, the US and British governments installed hundreds of radiation detectors at its major ports and airports.

The Megaports Initiative is overseen by the National Nuclear Security Administration of the US Department of Energy.

Its aim is to get cooperation from other countries to equip modern seaports with radiation detection equipment and allow US officials to assess their ports for vulnerability.

While US Homeland Security, on the other hand, is responsible for protecting the United States from terrorist attack and responding to natural disasters.

MICT, meanwhile, belongs to the top 25 terminals in the world with a capacity of 1.5 million TEUs (twenty-foot equivalent units). It captures about 65% of the market in the Port of Manila, one of the country's busiest ports. ■

SBMA to

The Subic Bay Metropolitan Authority (SBMA) expressed enthusiasm with the arrival of the two gantry cranes from Japan last month that would position the Subic ports to a world class economic hub.

SBMA Chairman Feliciano Salonga said the gantry cranes arrived in Leyte Wharf where Subic Port Development Project is underway.

Salonga noted that the newly acquired equipment is part of a bigger plan of the government for Subic Port to enhance its capacity from the present 100,000 Twenty-foot Equivalent Units (TEUs) to at least 600,000 TEUs next year.

"This is a facet of the government's vision to make Subic become a prime mover in the economic growth in the region that would eventually help the country improve its financial status," Salonga said.

Last March, Salonga led a delegation of SBMA officials to Japan to finalize the acquisition of the four goose neck-type Quay Gantry Cranes with a capacity of 40.6 tons rated load each.

The first two cranes will be shipped this month and each will be installed in the Container Terminal 1 and 2. Two more cranes will be arriving in mid-2007, in time for the completion of the Subic-Clark-Tarlac Toll Road.

The equipment were acquired by SBMA through a joint venture agreement with Penta-Ocean Construction Co., a consortium of TOA Corporation and Shimitzu Corporation of Japan, under a $215-million loan package funded by Japan Bank for International Cooperation (JBIC) for the construc-

acquire two granty cranes

tion of the Subic Bay Port Development Project. Other sub-projects included in the package are the construction of the modern container terminals, and the two berths with 280 meter-length and 13 meter-deep.

Meanwhile, SBMA Administrator and Chief Executive Officer Armand Arreza described the arrival of the cranes as timely as the bulk of the materials and equipments for the construction of the two mega-projects are starting at a good pace.

"We now need fast and efficient cranes to load and unload the heavy equipment from ships, as well as other materials and supplies for the P1-billion Hanjin Shipyard project of South Korea, and the $300 million high-tech glass production of China-based Hebei Jingniu Group," Arreza said.

He also expressed confidence that the new port if finished would make Subic a key player in containerized and non-containerized cargo handling, which will attract more shipping companies worldwide to use Subic Ports.

"At that time, we will begin getting shares of the local and international shipping business in the region and the Asia-Pacific region, while helping decongest the traffic in Metro Manila," Arreza said. ■

Harbor Center's full containerized operations not viable, says PPA. But PCCI says otherwise

The proposal of the Philippine Chamber of Commerce and Industry (PCCI) to allow private port Harbor Centre Port Terminals, Inc. (HCPTI) full containerized operations to better foster competition when the North Harbor is privatized is not viable, according to an official of the Philippine Ports Authority (PPA).

The official added that competition is already there even if HCPTI has no permit to operate full containerized function as the port is basically a domestic port and a port allowed to accept international break-bulk cargoes.

"Allowing HCPTI full containerized operations has nothing to do with the privatization of the North Harbor since the port is for domestic operations and HCPTI is allowed full domestic operations," PPA assistant general manager for corporate and special projects Raul Santos said in an interview.

He added that what is not allowed for HCPTI is to handle international containerized cargoes outside of its locators as the function is already with International Container Terminal Services, Inc. (ICTSI) and Asian Terminals, Inc. (ATI).

The PPA Board has been sitting on the petition filed by HCPTI to allow them to accept international containerized cargoes outside of its locators for some three years now as cargo-handling operations for containerized cargoes are exclusive to ICTSI and ATI as well as put the current share of the government in jeopardy as HCPTI, a private port, could slash rates by some 50% and remit only P20, 000 annually to the National Government as its share. Both ICTSI and ATI, on the other hand, are paying in the millions of pesos to the Government as its share.

PCCI on the other hand, to stir heightened competition and more transparency, is proposing to allow Harbor Center and South Harbor to compete with both terminals.

PCCI said this position comes after thorough consultation with stakeholders who were concerned that "there is not enough cargo to go around." The group, as well as its supporters, Exporters Development Council and Distribution Management Association of the Philippines has expressed this position in separate letters to Oscar Sevilla, general manager of the (PPA).

The group explained that Harbor Center, owned and operated by businessman Reghis Romero II of R-II Builders, should be allowed to handle containerized cargo so that it could compete with the proposed terminal. "Allowed only to handle break bulk cargo for both domestic and international, Harbor Center is operating well and charges fees that are 50% cheaper than the two foreign port operators," PCCI president Donald Dee said.

