MARITIME REVIEW

A PUBLICATION OF THE MARITIME LEAGUE

JULY - AUGUST 2007

COSCO and Executive Order 629

Mitsui OSK and MMC launches training ship

Hanjin increases investment in the Philippines

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Art by:

"Sail Towards your Destiny and Anchor to your Success."















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Chairman's Page

by Carlos L. Agustin

COSCO an

An item appeared in the *Philippine Star* on 18 June 2007 on the subject "COSCO TO INVEST $3b in Sangley Point, Cavite" which caught the interest of many observers. LGUs and government agencies. It appeared likewise in other newspapers that day and in subsequent follow up reports

Barely one day later, on 19 June 2007 I was invited by Ambassador Francis Chua, Special Envoy on China Business Investment for the Philippines, together with former DND Secretary Angelo T Reyes (then DENR Secretary and now Energy Department Secretary), to attend a dinner hosted by him in honor of COSCO President and CEO Wei Jia Fu at the Makati Shangri-La Hotel. I knew that Sec Reyes actually suggested to Ambassador Chua that I be included, knowing that I had met Chairman Wei and that I had previous interaction with him a few years ago.

During the lively and very informal dinner at the Shangri-La Makati (the COSCO party actually had no time to dress up, since they came from a golf game at Southwoods on invitation of former President Fidel V Ramos, I got very strong indications that:

1. COSCO is indeed interested in doing business in the Philippines, as a result of the invitation personally given twice by President Gloria Macapagal Arroyo to Chairman Wei, the last one being at the Boao Forum in June 2007.

2. COSCO's interest is spurred by their recent successful IPO in Shanghai, which enabled the world's second largest shipping company to generate some $200 billion in extra funds out of the USD1.3 trillion garnered.

3. COSCO is now embarking on building its shipping and ports network, with terminals in many China ports and in such cities as Los Angeles, Panama and Boston in the US, and Singapore, Antwerp, Suez Canal and Italy, with annual throughout up to over 13 million TEU. COSCO is the 8th largest container terminal operator in the world.

4. COSCO's primary interest is to establish a port or terminal, eyeing among others the development of Sangley, which Sec Angelo T Reyes suggested to the President and which PGMA has likewise indorsed for privatization. Their other interest includes a shipyard, a training center and mining, primarily on nickel of which they are willing to invest up to 80% of the current assets, provided COSCO handles all inbound and outbound mine product cargo.

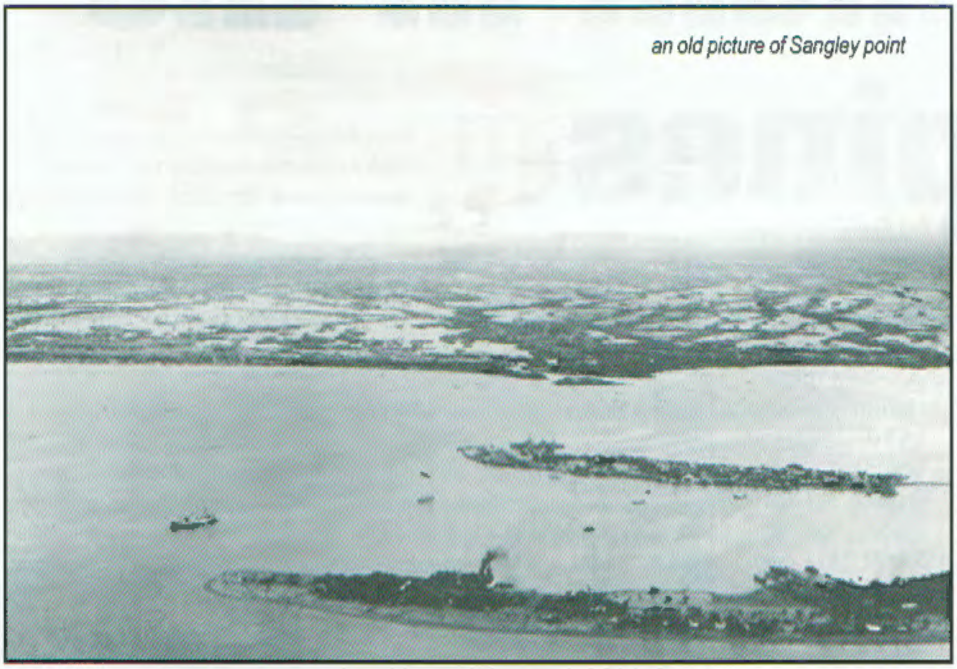
The Navy, quite adamant in the mid-90s, is no longer averse to this, provided there would be appropriate replication of facilities. Former FOIC VADM Eduardo Ma R Santos had actually written the SND through the CSAFP way back in 1999 indorsing such move for privatizing the shipyard. The current PN FOIC, VADM Roger Calunsag, told me last month he is willing to relocate all PN facilities in Cavite to the old ammo depot in Subic, in exchange for all the area in San Miguel (which is more than 600 ha.).

In 1995-98 when I was the General Manager of PPA there were about 11 proposals for Sangley-Cavite City, the most ambitious of which were that of Hong Kong magnate Gordon Wu, another one proposed for JV by RSBS that I liked, and another proposed by the City Mayor of Cavite. Then PFVR tasked DND to take the lead, but nothing happened, apparently because DND and/or JAGS lawyers opposed it, or someone sat on it.

I see that this COSCO proposal could suffer two difficulties, the first being due to the conservative AFP JAGS positions in spite of the BOT law etc., the other being the legal rights of the incumbent contractors or concessionaires in the jurisdiction of the Port of Manila, which will need Philippine Port Authority's intervention. With a Presidential executive directive, this might be possible. The AFP Modernization Law is not a good reference because the AFP gets only a small percentage of the proceeds, as we experienced with the sale of Fort Bonifacio and the former US bases.

Whatever, COSCO's interest to develop and operate port terminals in the Philippines, given

d Executive Order 629



an old picture of Sangley point

PGMA's interest, is in my opinion very doable.

In my report in June to Sec Hermogenes Ebdane (now Sec DPWH), I stated that I intended to gather all the facts related to this matter, and to pursue a Strategic Studies Group Forum on this matter early in July 2007. I also suggested that he try to personally get the President's guidance during the next cabinet meeting or any opportunity on what she has committed to COSCO. This would determine, I suggested, whether we would go for the privatization of Sangley or merely give advice as to other possibilities involving other sites, including other military reservations and that the DND should now formulate a formal position on the issue of the privatization or sale of Sangley, and what trade off we should get in return if we are to retain, if not improve the capabilities of the Navy.

Whether this was done or not, anyway, Malacañang came out with a new policy directive, Executive Order 629 entitled, "Converting Sangley Point into an International Logistics Hub". I might add that the title is not appropriate after reading the content but it could do the trick.

During the forum, I discussed "COSCO's Investment Plan in the Philippines (a perspective)" while Philippine Reclamation Authority Deputy General Manager Theron V Lacson briefed on "The PRA and Executive Order 629". Among those who attended, in addition to the NDCP Fellows, were DND Asst Secretary for Plans and Programs Roberto Feliciano, Congressman Joseph Emilio A Abaya of the First District of Cavite, PPA Project Study Division Manager Roberto C Aquino, Cavite City Administrator Rosalino Sismaet Jr., LCDR Hernani DC Lanes of the Navy Office of Revolution in Military Affairs as well as other officers from DND, AFP, PRA and the private sector.

From the discussions, this much we gathered:

1. The BCDA Law, as amended, could still get in the way of the plan, given that Sangley is a military reservation. Using the BCDA Charter, however is not acceptable to the AFP, since much of the benefits from the development goes to the BCDA.

2. The AFP and the PN thus still have reservations, primarily on replication of military facilities. Former PN Vice Commander Commo Plaridel Garcia thinks that unless revised, the BCDA Charter conflicts with the EO.

3. The Philippine navy submitted a formal position on the matter but their concern is primarily on replication and making sure that the Navy's capabilities are not hampered or reduced.

4. Most believe that the project, as it now stands, could go on with a "win win" approach, i.e. the PN and the PAF should not get less than what they have now, but rather benefit from expansion of their areas and improvement of their capabilities.

5. The Cavite City government is extremely hoping that this effort would succeed, as the city has now deteriorated badly due to inadequate income from business.

I believe that any of the following steps could ensure accomplishment of the objectives, since disgruntled parties could eventually file legal suits (as is common nowadays):

(a) The first is to amend the BCDA Charter deleting therefrom the authority of BCDA over AFP on the disposal of military reservations. This could take time if both Houses would not table the same for expeditious deliberation; and

(b) Provision of an administrative remedy if the government cannot wait for revision of the law. This can be done by issuing a Proclamation declaring that Sangley Point is converted into either a port zone (PPA), or an Economic Zone (PEZA), or a PRA reservation (PRA), and placed under the appropriate authority for proper disposition. The appropriate safeguards must be made to ensure that the military facilities are duly replicated without prejudice to the performance of their missions.■

Hanjin increases investment in the Philippines

Korean shipbuilder Hanjin Heavy Industries and Corp. (HHIC) has increased its Philippine investment by another 68% to facilitate the completion of its main yard due to the increasing number of new buildings.

HHIC director and general manager Shim Jeong Sup said they have added $684 million on top of its initial $1 billion investment to underwrite the remaining work under the first and second phase of their project in the Freeport.

He added that the expansion was made in response to the increasing number of vessels being ordered from the company, which currently stands at 33 container vessels.

In the meantime, HHIC recently began the fabrication of its first container vessel, costing some $70 million, in its Subic Freeport shipyard.

The Korean company is scheduled to deliver 33 medium-sized container vessels worth almost $3 billion in the next two years, and build 82 large-sized ones from 2009 to 2011.

