SEPTEMBER - OCTOBER 2010

# MARITIME REVIEW

A PUBLICATION OF THE MARITIME LEAGUE

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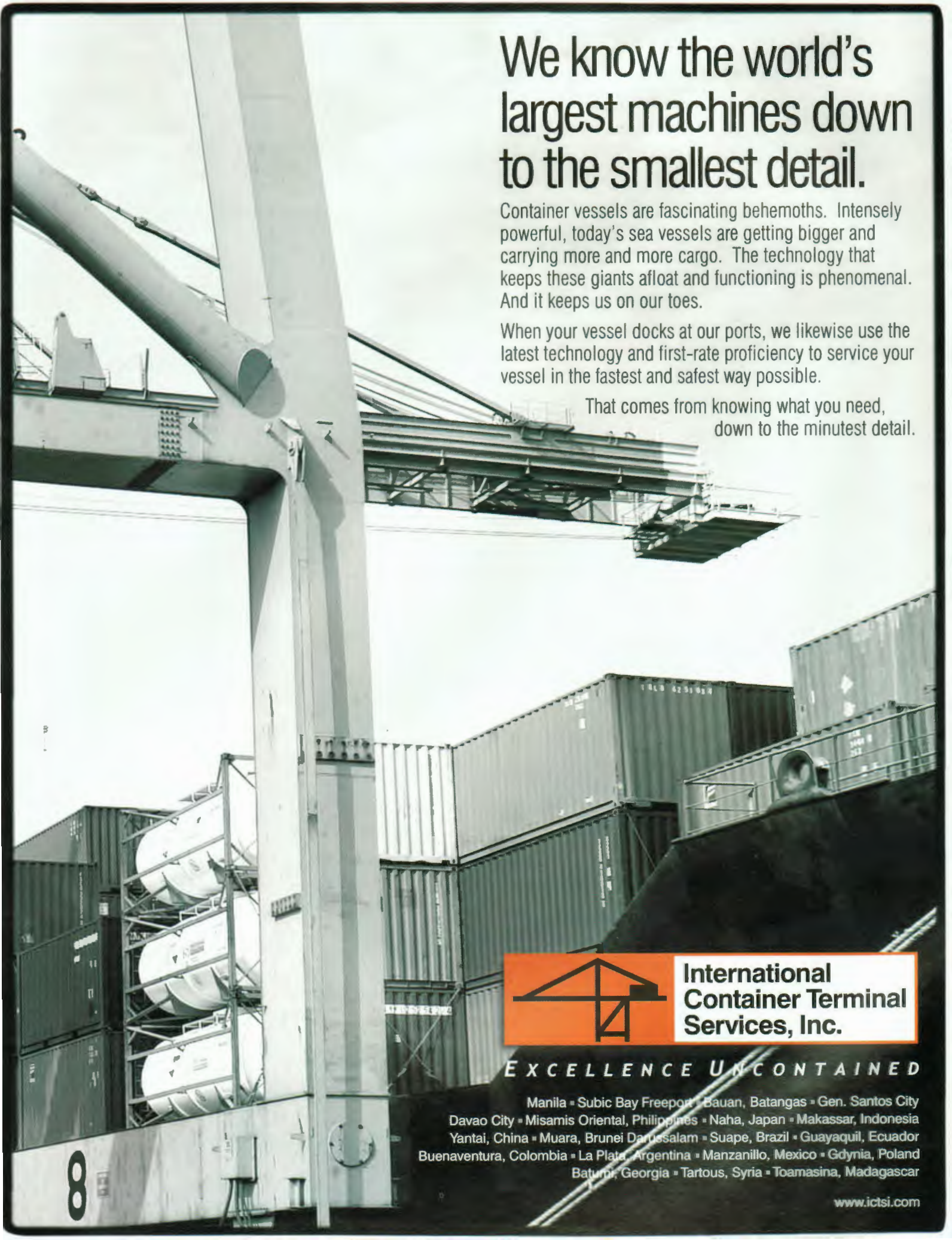
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**COVER STORY**



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MARITIME REVIEW
A PUBLICATION OF THE MARITIME LEAGUE



# The 2010 Investmen

The 2010 Investment Priorities Plan (IPP) purportedly "provides a platform to maximize opportunities" resulting from expected world recovery from the 2008 financial crisis "as well as the benefits from the implementation of our free trade agreements".