South Harbor, he added, should be left as such so that it would compete with all of the above terminals.

But bottom-line, according to Dee, is that all terminals should offer the same kinds of services to achieve real competition. ■

PPA approv[...] privatizat[...]

The Philippine Ports Authority (PPA) has approved the terms of reference of the privatization of the Manila North Harbor, the second time this year, giving the entire facility to a single operator and allowing the entry of shipping firms into port operations.

An official of the PPA, in an interview, said its board approved the terms during its monthly meeting on early this month.

The official said the new terms now state that the entire facility will be treated as one terminal operated by a single operator.

"The (PPA) board thinks that it (single terminal, one operator) is the most feasible because there is already competition with Pier 15 (South Harbor) and Harbor Centre around," the official said.

Earlier, the plan was to divide the facility into four terminals—two main cargo terminals competing with each other, a passenger terminal, and terminal for trampers. Each of these terminals will have an operator that should undergo the government's bidding process.

This time, the official said, the North Harbor privatization will still have those components but it will be all under a single operator that would market the facilities to other concessionaires.

"They could even make the Pier 2 and Pier 4 a tourist area, just like in San Francisco (in the United States)," it said.

On the other hand, the board has also increased the participation limit to 20 percent for each of the shipping lines owner, from

es TOR for North Harbor

on

the 5 percent that was approved earlier.

The official explained that if shipping lines decided to participate in the consortium that would operate the North Harbor, each of them are limited to only 20 percent.

PPA, however, did not place a limit on the number of shipping lines allowed in a consortium. "If five of them (shipping lines) decided to form a consortium with equal sharing, that would be allowed."

PPA earlier wants to block shipping lines owners from operating the port due to fears of unfair competition, or it may hinder its competitor vessels from berthing.

The terms will now be given to the NEDA-ICC National Economic Development Authority-Investment Coordination Committee since it is on a build-operate-transfer scheme.

PPA first approved the terms of reference of the privatization in February this year, which contained a two-operator provision for the cargo handling operations. A month later, it was forced to revise the terms after port users, represented by the Philippine Chamber of Commerce and Industry, said that the two-operator scheme is not viable.

It was PCCI's idea to have a multi-operator scheme in the North Harbor to have competition. ■

US GOV'T BACKS DEAL ON ANTI-TRAFFICKING IN PHILIPPINE PORTS

In a move to formalize the Republic of the Philippines-United States stance on the Anti-Trafficking in Persons (TIP) drive, US Ambassadress Kristie Kenney visited the Philippine Ports Authority Port Management Office (PMO)-Davao for the turnover of the US grant of an estimated $250,000 to intensify the anti-trafficking campaign nationwide.

"It is really a model for all of us-the kind of cooperation and collaboration we can have to protect our citizens. Trafficking in persons as all of you know is a global problem; it preys on our weakest citizens and people who do not know better," Ambassadress Kenney stresses in her keynote speech.

"We witness (today) a turnover of goodwill and commitment and we laud the US Department of State and the US Agency for International Development (USAID) for the strong support in the advocacy against TIP", PPA Assistant General Manager for Finance and Administration Aida Dizon conveys in her remarks.

Present during the turnover ceremony were about 150 TIP supporters from various allied public agencies, top private/business leaders and distinguished members of the national and local tri-media.

Also in attendance is second district Hon. Congressman Vincent Garcia to represent the Davao City local government and as one of the witnesses during the signing of the RP-US Memorandum of Understanding.

Said grant, estimated at $250,000, was handed in to Visayan Forum Foundation, Inc. (VFFI), the Non-Government Organization (NGO) partner of the Philippine Ports Authority in the management of the halfway houses in major ports of the country.

"This unique collaboration to address trafficking between government and VFFI as an NGO through the halfway houses in the seaports will also be replicated in the Philippine airports-a first in Asia and the world," VFFI President Ma. Cecilia Flores-Oebanda reveals.

PPA, through its Gender and Development (GAD) Focal Point and in partnership with VFFI, is currently operating four halfway houses in strategic major ports, namely, Manila North Harbor, Batangas, Matnog in Sorsogon and Davao (Sasa).

GAD, through the leadership of AGM Dizon, had conceptualized the halfway house project as early as 1996 in response to the plight of stranded passengers in the ports.

Most of these passengers are women and children traveling without valid itineraries or reputable work opportunities to support themselves upon their arrival in the new place.

In July 2000, the first halfway house in Manila North Harbor opened to the public and was later renamed as Balay Silungan sa Daungan (BSD). It has since served as a temporary shelter for potentially trafficked persons.

TIP, a growing socio-economic phenomenon worldwide, is characterized mostly by migration of mostly women and children without proper travel documents or with falsified ones. This could also mean a series of trips and stopovers to various destinations undisclosed to them at first.