Recently, SBMA's shipbuilding locator has bagged a $2.2 billion contract to build 21 units of container and capebulk in its Subic shipyard. Shim said it made the company's biggest accomplishment of signing the contracts with Germany's, France's, Indian's and Turkey's ship owner for eight post-panamax container carriers and other newbuilding project.

HHIC has signed $1.27 billion with German's NSC for eight 12,800 TEU container carriers; $240 million with India's Adani for two 175,000 DWT capesize bulkers; and Turkey's Eregli for one same-size bulkers.

Last month, Hanjin signed a $690 million contract with France's CMA-CGM for ten 3,600 TEU container carriers on top of the twelve 4,300 TEU container carriers it cornered even before it broke ground in Subic.

A Hanjin built vessel docked at the Subic Bay Free Port

Shim added that their aggressive marketing strategies in acquiring an order of large-sized vessels will expedite the completion and normalization of its Subic shipyard where it will initiate global production systems.

The 12,800TEU container carriers will be the biggest container carrier with a length of 365.6 m, breadth 48.4 m, and depth 29.8 m with a speed 24.6 knots that can pass through the Panama Canal when it is enlarged.

HHIC will focus on not only to increase the scale of production, but also diversifying vessel type from high-profit vessel accompanied by quality improvement to high-valued vessel or ultra large vessel, once the Subic shipyard is completed.

To date, HHIC and the Subic Bay Metropolitan Authority is also finalizing the kinks of the acquisition of another 400-hectare lot inside the Subic Bay Freeport for expansion.

The lot will house Hanjin's sub-contractors, which will build container vessels block before it will be assembled in the firm's main yard for faster and cost-effective system.

Its Subic shipyard will expand its offshore plant constructions, which have been restricted due to the relatively small size of its Youngdo shipyard in the port city of Busan Metropolitan City (also known as Pusan), the largest harbor city in South Korea.

The Hanjin operations include the production of liquefied natural gas carriers and other large ships as well as plants such as steel bridges, and are expected to generate up to 30,000 direct and indirect employment opportunities to add to the current Freeport workforce of 61,584.

Earlier, SBMA formally opened the 16-

km access road to the Hanjin shipyard in Subic cutting travel time to the area by one third and reachable by land through the P653-million Subic-Cawag-Balaybay access road from the earlier travel time of about three hours to only 45 minutes.

The new road will allow a two-way access point to the shipbuilding plant of Hanjin in Sitio Agusuhin, which used to be accessible only via ferryboat. Local workers used to travel for at least one hour from Subic town to the Hanjin ferry terminal inside the Freeport, follower by a 45-minute boat ride to the Hanjin site

The construction of the access road is the fulfillment of the Memorandum of Understanding (MOU) entered into by and between the Department of Public Works and Highways (DPWH), SBMA and Hanjin Heavy Industries & Construction Co., Ltd. (HHIC) on February 28, 2006, wherein the DPWH was tasked to spearhead the undertaking.

The 16.15-kilometer access road, which started in September last year, is deemed to be the gateway for the creation of more employment opportunities for the residents of Subic, Zambales and Olongapo City.

Funded by the DPWH and the Bases Conversion and Development Authority (BCDA), the new road now connects the $1-billion Hanjin, one of the world's largest in the shipbuilding industry, to the proposed Zambales Industrial Park and provincial port.

The shipbuilding facility is seen to boost the economic expansion and development of the whole province of Zambales.

The construction entailed asphalt overlay and widening of the existing 6.1-meter pavement into the nine-meter two-lane roadway with Reinforced Concrete Pipe Culvert, Stone Masonry and Line Canal with a net length of 7.55 kilometers; construction of 8.426-kilometer concrete road with lined ditch, reatining wall (stone masonry), slope protection (grouted riprap) and cross drainage. It also includes the construction of three bridges with a length of 100.8 linear meter, 50.8 linear meters and 20.8 linear meters, respectively, Pre-stressed Concrete Girder resting on bored pile foundation.

SBMA said the road project complements the ongoing construction of the new container port under the Subic Port Development Project and the Subic-Clark Toll Road Project, both of which are being funded by the Japan Bank for International Cooperation (JBIC).■

Keppel optimistic of a robust shipbuilding and ship repair market next year

After several years of very little expectation from the local shipbuilding and ship repair industries, largest shipyard operator Keppel Philippines Marine, Inc. (KPMI) anticipates a very robust local market propelled by the expected phase out of single-hull tankers by April next year.

However, the expected growth in the local market will only comprise about 40% of the total market of KPMI while expecting the bulk of its growth from the international ship repair market.

KPMI president Toh Ko-Lin, in an interview, explained that domestic ship repair will be stable this year but demand for repairs for the international market would be even better.

"We are trying to balance our business in both local and foreign markets. While we do plan to attract more local customers, our focus would still be on foreign vessels where the bulk of our revenues and growth came from the past several years," Ko-Lin stressed.

"We see very good opportunity in the phasing out of single-hull tankers for hull conversion in the local trade. It is estimated that about one-third of the fleet will be have to be double-hull by April this year," Ko-Lin added.

The Maritime Industry Authority (Marina), in its bid to repel another oil spill in Philippine waters, has ordered the phase out of all single-hull tankers carrying black oil by April 2008. Marina, on the other hand, is still studying the need to phase-out single-hull tankers carrying white oil products.

Based on Marina figures, at least 20 single-hull tankers should have to be replaced or converted to double-hull tankers in the next 10 months to prevent any disruption in the vessel's commercial operations. Aside from hull conversion, KPMI is also banking on the offshore rig construction as drilling contractors are expanding their fleet or upgrading older units in the light of record high day rates for rig charter.

KMPI expect that demand for offshore floating production units and offshore support vessels will sustain over the next few year.

Just last year, to accommodate more projects from the offshore drilling business, KPMI installed its own fabrication facility in its Subic shipyard. The company expects to reach the full market potential of its new business this year.

"KPMI is poised to benefit from the current market buoyancy which offers opportunities for offshore rig construction for its Philippine yard," Ko-Lin said.

To date, KPMI operates three shipyards in the country located in Cebu, Subic and Batangas. After investing heavily last year to set up its own fabrication business for offshore drilling market, KPMI will slowdown in its planned investment this year that will focus only on minor enhancement particularly on equipment and facilities to upgrade operations in their shipyards.

Last year, KPMI posted a 34% increase in its revenues to P1.95 billion compared to the figure posted in 2005. KPMI attributed the increase to the strong business performance of its shipyards. Ship repair contributed P1.17 billion or 60% of the revenue and the rest from offshore rig construction and shipbuilding projects. Batangas contributed P1.37 billion while Cebu contributed P581 million while Subic contributed the rest.■

SECURING REGION

Your Excellencies, ladies and gentle men, good morning. Thank you for this opportunity to share the Philippine viewpoint on securing regional waterways and the progress that has been made. My discussion takes into account two key ideas that impact on the topic at hand. First, our connectivity as nations because of our waterways, and second, the emerging importance of defence roles vis-à-vis development goals as evidenced by our own experience in the Philippines.

Our viewpoint is that the same framework of defence for development can push our regular progress to secure our waterways and our nations as well. The current trend in securing our regional waters is bilateral co-operation. Much progress has been made in the areas of international dialogue, policy making and diplomacy. But we must ask ourselves if this is enough.

Our assured experience over recent times point to an emerging reality that any threat to our regional waterways is a threat to each of our countries. The same reality must mobilise us to a regional cooperation that goes beyond the bilateral standard of our times. This need for a larger scale alliance is informed by the basic fact that we are connected by an invisible reality: the sea.

In Southeast Asia the sea is not the common void that divides but a medium that unites as hosts to the world's most vital sea links of transport and commerce, our religion connects the cultures and commerce of east and west. This connection has shaped our history. Without the method of oceanic travel and trade, the entire connectedness of the economies and peoples of Southeast Asia would not have been even made possible much less sustained.

This interconnectivity defines our reality

(Philippine Secretary of National Defense Hermogenes E Ebdane Jr. delivered this paper on "Securing Regional Waters: How Much Progress?" during the 6th IISS Shangri La Dialogue in Singapore Last month which has Singapore Prime Minister Lee Hsien Loong.)

today. It is true the freedom of movement, as associated with the freedom of the sea, afforded by Governments and international institutions that we become part of one interdependent and globalised world system. This interconnectedness directs our future actions as one region, and the same connection also threatens our security as individual nations and as one region.

While the freedom of the sea has enabled economic activity to flourish, the same principle allows trans-national security threats to develop sophisticated forms of operation. When one establishes the links between this trans-national criminal elements and terrorism, the gravity of the challenge before us becomes even more vicious.

To confront these threats in an economically interdependent and socially connected world, we must go beyond unilateral and traditional methods. In this new evolving security environment it is no longer sufficient for security forces to just fight and win wars, be it on land or at sea. We have to confront the security challenges not only in the military context of war, but in the larger socio-economic and cultural contacts.

The good news is that we do not have to look beyond our regional borders to address

AL WATERS

By Hermogenes E Ebdane Jr.
Secretary of National Defense

these challenges within the larger context of our connectivity. Over time our connectivity as neighbors and allies, by virtue of our waterways has provided the building blocks we need to secure our regional waters on a forward-thinking, long-term basis.

Maritime security has been the focus of cooperative dialogue that has built the foundation for a new dimension in regional interaction. With the vision of establishing a nation community by 2020, the Asian Defense Ministerial Meeting of three year war program includes the promotion of measures to enhance maritime security as one key work area.

We also have experienced the success of the Straits of Malacca in the security initiative which reduced the incidents of piracy in the world's basis ceilings by 99%.