Recognizing, that recovery may be delayed, the Board of Investments retained the Contingency List, which is "a temporary inclusion in the 2010 IPP to assist existing enterprises recover from global crisis aftermath and which also covers new projects of micro and small enterprises", according to former DTI Sec Peter B. Favila, under whose watch it was finalized under Executive Order 314 dated April 30, 2010..

The 2010 IPP contains the following priority investment areas:

- The Regular List, which includes nine priority investment areas that were identified to support the current priority programs of the government.
- The Export Activities, which covers manufacture of export products, export services and activities in support of exporters.
- The Mandatory List, which now includes the recently passed R.A. No. 9593 or the Tourism Act of 2009, covers all areas/activities where the inclusion in the IPP and/or the grant of incentives under EO 226 is mandated by law.
- The ARMM List, which covers priority investment areas that have been determined by the Regional Board of Investments of the Autonomous Region of Muslim Mindanao (RBOI-ARMM) in accordance with EO 458. The economic activities listed in the ARMM shall be entitled to incentives provided that the said activities are undertaken in the ARMM region.

The 2010 IPP was formulated by the IPP Inter-Agency Working Group lead by the Board of Investments, in coordination with the Regional Board of Investments - Autonomous Region of Muslim Mindanao (BOI-ARMM), the Office of the President - Presidential Management Staff, NEDA and the Departments of Finance, Agriculture, Energy, Environmental and Natural Resources, Health, Labor and Employment, Public Works and Highways, Social Welfare and Development, Science and Technology, Tourism, and Transportation and Communications. Other participating agencies were BOT Center, Bureau of Customs (BOC), Bureau of Export Trade Promotion (BETP), Bureau of Micro, Small and Medium Enterprise Development (BMSMED), Bureau of Product Standards (BPS), Civil Aeronautics Board (CAB), Civil Aviation Authority of the Philippines (CAAP), Commission on Information and Communications Technology (CICT), Construction Industry Authority of the Philippines (CIAP), Development Academy of the Philippines (DAP), Fiber Industry Development Authority (FIDA), Housing and Land Regulatory Board (HLURB), Intellectual Property Office (IPO), Maritime Industry Authority (MARINA), National Book Development Board (NBDB), National Housing Authority (NHA), National Power Corporation (NPC), National Telecommunications Commission (NTC), Philippine Economic Zone Authority (PEZA), Philippine Ports Authority (PPA), Philippine Retirement Authority (PRA), Small Business Guarantee and Finance Corporation (SBGFC), Technical Education and Skills Development Authority (TESDA) and the DTI-Regional Operations Group. Private sector inputs were likewise obtained through well-attended simultaneous public hearings in Manila, Cebu and Davao on 15 February 2010. In other words, it was coordinated, but how well remains to be seen.

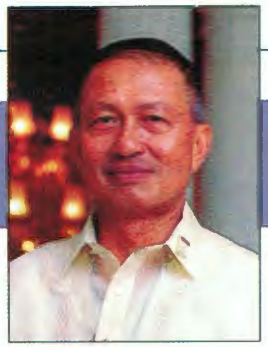
Favila hopes that "with unity and cooperation among all sectors, IPP 2010 could maximize opportunities of a stronger Philippine economy". Let us see how the maritime sector can use IPP 2010.

**Maritime opportunities**

I can see no possibility for the maritime sector to be avail of the Contingency List, because this is of temporary nature and major maritime investments cannot be temporary.

**Regular List**

The Regular List offers a lot of opportunities for the maritime sector. It includes (1) Agriculture, Agribusiness and Fishery (production and processing), the latter being maritime in nature (2) Infrastructure which covers transport (air, water and mass rail transport), water (water supply and/ or distribution), logistics, energy (power generation projects, projects or activities under the PSALM privatization plan, power generation projects located in missionary areas, and rehabilitation of power plants), waste management facilities, mass housing, physical infrastructure, pipeline projects for oil and gas, and projects under the Build- BOT Law; (3) Manufacturing, which includes



By: Carlos L. Agustin

# t Priorities Plan

shipbuilding, and manufacture of machinery and equipment including their parts and components, other transport equipment (air, water and land) including their parts and components, cement, modular housing components (for mass housing projects) and iron and steel products; (4) Business Process Outsourcing (BPO), if any in the maritime field; (5) Creative activities; (6) Strategic activities; (7) Green projects; (8) Disaster Prevention, Mitigation and Recovery Projects; and (9) R&D Innovation, which includes skills development, and we are in on maritime training.