Fleeing from poverty, majority of those recruited through trafficking are being lured into cities, urban centers or even countries abroad with promise of a better life and livelihood only to discover that they are pushed to forced labor, pornography, prostitution, drug smuggling and other forms of illegal trade.

Potentially trafficked persons often travel in groups and are accompanied by so-called "Kuya" and "Ate" (older siblings in the vernacular) who also serve as their recruiters.

These unscrupulous recruiters would earlier brief them to give uniform or scripted answers to the authorities and strangers alike about their true identity, age, and the nature of their supposed future jobs.

Through the halfway houses, issues such as early detection, investigation, arrest, counseling, temporary shelter, repatriation, case filing/prosecution and reintegration of potentially trafficked persons can now be properly addressed.

A network of government agencies (e.g. PPA port police, Crime Investigation and Detection Group, Local Government Units, Department of Justice, Department of Labor and Employment, Department of Social Welfare and Development) and private sector that includes the shipping lines, porterage workers, VFFI and other children and women-focused NGOs known as the Inter-Agency Council Against Trafficking (IACAT) also serve as the frontline defense against this social menace.

In Davao City alone, a total of 1,647, mostly women and minors, have already been given assistance and appropriate interventions through the halfway house at the Sasa Port from 2002-2005 according to the VFFI records. ■

Japan's aid to pro-whaling nations revealed


Greenpeace activists in action

Less than a week since Japan and its allies scored a stunning victory at the International Whaling Conference — paving the way for a possible return to commercial whaling — the Japanese government has revealed how much money it has given to countries that support its stance.

In a written reply to a query on Japan's "marine aid" to developing countries, the government acknowledged pouring 617 million yen ($8.7 million) last year into St Kitts & Nevis, the tiny Caribbean nation that hosted the IWC conference.

Nicaragua, the top recipient of Tokyo's largesse, was awarded about $17 million, and the Pacific island cluster of Palau got $8.1 million. All three countries voted with Japan, Iceland and Norway at last weekend's conference in favor of the "St Kitts & Nevis Declaration", calling for the 20-year ban on commercial whaling to be scrapped.

The pro-whaling camp won the ballot — its first majority in over two decades — by just one vote. Conservationists said the result, while largely symbolic, spells disaster for the world's dwindling whale stocks.

The Japanese government said it had also awarded millions of dollars in "grant aid for general projects and fisheries" to Peru, which supports commercial whaling, and Samoa and Algeria, which environmentalists believe Japan is trying to recruit.

The St Kitts grant was signed on July 1st, 2005, just after last year's IWC conference in South Korea. The aid question was tabled by Shokichi Kina, a member of the main opposition Democratic Party of Japan and a well known Okinawa-based environmental activist.

'RIDICULOUS'

"Japanese people don't even eat whales or dolphins anymore but still the government is pressing ahead with this campaign," he said.

"It's ridiculous to hear the fisheries ministry say that stocks are increasing when nobody really knows if that's true. Japan will be hated by the rest of the world."

The government did not refute the "vote-buying" charge in its reply to Mr Kina. Japan has been long been accused of using multi-million dollar aid packages to swing the 70-member IWC, which has been narrowly controlled by conservationists for quarter of a century, back into the pro-whaling camp. Many of the commission's 20 newest members, such as the Marshall Islands and St Kitts & Nevis, have no history of whaling and several, including Mongolia and Mali, have no coastlines.

Conservationists also say Japan has been known to pay the IWC subscriptions of poorer members such as Togo, which turned up late to the St Kitts conference with its US$10,000 ($16,000) membership fee in cash, although such allegations have never been proved. But the latest information is the most detailed yet on Japan's direct grants to its supporters and will lead to calls for further investigation into the ties between foreign aid and pro-whaling votes. Japan's chief IWC negotiator, Joji Morishita, denied last weekend that his country bought its way to victory.

"Japan gives aid to over 100 countries so why single out those that come to this conference?" he asked, claiming that the charges were an attempt by the anti-whaling bloc to smear countries that want to return to "sustainable use of whale resources". An anonymous foreign ministry official, speaking to the *Yomiuri* newspaper this week dubbed allegations of vote-buying "Japan-bashing". But Greenpeace Japan's executive director Jun Hoshikawa said it was "obvious" that Japan's aid had influenced the St Kitts vote. "Otherwise, why is money being poured into the country?" he asked. "Tax money is being spent on something Japanese people do not want on a place they don't know."

SPLURGED

Environmentalists in Japan say the drive to end the 1986 ban is backed by a group of nationalist politicians who have splurged over $160 million in public money since 2000 on six small Caribbean nations, despite widespread indifference at home to whaling.