The world benefited further from this cooperation with the establishment of an effective template for adoption of similar mechanisms. We also have the learnings from the creation of the information-sharing centre in vision and the regional cooperation agreement against piracy in the Asia-Pacific.

The ISC's clear manifestation of our communal resolve to activate concrete and effective mechanism to address the threats against the free-flow of goods and people across national boundaries. This development is in responding to maritime security challenges and maximising opportunities for cooperation in the region for a timely opportunity, the employment of defence forces in general, and the maritime forces in particular for regional security concerns.

With so much space to control and violative laws to enforce, the involvement of naval forces in maritime law enforcement and socio-economic development, on a transnational basis will continue to grow. This is made urgent by the need to develop ways to pre-empt threats rather than respond to them. Prevention is a more cost-efficient investment in regional maritime security vis-à-vis the prospect of addressing the after effects of threats that become real.

In specific, with the Philippine situation, we have learned that prevention by propagating development initiatives helps to minimise, if not totally eradicate, the threats and the roots of such threats. In the Philippines, it is our policy to address the physical manifestations of the threat, but alongside this we put equal importance in addressing the conditions that goes and sustain its existence. It is in this context that president Gloria Macapagal-Arroyo issued the directive to eradicate terrorists and insurgents by 2010 to enable a psychologically and physically secure environment for economic growth.

It is in this posit of achieving the goals and objectives of this policy that we have activated the spectrum approach of roles for the defence forces. From a functional standpoint, the role of the defence forces in maritime law enforcement operations in particular involves deterrence, detection and inter-detection. We now apply our traditional capabilities for expanded roles in law enforcement and national development. That is why the policy of the Philippines Department of National Defence is now anchored on defence for development.

Using the synergy of military might and Government means we are eliminating the threats on land and on sea and bringing basic health, education and infrastructure to more communities in simultaneous efforts. This agenda puts defence in a leading role in the Government's campaign to permanently rid the country of insurgence and terrorists by pouring development efforts in the countryside preventing this wretch from taking root.

The first point of development sets the framework for lasting solutions, insurgency, poverty and illiteracy in our country, and the same framework can provide a lasting solution to piracy, terrorism and other security threats in our waterways and our region.

The basics of this framework were put to the test in the Philippines in what is now known as *oplan ultimatum*. The world witnessed the fall of the elusive leaders of the Abu Sayyaf group and several military encounters in the island of Lore in southern Philippines. What the world did not see were the operations that applied the combination of hard and soft approaches towards terrorism. The critical task was to win the confidence of the people long assailed by conflict in the law, sustained civil military operations and humanitarian assistance projects were undertaken to address the roots of the conflict.

After months of rebuilding communities through infrastructure and development, medical missions and community dialogues, and improved atmosphere of trust between the people and the government has evolved. This heightened level of interaction led to a constriction of the previously unhampered operations of the Abu Sayyaf group. Information on their whereabouts started to flow to our defence forces from the communities themselves and parallel to this development programs sustained combat operations on land and effective control of the surrounding seas further constricted the operational perimeter.

Naval units, in addition to their traditional roles, acted as law enforcers to control the sea, the enemies' traditional escape route from any area of land. Law and order at sea became the norm and this benefited the communities in the areas protected by our navy as they were able to go about their livelihood in peace.

It is this combination of development talent and military tools that led to the fall of the top leaders of the ASG.

Effective sea control, a greater intelligence, precise combat operations, sustained Government presence and multi-faceted development actions all contributed to the success of *oplan ultimatum* .

The positive outcome reflects the power of convergence of roles and authorities. This was all about defence led programs working in full measure to enable development goals.

Another particular project that dispersed was security and economic targets, is the pioneering [Cosworth South?]. This defence-led multi-agency arrangement for surveillance and response for the waters of Southern Philippines, responds to the need to secure Brunei, Indonesia, Malaysia, Philippines, East Asia growth, area potential for growth and development. This experience has lent credence to our proposition that defence for development makes even more sense on the regional scenario, particularly because mainly for citizens depend on this and need security to make a living and build their future.

Thus utilising defence actions for development purposes must be incorporated in defence policy making to which the Philippines has already taken the first step. Only when the strategic goal of institutionalising the maritime security structure for developing communities and nations in the region is in place can our national gains against our enemies be sustained.

We can confidently say that the region has already developed working templates for cooperation in securing regional waterways through the various bilateral arrangements. These interrelationships underscore the obvious: the time is right to secure this jointly, not only as military precaution, but as a national economic policy and an international interdependence initiative.

In closing, I go back to the topic at hand; the question of securing regional waterways is not only about how much we have done, but more importantly how much more we can do together. The answer to the question is also the challenge we must face together. The progress in securing regional waterways has been far-reaching with a multitude of partnerships now activated. The same progress and cooperative action must inspire us to build a larger alliance given our connectivity and the attendant inter-dependence that comes with it. Defence for development has an agenda and a vision for a truly regional maritime alliance captures the importance of maximising available defence resources on a communal basis for sheer growth and development results.

Now is the time to make collective might and means work to secure this is and enable more growth in the region, together it will work for us all on the level and within the square.

For all plenary speeches, visit the IISS Website at http://www.iiss.org/.

NOTE:

The Shangri-La Dialogue has been recognized as a key event for defence and security diplomacy for the region. Since its inaugural meeting in 2002, the Dialogue has become a recognized part of the architecture of Asian defense diplomacy and is seen as the region's premier and most inclusive security institution. The Shangri-La Dialogue continues to serve as the best available vehicle in the Asia-Pacific region for developing and channelling astute and effective public policy on defence and security.

Over this first half-decade of the Dialogue, 17 countries have sent their defense minister, three countries their deputy or equivalent, and three have sent delegations at other senior levels. Twenty-three countries have participated, and at the fifth anniversary gathering, most were represented by their defense minister, as well as the chief of defense staff (CSAFP for the Philippines) and other senior officials.

The 6th SLD held in Singapore on June 1-3, 2007 the biggest yet, with strong delegations from all participating countries.■

PPA vo tion wi major

Port users waiting for a better procedure at the country's major ports will have to wait no more after the Philippine Ports Authority (PPA) vowed to implement paperless transactions this year.

PPA has already set aside some P141 million this year to roll-out its computerization program which has been delayed for more than a year.

According to PPA documents, the PPA as well as its regional offices wants to fully roll out its computerization program in order to complement its efforts to achieve a collection efficiency ratio of 98% this year.

It is also to fast tract the application and release of vital shipping documents as well as makes online payments to reduce person-to-person transaction thereby facilitating trade.

In May 2006, PPA conducted a public hearing in an effort to require carriers in the electronic submission of the vessel-related documents through the agency's e-Port facility.

PPA general manager Oscar Sevilla announced last year that they would roll out the computerization program before 2006 ends, but to date they still have to activate their systems.

ws paperless transac-
thin the year for all
ports

The lack of employees to man the project, however, had been one of the single stumbling block for the computerization to be implemented.

As of December 2006, the project, which should have been completed by middle of last year, was 85% complete, and the progress of work is slow, the report said.

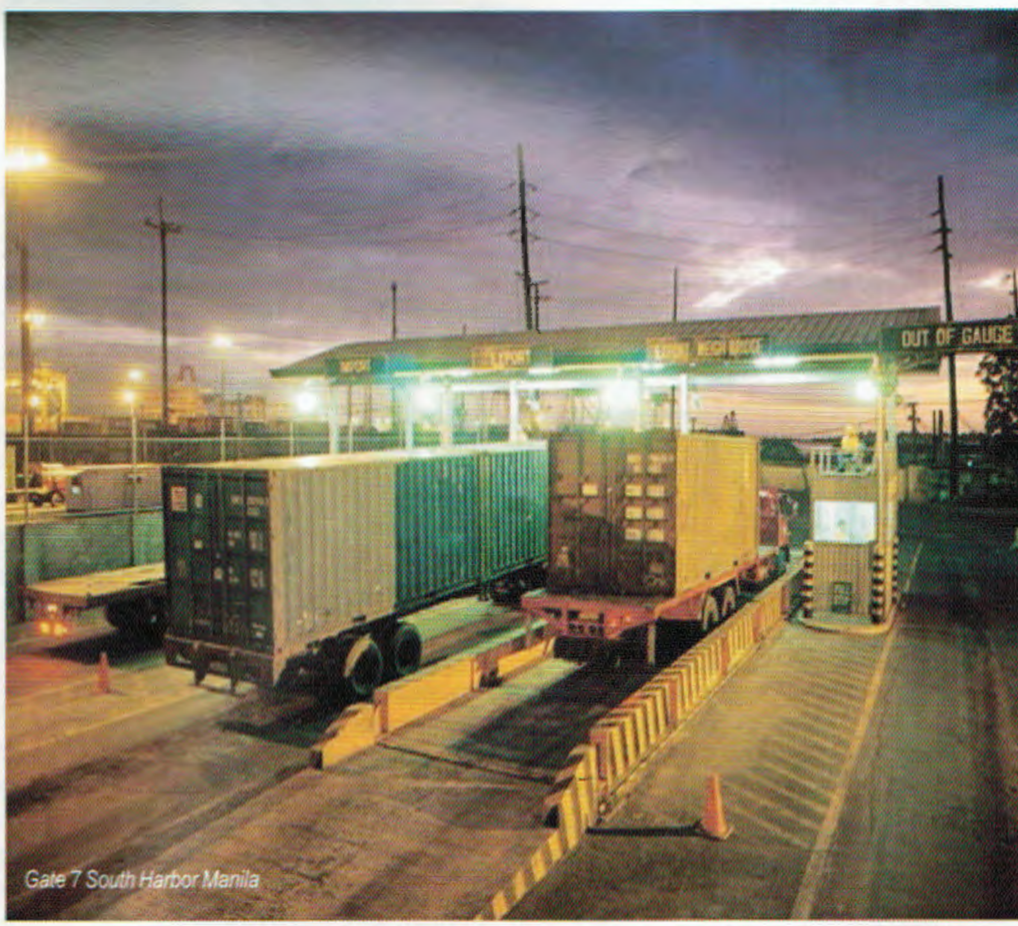
It said that for new hires, PPA is burning a significant amount of project time in the familiarization phase alone, a factor that has already affected the continuity of the measure.