An internet survey released last week claimed that over 70 per cent of Japanese people oppose a return to commercial whaling on the high seas. Whale-consumption has been declining in Japan since the 1960s and is now eaten regularly by less than one-per cent of the population. The government's expensive campaign has flown largely beneath the Japanese media's radar. The St Kitts conference, for instance, to which Japan sent 59 delegates - nearly five times the UK presence - received scant coverage in Japan until the pro-whaling vote was announced.

Conservative newspapers have since hailed the result as a victory for Japanese negotiators. One called it a "return to common sense." Japan and Iceland currently engage in what is controversially called 'scientific whaling' while Norway ignores the moratorium. Pro-whalers need 75 per cent of the IWC votes to completely scrap the ban, still well beyond their reach.

But many fear they will use the momentum from what Mr Morishita called the 'historic' weekend vote, to dominate next year's IWC conference in Alaska. ■

Cagayan de Oro port, one of the busiest in the Mindanao Region

MINDANAO SHIPPERS TO START CARGO POOLING PROJECT THIS MONTH

A group of shippers in Northern Mindanao said it would start its cargo pooling project in July, which hopes to pull down freight cost and help small and medium-sized firms to access markets in Manila and Luzon.

According to the plan of Northern Mindanao Shippers' Association (Norminsa), it would create a network of ports in Cagayan de Oro, Misamis Oriental, and Bukidnon area and targets about 300 small shippers, mostly member firms of the Philippine Exporters Confederation.

Officials of the Philippine Shippers' Bureau said they support such project, and if successful could be used to other parts of the country. According to the plan of the group, it would combine the cargo of small shippers to create volume, which they could also get big discounts on freight rates. It said it plans to reduce the cargo cost by half.

"Cargo pooling is not a new idea itself. But it will be the first time that this project will be tried in Mindanao for small shippers, across various trade groups, and different commodities," according to the plan of the group.

According to its plan, during a six-month period, it would have established its network with the small and medium-sized firms in the area and have conducted at least one test shipment for the pooled cargo. After a year, it is expected that consolidation of volumes of various commodities is already institutionalized; the cargo can now be bidded out among the shipping lines.

"For the second and third year, same activity can be replicated in other ports like Iligan and/or Ozamiz," the group said.

The group asked for a P1 million funding from the World Bank, through its development contest, for the institutionalization of the project, mainly to cover administrative expenses such as the project manager who will be hired to go around and convince small shippers to join the project. An office will also be put up, which will coordinate the pooling project. Norminsa, on the other hand, would provide P200, 000 as counterpart funding.

It said the project will be sustained since the group will charge a facilitation fee of P100 per 20-footer container van from the participating shipper and pro-rated if the shipment is loose cargo.

"Considering only 10% of the 1,000 20-footer vans per week that were shipped out from the Cagayan de Oro Port alone, it would be enough to sustain the project," the group said.

Small shippers in Mindanao cannot access markets in Manila and Luzon due to the high shipping cost, which is twice higher than the international rate over the same distance. For instance, it is much cheaper to ship goods from Mindanao to Hong Kong and South Korea than shipping goods to Manila. The group said, with freight rates controlled by the Philippine Liner Shipping Association, the high cost of domestic shipping excludes Mindanao small shippers from competing in the markets in Manila, Luzon, and other countries. ■

THE SCARBOROUGH SHOAL ISSUE AND THE LAW OF THE SEA

Atty. Vergel De Dios

I do not know the legal basis for China's claim over the Scarborough Shoal. One thing is certain though – the Shoal is within the 200 - mile exclusive economic zone of the Philippines and outside that of mainland China which is 650 nautical miles away.

Logically, therefore, China must be basing its claim not on the Law of the Sea Convention but on generally accepted principles of international law on acquisition of territory by States. Thus, in international law, the modes of acquisition of territory are by discovery and occupation, by conquest, by cession, by prescription and by operation of nature like accretion.

Having said this, I would agree with Former Secretary Siazon of the Department of Foreign Affairs (DFA) that the resolution of the issue would depend much on the determination of whether Scarborough Shoal is indeed a "shoal" or an "island". Such prior determination is important because if it is an island, then it is "territory" that can be acquired or owned by States through the different modes mentioned above and the contesting States can then proceed to discuss/resolve their sovereignty dispute on that basis. On the other hand, if it is determined to be just a "shoal", then it is not "territory" that can be acquired by States through the different modes mentioned above. What would then govern would be the Law of the Sea Convention which defines the maritime boundaries of States. Both China and the Philippines, incidentally, are States parties to the Convention and are therefore bound to comply with the same.

Based on newspaper reports alone and on limited photographs shown, the Shoal is just a rock formation which is submerged during high tide and which apparently cannot sustain human habitation or economic life of its own. As such, it would be a part of the maritime boundaries of the Philippines, specifically within its "exclusive economic zone" or EEZ.

Which brings us to what the EEZ is and the rights of coastal States over said area. Under the United Nations Convention on the Law of the Sea, the exclusive economic zone is defined as an area beyond and adjacent to the territorial sea, subject to the specific legal regime established in Part V thereof under which the rights and jurisdiction of the coastal State and the rights and freedoms of other States are governed by the relevant provisions of the Convention.

Based on this definition alone, you would readily see that the exclusive economic zone is not really exclusive in the sense that the coastal state can prevent other States from exercising any right thereon. Thus, the EEZ is considered "high seas" in so far as the freedom of navigation and overflight and of the laying submarine cables and pipelines and other internationally lawful uses of the sea of other states are concerned. In other words, other states have the right to navigate their ships on the EEZ, the right to fly their airplanes over said area and the right to lay submarine cables and pipeline therein. Other internationally lawful uses (which are not explicitly defined in the Convention) can also be undertaken by other states. The only limitation to the exercise of such rights is that these other states must have "due regard to the rights and duties of the coastal State and must comply with the laws and regulations adopted by the coastal State".

What other states cannot do in the EEZ is to explore and exploit the natural resources therein which sovereign right is exclusively given to the coastal state. Thus, the right to fish and to extract the mineral resources in the area belongs exclusively to the coastal state. Other states cannot also establish and use artificial islands/installations/structures, conduct marine scientific research, and protect and preserve the marine environment therein which jurisdictional rights are given to coastal state. In exercising these rights, however, the coastal state must have due regard to the rights of other states. Thus, the artificial island/installations/structures, for example, must not be so constructed as to be unsafe for navigation and/or to interfere with the use of recognized sea lanes essential to navigation. It is good that both countries have agreed to settle the dispute over the Scarborough Shoal through the peaceful means. After all, both countries belong to the United Nations which subscribe to the policy of settlement of disputes through peaceful means. ■

JICA-NAMRIA finalizes CGSD Hydrographic Project

The Japan government through the Japan International Cooperation Agency (JICA) has responded to the request of the Philippine government for further technical assistance for capacity development of the NAMRIA, Coast and Geodetic Survey Department (CGSD) through the implementation of the *"Enhancement of Hydrographic Capabilities for Navigational Safety"* project. The technical cooperative project which commenced early quarter this year would support the NAMRIA, CGSD to fulfill its mandate of providing the maritime public with adequate nautical charts and information for safety of maritime transportation and navigation.

Two JICA experts, Mr. Heiji Sakamoto and Mr. Shoichi Kokuta arrived in the country on March 22 and May 15, 2006, respectively and are currently holding their office in NAMRIA, Binondo Branch Office. The former is working as expert for Hydrographic Work while the latter is for Institutional Capacity Assessment. Scheduled activities of the project for the year are the installation of new survey equipment on BRP Hydrographer Presbitero's motor launch, upgrading of shore-based cartographic system, training of counterpart staff and hydrographic survey of one of the three programmed areas.

The joint project's key goals are to improve NAMRIA's capability in hydrographic data acquisition and processing techniques; nautical chart compilation in paper and in electronic format including databasing techniques; and tidal observation and its data analysis.

To attain the project objectives, JICA will provide experts in the fields of hydrography, oceanography, and nautical charting. It will also provide necessary equipment and other materials such as multibeam system for motor launch, nautical chart digital data compiling system, and tide gauges. Technical trainings, if needed, will also be made available in Japan for CGSD counterpart personnel.

For its part, NAMRIA will appropriate budget to cover the project's operating expenses and will provide the necessary facilities and equipment other than those to be supplied by JICA. It will ensure the smooth operation and sustainability of the project during and after the period of the technical cooperation; and effective utilization of the equipment to be provided and of the technologies, knowledge and experiences acquired to contribute to the economic and social development of the country. NAMRIA will likewise ensure the active involvement in the project by all concerned agencies, beneficiary groups, and institutions.

The project is scheduled to be completed in two years. During this period it is expected that NAMRIA will be able to further its technological capability in nautical charting. Selected areas for this project are the harbors of Batangas, Manila, Cebu and the approach of Cebu. The JICA has been very generous assisting the NAMRIA thru Japanese experts dispatch as well as technology transfer. It has completed for CGSD in June 2005 the *"Technology Development of Electronic Navigational Charts"* and is currently implementing another project for NAMRIA Mapping Department, the *"Study for Mapping Policy and Topographic Mapping for Integrated National Development in the Republic of the Philippines."*■

A turn-around year for Nenaco

Negros Navigation Company, the country's oldest shipping line, expect its business to turnaround this year, mainly as a result of the strong surge of its net income during the second quarter, normally the traveling season.

According to documents, the company expects to post P108 million during the second quarter, a reversal of its net loss of P29.2 million during the previous quarter. Such growth, however, would be short-lived since it expects to post a net loss of P57 million in the third quarter before slightly rebounding for the fourth quarter at P26 million net income.