PPA has contracted Unisys for the project, but the turnover of its employees was faster than those of the state firm.

PPA have started hiring of new employees for the plantilla positions and its other offices in the regions have already been procuring contractual manpower.

PPA is also set to transfer to its new building, which is part of the Manila South Harbor development plan, by the middle of the year.

The agency describes e-Port as a Web-based facility that provides shipping companies and its agents the service of online submission of vessel-related documents, or the same project as the Bureau of Customs wants to implement for the foreign carriers in the next few months.



Gate 7 South Harbor Manila

These port documentation requirements include the ship's notice of arrival, application for berth/anchorage (ABA), and cargo manifest. The implementation of the e-Port facility is in consonance to Republic Act 8792 or the Electronic Commerce Law

The e-Port System was launched in July 2003 during PPA's 29th anniversary celebration. It was subsequently pilot-tested in North Harbor with some domestic shipping lines.■

Bidders for NH down to two

Potential bidders for the 25-year management and operations of the North Harbor boils down to two after three of the interested bidders failed to qualify while the other one entered a joint venture agreement with another bidder.

In the eligibility conference for the privatization of the North Harbor Monday, only Asian Terminals, Inc. (ATI), and the joint venture between Harbor Centre Port Terminals, Inc. (HCPTI) and Metro Pacific Investment Corp. (MPIC) have completed the eligibility documents.

In the joint venture, HCPTI will be the lead partner controlling 65% while MPIC will control 35% wherein the fund will be from equity.

National Marine Corp. has backed-out from the bidding as its foreign partner withdrew its support to NMC and will instead focus on its regional development while Prudential Customs Brokerage Services, Inc. was disqualified for submitting incomplete requirements. Pier 8 Arrastre, on the other hand, is a no-show.

However, between HCTPI and the ATI, the former has the edge after the Special Bids and Awards Committee (SBAC) for North Harbor saw a flaw in the documents submitted by ATI involving the issuance of a waiver to prevent the bidding process of the North Harbor. ATI, instead of executing a waiver, has submitted a Special Power of Attorney for their President to execute the waiver.

SBAC chair Leopoldo Bungubung, explained that the 'waiver' is an important eligibility document considering that it will guarantee that prospective bidders will shirk from any legal measure to prevent the bidding process of the North Harbor.

He added that the process is long overdue and could not take another delay if an eligible bidder decided to elevate to the court any question on the privatization process.

However, Bungubung added, they will still subject both HCPTI's and ATI's documents to further scrutiny to ensure that there are no more flaws in the eligibility requirements and if there is ground to disqualify ATI for submitting additional document, in this case the SPA, instead of the waiver.

"It's a process, and it's not fool-proof. We have to see if it is ground for disqualification," North Harbor port manager Constante Farinas, for his part said.

The SBAC is set to come out with the list of qualified bidders tomorrow (Thursday) along with its decision on whether MPIC will likewise be disqualified as a partner as it submitted a different form submitting BIR Form 2551-M or monthly tax declaration instead of the required quarterly report (BIR Form 2550-Q).

According to Bungubung, in case ATI is disqualified, the privatization will still push through with HCPTI as the lone bidder as it will still be according to Republic Act 9184 or the Government Privatization and Procurement Act and will still require HCPTI to submit its bid price to determine its capacity to handle the modernization of the country's premiere port.

Meanwhile, the Philippine Chamber of Commerce and Industry (PCCI) backtrack from its 'go' signal and instead want to renegotiate the bidding process with the Philippine Ports Authority (PPA).

PCCI is the largest port user in the country and will be greatly affected on the outcome of privatization of the country's premier port.

Two months ago, PCCI and the PPA settled their differences on the North Harbor privatization issue each agreeing on a concession paving the way to start privatization process for North Harbor.

Based on the agreement, PCCI will let PPA to bid out the North Harbor to a single-operator provided that PPA only privatizes one of the two cargo-handling terminals and would operate the remaining terminal that will compete with the privatized port.

Prior to the agreement, PCCI, as well as the National Economic and Development Authority, have been pushing for the multi-operator scheme in the privatization of the North Harbor to better foster competition.

Chamber president Samie Lim, in an interview, explained that they want to restudy the bidding process to make sure that public interest is protected.

Lim added that they would urge the PPA to defer the scheduled privatization while the restudy is in process to guarantee quality and cost of service to port users.

"We believe in market forces position. We want to bring the quality and cost of service in the country competitive with other Southeast Asian countries. Since it involves pubic sector money, awarding the contract to a single operator should have to

management

be studied further," Lim explained.

He added that awarding the 25-year concession agreement to a single operator would have to be no problem with the port users if it will be under the Build-Operate-Transfer scheme as public sector spending would be limited.

PCCI chairman Donald Dee, for his part, said that since current capacity of the North Harbor is enough to accommodate anticipated traffic in the next few years, investment to the North Harbor should have to be restudied and limited to what is needed in the short-term.

He added that with the proposal of the PPA for the modernization of the North Harbor, considering the huge investment needed, there should have at least two operators to guarantee that market forces will dictate the rates.

"However, if PPA wishes to push through with its plan to award the contract to a single operator, then we want the bidding process to be as transparent as possible," Dee said.

Based on the terms of reference of the North Harbor, to be eligible to bid, a company should have at least P500 million in paid-up capitalizations and have a 5-year extensive experience in cargo handling.

Date of actual bidding is set on October 17.

The SBAC expects no more delays in the privatization process even if the Philippine Chamber of Commerce and Industry expressed its intention to restudy the process.■

SBMA to award new container terminal to ICTSI

Since the expected Swiss chal lenge from major port operators worldwide did not happen, the Subic Bay Metropolitan Authority (SBMA) is set to award the 25-year management and operations of Terminal 1 of the Freeport's new container terminal to International Container Terminal Services, Inc. (ICTSI).

Terminal 2, on the other hand, will be awarded through a three-week international competitive bidding.

SBMA has already sent out the confirmation to the Subic Bay International Terminal Corp. (SBITC), a unit of ICTSI, to operate the facility.

However, SBMA said in the letter, the contract is still subject to the approval of the SBMA board of directors and the concurrence of the Japan Bank of International Cooperation (JBIC).

The multi-million Subic Bay Port Development Project, where the container terminal 1 is included, is aimed to make SBMA as one of the major cargo destinations starting this year and boost its effort to become one of the major transshipment hubs in the Asia-Pacific region. It is funded through a special yen loan assistance granted by the JBIC to spur economic growth in the region.

To date, the new terminal is equipped with two quay cranes and several rubber-tired gantries and another pair of cranes is expected to be installed before SBITC takes over. SBITC will be the one to build their own Administration building, engineering office, truck holding area, refueling station and field office.

SBMA is expecting cargo traffic at the port to increase three folds the current capacity of the existing terminal with provisions of huge back-up areas for expansion once the terminal becomes fully operational this year.

Break-bulk cargo operations, on the other hand, is worry-free after it pick-up 35% from its 2005 figure due to the full commercial operations of its grains and fertilizer terminal last year. It is expected to take a 40% increase annually.

For the past two years, SBMA registered a combined container volume of 65,587 twenty-foot equivalent units (TEUs), 5% lower compared to the 69,521 TEUs it registered in 2004. With the new terminal, SBMA is expecting to double box traffic from current volume to some 100,000 to 150,000 TEUs in the first year of operations and increasing by some 100,000 TEUs starting at the second half of 2008.

The impending operations of the Subic-Clark toll road, on the other hand, is also expected to bring in more export cargo as Luzon shippers are expected to shift from Manila to Subic as travel time to Subic from Clark of about 2 hours will be cut by more than 60%. SBMA will still control 15% of Terminal 1 while SBITC controls 83% and the remaining percentage will be for Royal Cargo.■

ICTSI TAKES OVER ECUADOR PORT

Port operator International Container Terminal Service, Inc. (ICTSI) has formally taken over management and operations at the Port of Guayaquil in Ecuador after it signed the 20-year agreement early last month.

ICTSI will pay the Autoridad Portuario de Guayaquil (APG) a premium of $30 million payable over the next four years at $6 million per year payable by the fifth day of the first month.

There is also a fixed fee per year (payable over trimester) during the 20-year term.

The Razon-led firm is set to invest $80 million for equipment and infrastructure in the first year of the concession, which will total $170 million over the first three years.

ICTSI was declared the winner of the bid to manage the Port of Guayaquil in March this year. ICTSI and its international subsidiary, ICTSI Ltd., established Contecon Guayaquil S.A. as a special purpose company for this project.

APG has until 13 September 2007 to turn over the Terminals to ICTSI, but CGSA is expected to take over the Terminals and start operations as early as the start of next month.

The terminals handle containerized cargo and general and bulk cargo. In 2006, the Port of Guayaquil, located on the west coast of South America and Ecuador's main port, handled 600,000 TEUs.

The Container and Multipurpose Terminals at Guayaquil in Ecuador is the latest addition to ICTSI's growing portfolio of international terminals. Early this year, ICTSI took over operations of the Yantai Gangtong Terminal in China. Aside from these latest acquisitions, ICTSI operates the Manila International Container Terminal in the Philippines, Suape Container Terminal in Brazil, Baltic Container Terminal in Poland, the Madagascar International Container Terminal, Naha International Container Terminal in Japan, and the Makassar Container Terminal in Indonesia. It is set to start operations in the Tartous Container Terminal in Syria.

Since 2006, ICTSI has been keenly looking for a Latin American port after it sold its stake at the Port of Argentina to Hutchison Whampoa five years ago.

This year, after landing a LatAm port, ICTSI is looking at several ports in Asia such as India, China, the Middle East and the US for its expansion this year.

ICTSI has created a team for each country of interest to study and determine the best viable option to invest.■

INTERNATIONAL CONSORTIUM TO INVEST ON CONTAINER SAFETY

A consortium among US, German, Japanese and Korean firms are set to invest a modest amount to guarantee safe containers coming in and out of the country.

The venture, aside from shouldering the entire operational expenses of the project, will only require power, Internet connectivity and a pole from the country's port authorities to support its operations.

The group will also provide data to the Philippine Bureau of Customs on the total number of containers in and out of the country also for free.

The consortium, CommerceGuard CSD, is offering state-of-the-art container security device (CSD) to shippers that would pass new United States security measures for seabound containers. The consortium is composed of General Electric, Siemens, Mitsubishi Corp. and Samsung Corp.

According to Russ Weed, vice president for security for GE, explained that the CSD is vital in container security as the US Homeland Security as well as its Border and Customs Protection agency are set to roll out a new security scheme for all sea-bound boxed cargoes at the start of the third quarter of the year.

Weed explained that the measure will entail the use of a CSD that could record the container ID, point-to-point shipment tracking, detect and record intrusions and an almost perfect false alarm rate of less than one percent.

He added that although it will not affect other cargoes still not compliant with the CSD once implemented cargoes with CSD will be prioritized and will fast track release from any US port as it will not require further examination as the CSD will record any unauthorized door opening as a tamper event and alerts are routed to appropriate officials.

The reusable CSD is available outright for $100 each. To date, CommerceGuard is negotiating with the port operators International Container Terminal Services, Inc. and Asian Terminals, Inc. for the installation of the needed infrastructure to support the CSD operations such as fixed readers and a communications unit. The company is set to invest about $5,000 for the installation of the facilities. CommerceGuard is also in the middle of negotiation with the National Telecommunications Commission for its type approval that is expected to be issued in the next few weeks. The company is also in the process of collating all details from its Manila-based clients to determine the areas to be equipped with fixed readers. Expansion on the other hand, will be dependent on the demand of clients. Aside from Manila, CommerceGuard is also set to negotiate the same with the port authorities of Cebu and Mindanao.

CommerceGuard is now operating in at least 16 ports worldwide including the PSA and hold clients such as Starbucks, YML, GE, Samsung as well as the US government. The company is also looking at penetrating Indonesia, Malaysia, Thailand, Vietnam, Singapore and Samsung Corp. home country Korea that will be interlinked with their other and existing operations worldwide.■

PORT AGE ADDITION HOUSES A

The Philippine Ports Authority (PPA) recently announced the establishment and forthcoming inauguration of the Port Halfway House or Bahay Silungan Sa Daungan extention at the South Harbor and the construction of a new and bigger halfway house at the North Harbor to replace the existing Bahay Silungan at the country's premier domestic port.

Believing that its primary function does not only involve the maintenance, rehabilitation and management of ports but also of promoting the welfare of the port using public, the PPA has now established the South Harbor Halfway House extension. This brings to five (5) the number of the halfway house facilities already established by the port agency in selected ports nationwide to include the ones located at the North Harbor which will soon be replaced by a new and bigger facility, the Davao halfway house, Batangas and Matnog in Sorsogon. Also in the pipeline are halfway houses in Zamboanga, Iloilo and Lipata.

Philippine Ports Authority AGM Aida P. Dizon said that the establishment of halfway house facilities in selected ports nationwide is a continuing activity of the port agency as part of its corporate social responsibility initiatives. This is being done in partnership with the Visayan

NCY ESTABLISHES AL HALFWAY T MANILA PORTS

Forum Foundation, Inc. (VFFI), a non-government organization, who handles the operation of all the halfway house facilities of the port agency.

It may be recalled that in July 2000, through the initiative of the PPA Gender and Development (GAD) Focal Point, the first halfway house was opened to the public and was later renamed Bahay Silungan sa Daungan (BSD). It has since served as a temporary shelter for women and children.

"Today, the PPA boasts of its halfway houses as its frontline project aimed not only at providing temporary shelter for women and children who are stranded in the ports but at averting their possible exploitation or trafficking," AGM Dizon further said.

The halfway houses are open 7 days a week, 24 hours a day providing safety and other related services as well as interventions for women and children who may be victims or potential victims of human trafficking.■

ATS focuses on eliminating debt, sells Super Ferry 16

In its bid to concentrate on freight business this year and eliminate much of its debts, largest local vessel operator Aboitiz Transport System (ATS) has sold its SuperFerry 16 to achieve these goals.

Chang Myung Shipping Co. Ltd of Korea bought the vessel for P752 million and ATS is set to gain over P186 million. The proceeds of the sale will be used to eliminate much of the interest bearing debt of ATS.

To date, ATS has P1.2 billion in total debts. Late last year, ATS also sold Super Ferry 17 and Super Ferry 18. ATS President & CEO Enrique Aboitiz, Jr. said the vessel sales are part of a greater strategy to build a new ATS - essentially characterized as being debt free and cash rich, and achieved by liquidating debt, removing interest costs, rationalizing cost structures, and increasing the earning capacity of all its assets.

ATS has been converting unused passage capacity to Ro-Ro capacity, which is expected to account for 30% of its total freight business by end of 2007. ATS has converted Super Ferry 12 while Super Ferry 9 conversion will be completed this June. These two ships will bring up capacity by 204 containers round trip.

It has also recently partnered with AP Moller Maersk Group to grow its freight business. The joint venture company, which they called MCC Transport Philippines, is expected to operate its first 400-TEU container ship this month, and offer regular weekly sailings, servicing the ports of Manila, Cebu and Cagayan de Oro.

ATS is projecting a 7% increase in its freight business this year that will be propelled by cargoes coming from the south specifically Dumaguete, Bacolod, CDO, Davao, General Santos and Zamboanga.

The company is increasing its Ro-Ro capacity through their logistics arm 2GO, as demand continue to increase from 7% in 2005 to 12% last year and expect to double the demand this year.

In 2006, ATS reported a 192% increase in its net income after tax. The increase in net income was attributed mainly to overall lower costs and expenses and a much higher other income as a result of the sale of the three vessels and its divestment from a non-core business.■

MARINA ments sh

With its file reconstruction process not expected in the next three to six months, the Maritime Industry Authority (Marina) is planning to ask creditor banks of different shipping lines to furnish them with documents of ships under mortgage.

According to Marina director Butch Arceo, the Authority is planning to ask documents from banks to monitor shipping lines with ships under mortgage to ensure that they will not exploit the situation.

He added that some operators might take advantage of the situation and sell their ships, as the Authority has no capability to monitor them on their mortgage as to date.

"This is only one of the measures being undertaken by the Authority in its reconstruction process while at the same time prevent any illegal activities," Arceo explained.

"We have to guarantee that shipping operators will not resort to such activity and transfer liabilities to others while Marina is in the process of reconstruction," he explained further.

Marina expects to reconstruct at least 80% of the documents involving ships under mortgage while the remaining 20% will have to be recovered in some other means.

To date, Marina is finalizing the letter to the banks and set to transmit it anytime this week. Response, on the other hand, is not expected in the next two weeks.

Earlier, Marina also planned to ask ves-

to ask creditor banks for docu-
owing ships under mortgage

sel operators to provide the Authority with the needed documents particularly those related to safety to guarantee that only eligible vessels will be allowed to sail while reconstruction is underway.

The reconstruction process, on the other hand, only involves certificates of public convenience (CPC) issued to shipping lines as well as safety certificates, special permits, financial statements and the likes as no documents with regards to seizure cases, violation of the conditions of CPCs, maritime law violations and other pending cases before the Marina were all in place.

To date, Marina is in full commercial operations despite the loss of necessary documents in the 18-hour fire that gutted its central office building late last month.

Marina is also expecting to occupy the last two floors of the Masagana Supermarket located along Taft Avenue by next month that will serve as its temporary office while waiting for the completion of the refurbishment a PPA-building along Bonifacio Drive and Gate 3 of the South Harbor that will be its permanent office. Marina expect to transfer to their permanent building in the next 6 months.■

LORENZO SHIPPING CORPORATION REFLEETING TO MAXIMIZE GROWTH POTENTIAL

Doris Magsaysay-Ho, LSC Chairman

Local cargo carrier Lorenzo Shipping Corp. (LSC) is investing heavily on refleeting as well as cargo-handling facility improvement to maximize growth potential of the company this year.

LSC, however, declined to divulge any figure related to volume and revenue projection as well as growth prospects.

LSC chair Doris Magsaysay-Ho, in an interview, stressed that having an efficient facility will further bolster company growth particularly as they anticipate better shipping environment this year compared to 2006.

Magsaysay-Ho added that they are also set to review their service routes with a view to re-deploying vessels in order to optimize capacity to areas that need it most.

"We are looking forward to a shipping industry for the rest of 2007 brought about by low interest rates, strong peso and lower government budget deficit, versus uncertainties in fuel prices competition," Magsaysay-Ho explained.

She added that the shipping industry is booming outside of the country and the company expects to get a modest chunk of raw materials from the outside that will be used by companies and businesses in the countryside.