The second quarter net income, however, is enough to turnaround its operation for the year and gain a net income of P47 million, which includes payments of its debts, from the previous year's net loss of P134 million.

"As in the past, the company will make its biggest run in the 2nd quarter, which is normally the traveling season," it said. "The third quarter, which is largely the rainy season, will be much like the 1st quarter."

If everything goes well with its expectations, this year will be the first time since the local court in Manila has approved its corporate rehabilitation during the fourth quarter of 2004. The company, however, said it does not expect the its passenger and cargo traffic to pick up anytime this year as a result of various factors, including the sluggish growth of the country's economy and the continued increases in oil prices.

"The passage business will be at best flat whilst the cargo business will maintain its steady growth," said Nenaco, a unit of publicly-listed Metro Pacific Corp. It added that stiff competition from the roll on-roll off service, and the deteriorating number of passengers, and the aggressive marketing of some airline firms to bring down its cost all prevented them to get more income from its operations.

During the first quarter, revenue from passengers plummeted by 13%, but strong cargo volume has offset such decline. Including the ramp usage fee, the total favorable variance for freight is about P27 million, which is just enough to cushion the mediocre performance of the passage business.

For the period, it was able to trim its losses after it only used six vessels, from its nine ships it utilized last year. The company's net revenue was also lower than last year, but its operating costs plummeted on a much higher scale, or 30% and 21%, respectively, it said.

Meanwhile, Metro Pacific intends to replace two of Nenaco's passenger ships with freight and cargo vessels in a reflecting plan the company will undertake.

Ships are also planned to be redesigned as such that it will consume less fuel on its operations to further enhance the shipping company's operation as it continues to struggle from huge debts. Nenaco has a total of 11 ships but has to mothball 9 of them in order to cut costs and service its huge debts.

Of date, talk remains on the table between the company and its creditors on pursuing this plan since the company is under a 10-year rehabilitation program since October 2004. ■ *(Bong Paringit)*

WATER THE MOST IMPORTAN

meters from the riverbed, and will control flooding that annually inundates 125,000 hectares of densely-populated communities, irrigate some 87,000 hectares of farmland over large portions of Pangasinan and Tarlac, and generate 345 megawatts of electric power. Inexplicably and foolishly, the Arroyo administration abolished in 2004 the Agno River Basin Development Commission (ARBDC) established in 1997 to formulate, implement, and oversee the long-term development of the entire systems.

Other strategic projects started by the Ramos Administration and already completed are the Angat-Umiray Trans-basin System and the Casecnan-Pantabangan Tunnel Connection, both of which are primarily for water supply, and secondarily for power generation. Thanks to then Congressman (former Senator) Heherson Alvarez and other environmentalists who championed the Clean Water Act (R.A. 9275, enacted on 22 March 2004) a policy platform has been provided for the implementation of both immediate and long-term programs and projects.

REGIONAL OVERVIEW

Southeast Asia is home to more than 540 million people. And like the rest of the world, its pollution growth is causing great anxiety for governments, leaders and citizens. As in other regions, it is the poor people more than anyone else, who are hardest hit by the problems of water shortage, pollution, floods and water-borne diseases. High growth rates in the region, both in agriculture and industry, together with urbanization have, in turn, dramatically increased the pressures on limited water resources. Because Southeast Asia is primarily a rice-producing region, the agricultural sector has an unusually high demand for fresh water. However, competition is already taking its toll on the use of available water for equally urgent purposes such as domestic and industrial uses, and for the maintenance of the ecosystem. Moreover, a general lack of pollution control further decreases the amount of freshwater available, and allows environmental damage to continue. All these threaten the livelihood of people and the sustainability of natural resources for the next generations.

Since Southeast Asia is blessed with one of the world's highest renewable freshwater resources, the water problems besetting many parts of our region pertain more to issues of delivery rather than supply. Strong leadership, political will, and commitment are important factors needed to implement vital reforms in the areas of water quality deterioration, decrease in water availability and conflict among users.

WATER VIGILANCE VS. POPULIST POLICIES

Inefficient or populist governance further compounds the problems in the water sector. Choices have to be made — between alternative uses, conflicting interests, and sometimes, even between what is efficient and what is less burdensome to the people. In each country, there are typically many stakeholders involved with water. It is, therefore, inevitable that politics enters the picture.

This is neither good nor bad. It just is there. But, leaders who succumb to populist tendencies, especially those with an eye to the next elections, and allow a relatively low price of water to artificially prevail, only do our people a great disservice. So do policy-makers who mandate that irrigation water should be given free. The mistaken notion that water should be a free social good does not promote its conservation or its most beneficial use. Economic options which deserve consideration include the "users' pay" principle and market-based instruments to enhance water-use efficiency and to rationalize the allocation of water resources. The strict enforcement of the "polluters' pay" principle to reduce pollution enabled fish-farming to flourish in Laguna de Bay and Taal Lake since the mid-1990's.

Government revenues from raw water charges, effluent taxes and sewerage fees must be earmarked for water resource management-related activities. These must also be applied to support cross-subsidies in favor of the poor, and those which may have to rely on higher-cost sources of potable water, as well as to strengthen environmental protection. In other words, one challenge before us is to create the legal and social framework as well as operational mechanisms to allow a market-based approach to facilitate appropriate payments by gainers to compensate losers - particularly the poor and the environment — from water reallocation.

The complex nature of water resource management clearly requires a more integrated and holistic approach in addressing the interrelated issues of water supply planning and operation, demand management, pollution control, and watershed and groundwater protection. Broader stakeholder education, consultation, and participation in water resources management must be promoted. In each population center, it is essential to establish the population-carrying capacity of the ecosystem, natural resources base, and the infrastructure network.

We must make it everybody's priority to provide the disadvantaged sectors with affordable drinking water. Socialized pricing, and the promotion of community-based and-operated water systems, where appropriate, are workable options. So is "rain-harvesting" at the household and community levels. A good example is the community water cooperative established in Roda, Cebu that Governor Gwen Garcia, World Water Philippines President Guido Delgado, and I inaugurated two years ago in which the key component is the use of solar power to operate the deep well pumps.

Obviously, watershed protection and management must be promoted with maximum community participation. There is also the need to maintain the productivity of agricultural, forest and aquatic assets: and the assimilative capacity and quality of air, water and land resources.

The promotion of environmental awareness, including environmental ethics and management support actions is crucial, both as an institutional strategy, and to consolidate public support. Effective water sector reform requires no less than a total commitment to sustain capacity-building, monitoring, evaluation, research and learning. To be effective, water reform practitioners must respond to changing needs at the national, basin, project, service entity, and community levels.

The establishment of waste water treatment facilities must be accorded top priority — for the minimization of waste generation, and the constant recycling and reuse of waste water.

Finally, water-related laws, and implementing rules and standards must strictly be enforced. This can be achieved only through a sincere and consistent public information and education campaign on water issues, and not by populist attitudes.

SUMMING UP

In sum, water use should be sustainable — with incentives, regulatory controls, and public education to promote economic efficiency, water conservation, and environmental protection — all within a transparent policy framework.

Water is life. Water is everyone's responsibility. What we do with our waters, for good or bad, will be our legacy to our descendants. All sectors — government, private business, civil society, and local communities — must work closely together to ensure the sustainable availability of clean water, and thereby assure a bountiful and healthy future for generations to come. To repeat the obvious:

(1) For all, water vigilance is a daily duty, and not just when summer heats up;

(2) For our national and local leaders, water vigilance is an urgent responsibility for which they are accountable; and,

(3) For President Arroyo, to revive the ARBDC.■

WATER THE MOST IMPORTANT COMMODITY

Already water, more than oil, has become the single most important commodity of this new millennium. In the 21st century, water will become as basic to human and socio-economic development as oil was for most of the late 20th century. Over countless generations still unborn, water will define humankind's collective prospects for environmental sustainability and eventual survivability. Water, or the lack thereof, could be the cause of World War III, not nuclear weapons or international terrorism, according to some experts who addressed the 2nd World Water Forum (WWF2) in the Hague in 2000 and the WWF3 in Kyoto in 2003, in both of which I participated in as a keynote speaker. Former Prime Minister of France and incumbent Member of European Parliament Michael Rocard, in a recent article, explained why the world at large is alarmed over the scarcity of potable water: *"....fresh water accounts for just 3 percent of all the water available on our planet. When one considers the fights we are capable of having over oil, one shudders to imagine where a lack of water could lead."*

"The wars of the 21st century will be fought over water," a former Vice President of the World Bank, Ishmael Serageldin, declared before the dawn of the new millennium. Serageldin ought to know what he is talking about. After all, he played a prominent role in crafting the World Bank strategy to leverage its lending policies in compelling developing countries to privatize their water services, thereby provoking outbreaks of popular resistance. Serageldin was also chairman of the Global Water Partnership, an organization that co-sponsors the World Water Forum to promote the privatization of water resources and services. When the World Bank instructed Bolivia to privatize the water services of its major cities in early 2000, the people of Cochabamba took the streets by the tens of thousands, day after day, protesting against their government. In Metro Manila, no such angry protests greeted the decision of the Philippine Government when it went for the privatization of the delivery of clean, potable water to the MWSS service area in August 1997. The innovative move to place clean water delivery to Metro Manila's 11,000,000 residents in the hands of the private sector was, in fact, welcomed by all sides, and became the World Bank's model of water privatization for other developing countries to follow.