To date, LSC is also set to commence with their planned vessel acquisition program that was installed a year ago due to the massive global demand.

On June 1, LSC signed a memorandum of agreement with a Maltese company Black Tetra Shipping Ltd. for the purchase of a multi-purpose vessel for $8.3 million that will be deployed towards the end of the year. The vessel will eventually replace one of their older vessels. The last time they bought a ship was in the 1990s. LSC has a total of 7 cargo vessels.

LSC will also continue to replace purchase new containers to replace the old ones, and fabricate more hog vans or a specialized container for the delivery of livestock from the provinces to the major cities to further compliment 60 re-designed hog vans introduced last year.

The company is also set to upgrade vessel computers and install low-cost wireless devices for direct, faster and more reliable exchange of information on vessel positions, parts and services requirements, preventive maintenance and repairs.

"Improving vessel operating performance has also become a priority not only because LSC is scheduled to drydock four of its vessels but also to put us back on track in achieving our volume and revenue targets not only for the short-term but also for the years ahead," Magsaysay-Ho explained further.

Last year, LSC posted revenues of P1.337 billion, a shade higher than the P1.334 billion posted in 2005 despite lower than expected number of vessel voyages and cargo volume.

Net income for 2006, on the other hand, nosedived to P39.7 million from P103.8 million in 2005.

In November 2004, the firm of shipping magnate Magsaysay-Ho, National Marine Corp. (NMC), bought the 28.68% stake of Singapore's Neptune Orient Lines, Ltd.

Magsaysay-Ho upped the stake by 2005 and said her firm wants the entire Lorenzo Shipping and had entered a voting trust agreement with some of its major shareholders, including Pioneer Insurance and Surety Corp., which holds about 20% stake.■

When we talk of "flag of convenience" (FOC) or open registry system, we talk of the genuine link that must exist between the state of registry and the ships flying its flag. The absence of such link makes the registry an open one and the state of registry an FOC country.

What is "genuine link"?

Both the 1958 Geneva Convention on the High Seas and the 1982 Law of the Sea Convention attempted to define the concept in terms of effective enforcement jurisdiction of the state registry over the administrative, technical, and social matters over ships flying its flag. In other words, a country is an FOC country if it cannot effectively enforce its jurisdiction and control over these safety regulatory matters. This explains why, historically, FOC ships were labeled "sub-standard ships because of the laxity of the state of registry in enforcing its safety regulations.

Then came the 1986 UNCTAD Convention and Conditions for Registration of Ships which provided additional economic links to the "genuine link" concept. Thus, in addition to having an effective national maritime administration, the following elements must be present:

1. identification and accountability of owners or operators;
2. ownership or manning by nationals;
3. management by nationals or persons domiciled in the state of registry; and
4. registry of ships.

Bareboat charter registry is likewise in the convention.

Tested against these convention criteria, let us now proceed to examine the Philippine bareboat registry system to determine if it complies with the convention.

By Atty. Vergel Dedios

WHY THE PHILIPPINES IS NOT AN FOC COUNTRY

1.Effective national maritime administration. As defined in the convention, national maritime administration means any state authority or agency which established by the state of registration in accordance with its laws and which, pursuant to those laws, is responsible, inter alia, for the implementation of international agreements concerning maritime transport and for the application of rules and standards ships under its jurisdiction and control. In the Philippines, these agencies would be MARINA (for safety and economic regulation), the PCG (for marine pollution prevention) and the POEA (for labor regulation). The above agencies provide and enforce strict regulations in their respective areas of jurisdiction. MARINA imposes high financial and management capability requirements for would-be-bareboat charterers. Safety standards are in accordance with international convention standards which are strictly monitored with the submission of class certificates issued by internationally recognized classification societies. MARINA regulations require removal of previous documents issued by the underlying registry and in its place the newly-issued Philippine documents. MARINA sees to it that nay violation committed and discovered are investigated and punished accordingly. The PCG is also strict enforcing its regulations on marine pollution prevention.

2. Identification and accountability of owners and operators – MARINA sees to it that not only the charterers and registered owners are disclosed and identified but also the beneficial, owners complete with addresses and telex numbers. They are also made accountable, by way of cash and surety bonds and letters-guarantee, to pay withholding taxes, crew wages, and repatriation expenses as well as penalties for violation of regulations.

3. Ownership or manning by nationals – In case of bareboat charters, ownership is out of the question since the contract is only one of lease. Full manning by nationals is however required and strictly certified according to the STCW convention standards. Terms and conditions of employment are satisfactory as they are required to be approved by POEA. Seamen's claims and complaints are processed and acted upon by POEA. Adequate legal and judicial machineries and processes exist for the welfare of seamen.

4. Management by nationals or persons domiciled in the state of registry – MARINA sees to it that the bareboat charterer (who must be a Filipino citizen or corporation) has full management and operational control of the vessel. The responsibilities of the bareboat charterer are strictly monitored to make sure that they are not passed on to the owners or other persons.

5. Register of ships – All information required under the convention to be recorded is recorded in the registry of ships by the MARINA. In the case of bareboat charters, MARINA requires the consent of the underlying registry to the bareboat registration in the Philippines as well as the consent of the owners or mortgages to the bareboat charter and subsequent registration in the Philippines. Deletion of the Philippine registry cannot be effected by either owners or charterers unless approved by MARINA.

There is no question in my mind that the Philippines is not an FOC country. The all-Filipino crew requirement alone would discount the possibility that the Philippines would ever become one. It is like having a floating territory inhabited by Filipinos.■

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Chief Justice Puno speaks to MAAP graduates

The Honorable Chief Justice Reynaldo S. Puno of the Supreme Court was the Guest of Honor and Speaker during the 5th Commencement Exercises for graduating students of the Maritime Academy of Asia and the Pacific. The amiable Chief Justice was received very warmly by young cadets having come as he had promised despite the heavy rains and the rough waters of Manila Bay.

In addressing the 111 graduating students of Class 2007 and hundreds of other junior midshipmen, parents, local and foreign guests, the Chief Justice lauded each cadet's determination and commitment to meet the high standards of MAAP. The midshipmen who were conferred Bachelor of Science degrees on Marine Transportation and Marine Engineering, also received the AFP Commissions as Ensigns in the Reserve Force, Philippine Navy.

The class of 2007 midshipmen is sponsored by more than 20 foreign companies, namely: Maersk, Hammonia, Mitsui OSK, Keymax, NYK-Fil, Stolt, IMMAJ, K-Line, IMEC, Veritas, IOTC, Fil-Star, Nedloyd, Sealane, Bergesen, Splash, Bouvet, Career, Phoenix, Virjen, Solar, Wallem, Micomar and PCM.

MAAP's governing Board comprises of the Associated Marine Officers and Seamen Union of the Philippines, the private sector, the Danish Shipowners Association, the Norwegian Ship-owners Association, the Japanese Shipowners Assoc, the All Japan Seamen's Union, the international Transport Workers Federation, International Maritime Employees Committee, The International Maritime Managers Association of Japan and the Filipino Association for Mariners Employment.

The Academy operates as a non-stock non-profit entity under the guidance of the governing board Chairman, Capt Gregorio S. Oca who is also the president of Amos UP. The Academy's President, VADM Eduardo Ma. R. Santos, AFP former Flag Officer of the Philippine Navy pursued the growth and expansion of the Academy.

Also during the graduation was the blessing and initial operation of the first of its kind Chemical and Product Tanker Simulator donated by IMMAJ. The simulator practically demonstrates a full integration of both the computerized systems and the mechanical or manual operation of the chemical and product tanker cargo charging and discharging activities, using the controls.

LIGHTHOUSE MARINA

Subic's latest attraction

The Poolside with a vast view of Subic bay

The airy lobby

Fearlessly going against more estab lished hotels in a tourist destination like Subic wasn't much of a problem for Lighthouse Marina, one of the newest hotels to grace the former American base.

Jesus Avecilla Jr., president of Selma Shipping and Chairman of Lighthouse Marina said that the boutique type hotel managed to establish quite a footing despite the hotel's fledgling existence. Already, it can boast of well satisfied clients who keep on coming back to the hotel despite the presence of many older and more well-known hotels around the area. Indeed, its unique structure had earned quite an interest among locals and weekend visitors. Graded Class A, the hotel features world class accommodation and a restaurant that can satisfy even the most discriminating guest. The now familiar site of a lighthouse building in the bay provides the landmark and a fitting image for the hotel.

The decors are tastefully done and made to fit an equally amiable yet very elegant and classy interiors designed to capture its picturesque surrounding dominated mostly by the vast expanse of Subic Bay. Fittingly, the hotel has promoted water sports as one of its main attractions.

Most recently the hotel hosted an Independence Day Regatta last June which draw in several yachting and water sports enthusiasts that includes Mr. Avecilla himself.

Jess Avecilla with former Mutya ng Pilipinas beauties during the Regatta party

GMA LEAD INAUGURATION OF NYK-TDG MARITIME ACADEMY

No less than the country's head honcho, President Gloria Macapagal Arroyo graced the inauguration of the newest maritime school in the Philippines put up by one of the world's oldest and largest shipping companies in the world and its Filipino business Partner.

Pegged at P1 billion construction budget, the newest maritime academy sees a fifty years payback but TDG president Roberto C. Delgado stressed its an investment that puts forward the partnership's trust and continued support of an industry that has provided Filipino seafarers unequalled job opportunities.

NYK-TDG Maritime Academy represents the single biggest investment of the Tokyo-based Nippon Yusen Kaisha (NYK) and the Filipino owned Transnational Diversified Group (TDG) in the Philippines in their 31 years of partnership.

Welcoming the president to the sprawling nine-hectare facility in Knowledge Avenue, Carmel town Canlubang Laguna, along with Mr. Delgado were Kaji Miyahara, NYK Line President, Roberto C Delgado, TDG Founder and Group Chairman and former Department of Labor and Employment Secretary Ms. Patricia A. Sto. Tomas who is currently Chairman of the NTMA Board of Trustees. In her speech, the president hailed the partnership of NYK and the Delgado group for putting up the Academy and called it a future "bedrock" of excellent Filipino workers that the country can be proud of in the international shipping arena. She pointed out during her speech, that the Filpino seafarers "are a formidable source of foreign exchange earnings — 800 dollars entry point once you graduate; 300 dollars allowance even today. This adds more spark to our economy that is slowly making waves in the world".

Adopting an E to E (Enrollment to Employment) strategy, NTMA not only provides world –class maritime education to young Filipinos but ensure that they have a head start in pursuing a productive seafaring career. This makes NTMA of the few schools in the country that has the capability to provide 100% employment to all its graduates.

According to NTMA President C/E Wilson P. Travina, the Academy offers its cadet competency based maritime curriculum, direct and extensive access to modern training equipment and facilities and a guaranteed shipboard training. The 12-month shipboard training is a requirement by the Commission on Higher Education to earn the degree in Bachelor of Science in Marine Transportation (BSMT) and Bachelor of Science in Marine Engineering (BSMarE).


GMA trying out the Academy's state of the art ship simulator, one of the many training facilities that NYK-TDG Academy offers to its cadets

"The mandatory shipboard training is necessary for maritime students to become full-fledged merchant mariners," he says, noting that manning fail to earn their degrees because their school does not provide shipboard training.

NMTG also offers scholarships and a "Study Now Play Later" Program that provides poor yet deserving students access to quality maritime education. Through this program, they will be given a once in a lifetime opportunity to fulfill their dreams of becoming a seaman and help their family to have a better life.

The Academy's pioneering batch of 120 cadets who were recruited from various provinces in the country have started living inside the Academy, a boarding school, since classes opened last month, June 1. They have been placed under the guidance of a faculty pool composed of language and science educators as well as seasoned active merchant marine officers who will train them to be independent, mature and responsible in preparation for shipboard life away from home. C/E Travina said NTMA will continue to play an important role even after the cadets have graduated as the school will be extending assistance to them in passing the license examination for marine deck officers and marine engine officers. Graduates will also be provided with continuing maritime education and training for them to become senior class officers of any kind of vessel.

Filipino seafarers account for the biggest number in the worlds seafarers population, while a demanding profession, seafarers enjoy salaries and benefits above those earned ashore which enable their families to live comfortable lives.■

Mitsui OSK and MMC launches training ship

Taking the cudgel for a world-wide call to address the increasing shortage of marine officers in the global fleet, Mitsui O.S.K. Lines in cooperation with Magsaysay Maritime Corporation (MMC)Ltd recently launches T/S SPIRIT OF MOL, a 4,878 ton training vessel docked at the Pier 13, South Harbor in Manila.

The T/S SPRIT OF MOL, owned and operated by Mitsui O.S.K. Lines Ltd., is the first training ship based in Manila that will be used for international voyages. The vessel will be used by a cross-cultural mix of maritime cadets who will embark on four-to six month training voyages around Asia starting late July, the first of its kind for the country.

This project is MOLs' response to manpower shortage and their major fleet expansion. "There is a global shortage of skilled mariners forecasted in the coming years, and at the same time, MOL is implementing a major fleet expansion. In order to address the scenario, we are expanding training operations around the world to provide classroom and practical training for future seafarers that will ensure safe and top-quality vessel operations." says MOL Executive Officer Capt. Soichi Hiratsuka. MOL, one of the leaders in the global shipping industry, operates around 800 ships trading worldwide and employs over 12,000 Filipino Seafarers.

Manila Mayor **Alfredo Lim** welcoming **Capt. Hiratsuka** , skipper of the vessel, during the launching ceremony.

"The T/S SPIRIT OF MOL will give cadets onboard experience, which is essential for getting international mariner certification, as well as having passed the necessary curriculum in a designated educational institute. Graduates from this new training system will soon contribute to safe operations throughout the MOL Group fleet," he adds.

The T/S SPIRIT OF MOL has a training bridge on floor above the actual bridge, a feature that is unique to the vessel. Cadets from different nations (the Philippines, India, Russia, Vietnam, China, Indonesia, etc.) will be training onboard together. The T/S SPIRIT OF MOL has the capacity to train 180 cadets at any given time and will have 10-full-time instructors. Its home-base will be Manila from where she will sail on training voyages around Asia. "MOL believes that intensive training in a cross-cultural atmosphere will not only help cadets master maritime skills but also develop a stronger teamwork based on respect and understanding of cultural differences", adds Capt. Hiratsuka. ■

China and South Korea, and consider seriously how it can become self-reliant. Should this happen, a peaceful and stable order can be formed in Northeast Asia. We think it is important for each country in the region to intensify efforts for the denuclearization of the Korean Peninsula and to work together to persuade North Korea to behave in a responsible manner for the security of the region. The stability of Northeast Asia is indispensable for the security of East Asia and the establishment of the East Asian Community. It is very important in this connection to hold regular summit meetings among the leaders of Japan, South Korea and China, and to establish close relations between these three countries, as well as with the countries of Southeast Asia."

Viewing the larger Asia-Pacific region, Nakasone stressed: "We recognize the reality that the alliance between Japan and the United States and that between South Korea and the United States, security cooperation among ASEAN countries as well as between individual ASEAN countries and the United States, play a foundational role in ensuring the security of East Asia. Additionally, we hope a broader security network will be established through the fostering of the functions of the ASEAN Regional Forum and through confidence-building measures in the East Asia region and in the larger Asia-Pacific region."

Basic Lesson From E.U.: A Common Purpose All in all, the calmer situation in Northeast Asia might seem to be a fragile basis for creating long-term peace and prosperity in this region. But not if we consider the history of Western Europe over this last half-century. For, after fighting three great wars in 70 years, Europe's greatest powers — France and Germany — have made conflict unthinkable between them.

And the basic lesson from Western Europe is this: The only lasting solution to conflict is to embed neighbor-countries in dense networks of economic, political, and security relationships — and the building of regional communities that serve their mutual interests.

Given the increasing destructiveness of new weapon-systems, Community must become the wave of the future — if humankind is to survive and enjoy a bountiful future at all.

As visionary leaders, Western Europe's post-World War II generation of statesmen — Monnet and Schuman of France, Adenauer of West Germany, de Gasperi of Italy — did not start by calling for a wholesale abrogation of national sovereignty. Their basic principle in building Western Europe's economic and political unity, Robert Schuman (who was Prime Minister in 1947-48) expressed memorably: "Europe will not be built in a day, nor as part of an overall design. It will be built through the practical achievements that first create a sense of common purpose."

Accordingly, what was to become the European Union started modestly — inconspicuously, in fact – with the integration of the industries of France and Germany that had been most directly associated with war production — first, coal and steel; and then, atomic energy. Then, bit by bit, economic integration progressed: through a customs union, a common external tariff, and the beginnings of a shared economic policy.

Only after economic integration was well along did the first serious efforts at political integration take place: first, through a common Assembly and a High Court, and then through an Executive Commission and Council of Ministers. (A premature effort to set up a Defence Community failed in 1954.) As integration deepened, membership in the Community was enlarged gradually — until the European Union had spread deep into Eastern Europe and southward into the Mediterranean states.

Since then, the European model has inspired other regional communities, as peoples everywhere acquired an enhanced awareness of their common future. We have all come to realize that anarchic forces threaten every state in the world-system; and that all of us must become concerned by poverty, disease, oppression, terrorism, and despair anywhere. To protect themselves from these destructive forces, individual states must attune their policies to those of neighbor-states and to global developments – if they are to deal effectively with problems that go beyond national boundaries.

This is why we are seeing everywhere in the world the spread of regional movements toward Federation, Community and, ultimately, Union — starting from Western Europe, to Southeast Asia, to Latin and North America, Africa, and then to South, West, and East Asia.

Meanwhile, the world continues to track the progress of European solidarity: the E.U.'s steady enlargement; its launch of a common currency; and its effort to agree on a "Common Security and Foreign Policy," to include a European Armed Forces separate from NATO.

Given the excesses of 'dog-eat-dog' Anglo-Saxon competitive capitalism, the European concept of the "social market" is also generating acceptance — as a model of how to reconcile the workings of global markets with society's need for a measure of equity, justice, and compassion for those that development leaves behind.

The rejection — by French and Dutch

voters — of the E.U.'s draft Constitution reminds us all of how difficult it is to balance national diversity and supranational unity. But a Union such as Europe's should certainly be strong enough to withstand the occasional "No" from its national constituencies.

Integration In East Asia And The Market System

In East Asia, integration is being fostered primarily by the market system, which most of our countries have adopted, despite their differing political systems. Now that the 10 Southeast Asian States have been gathered into ASEAN — and are promulgating an ASEAN Charter — the concept of an East Asian Economic Grouping (EAEG) that would incorporate the ASEAN States and the three Northeast Asian States of China, Japan, and (a presumably unified and nuclear-free) Korea is moving steadily.

The initial phase of this grand ambition — a Free Trade Area between ASEAN-10 and China — started in 2004, and should be completed by 2010. And, concurrently, ASEAN-10 plus Japan FTA is being negotiated. India, too, has manifested interest, since 2005, in an ASEAN-10 plus India free trade configuration.

If the prescription of Community is to apply to Northeast Asia's aches and pains, the region must have to start from scratch. Alone among the Asian regions, it has no regional organization handy. (Analysts have suggested institutionalizing the ad hoc Six-Party Talks). North Korea would have to be drawn out of its isolation without applying a replay of the East German social explosion that toppled the Berlin Wall.