FIGHTING COMPLACENCY AND WASTAGE

In its 29 April 2006 issue, the *Manila Bulletin's* editorial warned about our long-term water supply problem and called upon our people to help in the conservation of water, the reforestation of our country's watersheds and, equally important, in preventing the pollution of our rivers, lakes, and other open water sources. Its alarm signal was: *The Department of Public Works and Highways (DPWH) reported that safe drinking water in Metro Manila may be scarce within five years unless more homes are linked to sewage treatment systems. Water tables are falling, rivers are drying up, and competition for dwindling water supplies is increasing. Water experts from the World Watch Institute in Washington, D.C., forecasts that most Asian countries will have severe water supply problems by the year 2006."*

Metro Manila already faces water scarcity in many slum areas. The controversy between water conservationists and poor people's housing groups over the future utilization of a 58-hectare area within the La Mesa Dam Watershed is already heating up – but this should be decided categorically in favor of water conservation and protection. Because of rapid population growth and changing lifestyles, the need for developing additional fresh water resources and cost effectiveness and equity in water management becomes more pressing. During the period 1992 to 1998, our Government invested a great deal of time, effort, and funds in water conservation, management, utilization and distribution. One such successful project — the San Roque Multipurpose Dam (SRMD) located at the border of the provinces of Pangasinan and Benguet — is the largest of its kind in Southeast Asia. Started in 1996 and completed in 2003 to harness the great Agno River, the SRMD rises to a height of 193

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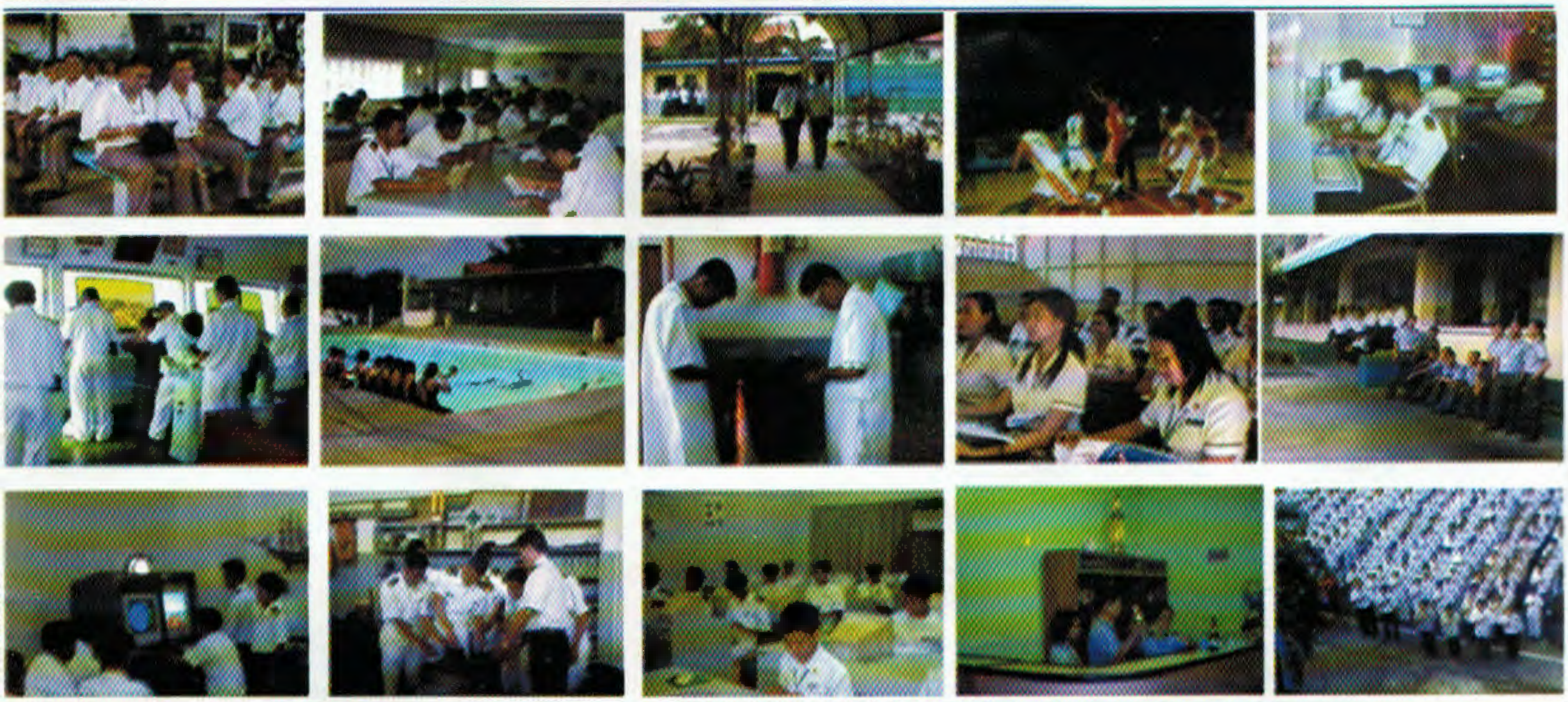

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