This is why Northeast Asia needs a concert of powers to sustain the fragile stability it has won for itself — if only for the time being. But the two halves of the Korean people must begin the work of reconciliation and community building on their own initiative.

As Paris and Bonn did in 1952, so must Seoul and Pyongyang resolve face-to-face the roots of their differences — just as Kim Dae-jung tried to do, through his talks with Kim Jong Il in the North Korean capital, in June 2000.

Popular dialogues, too, must begin — in which ordinary people could take part. The people of the North — atomized by their totalitarian regime – must regain their solidarity. Trade, investment, tourism, and technology transfer must intensify across the 38th Parallel. Economics must once again outflank politics. Every weapon in the global armory of community-building must be deployed to bring about enduring peace and prosperity to Northeast Asia

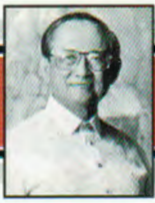
Meanwhile, the instruments for a larger Asia-Pacific economic community have already been laid – starting with APEC, the Asia-Pacific Economic Cooperation forum. Beyond economic integration, however, is the imperative for durable peace and security. Over these next 10-15 years, the task for our statesmen would be to replace the American Peace (or Pax Americana) that has enforced stability in the Asia-Pacific region with a Pax Asia-Pacifica. Unlike the American Peace — which is at bottom exclusively based on America's military might — an Asia-Pacific Peace would be the peace of virtual equals.

A shift from Pax Americana (or peace and security guaranteed by the power of American arms) to a Pax Asia-Pacifica in our region could well be the answer in which the major countries and sub-regional blocs contribute to and share in the maintenance of Asia-Pacific security and stability. The common geopolitical threats against all of us are international terrorism, the threat of the proliferation of nuclear weapons, the instability arising out of the long-standing Arab-Israel conflict, the protracted war in Iraq, and the current structural fissures in the U.N. system.

As regional neighbors and partners, we now should exploit the convergence of interests that the United States; Japan; China; India; Russia; ASEAN; Canada; a unified, nuclear weapon-free Korea; Pakistan; Australia-New Zealand; and others share in a peaceful and stable Asia-Pacific — just as the western Europeans exploited the Cold War stalemate between the U.S. and the U.S.S.R. to consolidate and expand the European Union.

The overstretched U.S. forces in various hotspots — Iraq, Afghanistan, the Balkans, Korea, Haiti – plus the insistent clamor of Americans for better homeland security against terrorism and more effective public safety mechanisms in the aftermath of hurricane "Katrina" provides the irrefutable rationale for a deep restructuring of Asia-Pacific security. An important offshoot of all this could be a lighter burden on U.S. taxpayers by the reduction of defense expenditures. In the next decade, it is foreseen that neither Uncle Sam nor the United Nations can be depended upon to provide — by themselves – the effective mechanisms for human security everywhere.

The Pacific Peace will be a security cooperation based not on the "balance of power." but on the "balance of mutual benefit." Clearly, this concept will involve burden-sharing by all nations in the Asia-Pacific in contributing forces to insure the region's peace and security, and will have to be built on a cooperative understanding among the most affluent, and most powerful, countries in our part of the world – the United States, Japan, China, and South Korea. ■



HARMONY, PEACE AND PROSPERITY IN NORTHEAST ASIA: EXPLORING HISTORICAL EXPERIENCES

The controversy over North Korea's nuclear ambitions seems to have died down, at least for the moment. The Six-Party Talks have, at long last, become surprisingly successful — thanks, apparently, to China's bottom-line opposition to Northeast Asia's nuclearization. Under the aegis of the Six-Party umbrella, Washington and Pyongyang have even been able to hold the bilateral talks that NoKor's Kim Jong Il covets — as a token of his graduation to a leader of international rank. Just now, Northeast Asia is temporarily more calm and less unstable. But it remains a potential flashpoint of conflict.

South Korea Beginning Own Course. Meanwhile, an increasingly self-confident South Korea (whose GDP is already larger than that of the whole of ASEAN) is beginning to chart a course independent of its American patron.

But, it may not have been entirely passive in the face of North Korea's nuclear provocations. In November 2005, the International Atomic Energy Agency (IAEA) accused Seoul of having enriched a tiny amount of uranium — to a level close to what would be useful in an atomic weapon. The ROK Government denied the experiments had its blessings, explaining that these were carried out by academic researchers "for scientific interest, without the knowledge of the Government."

If Japan is moving closer to the U.S., South Korea may be moving closer to China — as Korean nationalists join the Chinese in venting their historical anger against the Japanese over rival claims to potential hydrocarbon deposits in the East China Sea and in the Sea of Japan.

Apart from a harmonious surge in Seoul-Beijing relations, analysts also discern a creeping reconciliation between the two Koreas, which contrasts with apparently increasing strains between Seoul and Washington. New generations of South Koreans – who have no personal recollections of, and perhaps only casual interest in, the Korean War – apparently resent what they regard as Washington's undermining of Seoul's efforts to reconcile with Pyongyang under a "sunshine policy."

Japan's Most Immediate Concern

For Japan, North Korea's missile capability is the most immediate concern. But a sweeping defense review that Tokyo recently carried out reaffirms Japan will continue to ban the possession of nuclear arms by its immediate neighbors.

Of course, Japan itself already possesses nuclear technology — and the solid-fuel missiles to match. Not military self-sufficiency but the strongest ties with the U.S. provide the basis for Japan's present-day core defense strategy. Senior statesman, former Prime Minister Yasuhiro Nakasone, clearly articulated Japan's security concerns in his summation at the East Asia Senior Leaders' Forum (EASLF) at Fukuoka in April, thus: "It is desirable that the existing Six-Party talks remain an effective platform for resolving the North Korean nuclear development issue. North Korea, for its part, should refrain from practicing brinkmanship diplomacy, learn lessons from the development of

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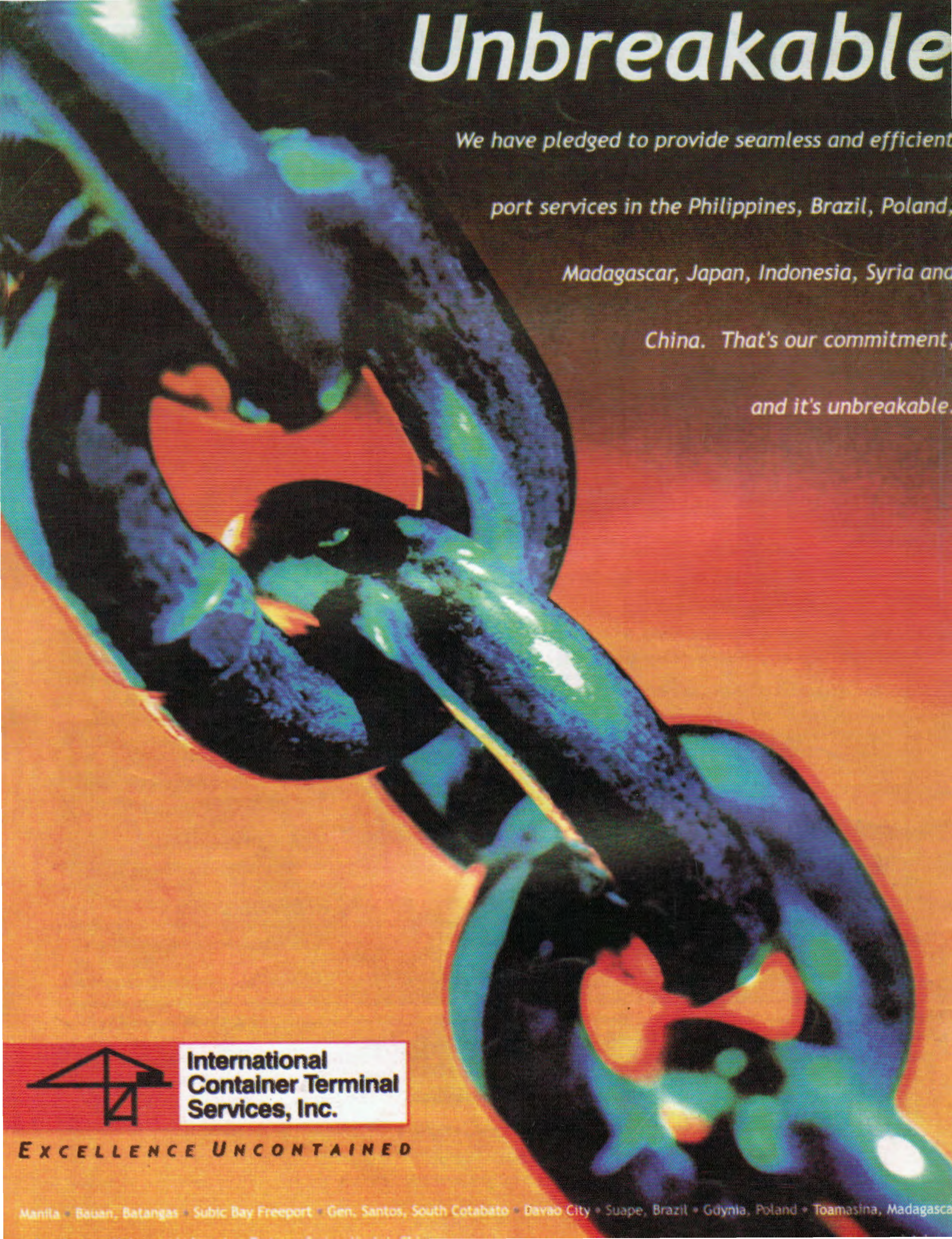

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