**Mandatory List**

Certain laws require the inclusion of some projects in the IPP. These include: (1) Forestry -- tree crops (except fruit trees) for commercial and industrial purposes under PD 705; (2)

Exploration and development of mineral resources, mining, quarrying and processing of metallic and non-metallic minerals (RA 7942 or Philippine Mining Act of 1995 as amended); (3) Book Publishing Industry under RA 8047, which covers printing, re-printing, publication and content development of books or textbooks (maritime publications, anyone?); (4) refining, storage, distribution, and marketing of petroleum products located in government identified logistics hubs under RA 8479; (5) Establishment of waste recycling facilities in consonance with RA 9003 (this could include waterfront development-reclamation); (6) Establishment of industrial wastewater treatment facilities, and sewage collection integrated with treatment facilities and the adoption of water pollution control technology, cleaner production and waste minimization under RA 9275; (7) Manufacture of technical aids and appliances for the use and/ or rehabilitation of disabled persons, and the establishment of special schools, homes, residential communities or retirement villages solely to suit the needs and requirements of persons with disability pursuant to RA 7277; (8) Manufacture, fabrication and supply of locally-produced renewable energy (RE) equipment and components.; (9) Tourism, covering tourism enterprises that are outside the tourism enterprise zones (TEZs) and are engaged in the following: Tour operations; Tourist transport services whether for land, sea and air transport for tourist use; Establishment and operation of: (a) Accommodation establishments such as but not limited to hotels, resorts, apartment hotels, tourist inns, motels, pension houses, private homes for home stay, ecolodges, condotels, serviced apartments, and bed and breakfast facilities; (b) Convention and exhibition facilities or "meetings, incentives, conventions and exhibition" (MICE) facilities; (c) Amusement parks; (d) Adventure and ecotourism facilities; (e) - Sports facilities and recreational centers; (f) Theme parks; (g) Health and wellness facilities such as but not limited to spas, tertiary hospitals, and ambulatory clinics; (g) Agro-tourism farms and facilities; and (h) Tourism training centers and institutes.

**Export Activities**

Export Activities covers the Manufacture of Export Products, Export Services and Activities in Support of Exporters.

**ARMM List**

The ARMM List covers priority activities that have been identified by the Regional Board of Investments of the ARMM (RBOI-ARMM) in accordance with EO 458. The RBOI-ARMM can also grant registration and administer incentives to activities in the IPP.

Agriculture, Agribusiness/Aquaculture & Fishery - covers the production of processed foods (production of "Halal" meat and foods), vegetable oils, food crops, integrated coconut processing and plantation, activated carbon, production of beverage crops and plantation, seaweeds production and processing, fruit processing, aquaculture (fish production and processing), young/sweet corn production, potato and sweet potato plantation/ processing, cutflower production/ processing, abaca plantation/processing, oil palm plantation/processing/refining and germinated oil palm seeds, feeds production, jatropha plantation/ processing, sugarcane plantation/processing and refineries, quality seed and seedlings of fruit trees and other planting materials propagated asexually or by tissue culture, pearl culture/processing, production of livestock and poultry that includes processing, crocodile farming and processing, sericulture, feeds production and production of plantation crops and other pharmaceuticals, medical herbs/essential oil plants.

**Basic Industries**

This covers the production of pharmaceuticals such as antibiotics and medical devices, textile and textile products, inorganic and organic fertilizers using solid wastes materials, mining exploration and development of mineral resources (mining and quarrying of metallic and non-metallic minerals which includes small scale as defined under P. D. 1899 but to exclude river beds in operations and processing of minerals such as beneficiation and other metallurgical methods) and cement production of at least 1.0 million MTPY capacity (clinker based).

Infrastructure and Services - public utilities with developmental route of the five provinces and one city of ARMM and other adjacent cities and provinces such as common carriers, electric transmission/distribution, water supply facilities/waterways and sewerage systems, buses/cargo trucks, other specialized mass transport systems, power generation like hydro power, geothermal and natural gas, and telecommunications with international gateways.

Engineering Industries - engineering products, electronics and telecommunication products, fabrication of construction materials and the like.

Energy – Related Activities - covers exploration, production, development and utilization of energy resources such as minerals, hydrocarbon, coal, geothermal, hydropower resources, oil, natural gas and any form of renewable energy resources. Investments pertain to both upstream industry and downstream industry in energy resources in the ARMM.

BIMP – EAGA Trade and Investment Enterprises - enterprises located or have their base of operation in the BIMP – EAGA, namely, Brunei; Sabah and Sarawak in Malaysia; Maluk u, Sulawesi, Kalimantan and Irian Jaya in Indonesia; and Mindanao and Palawan in the Philippines, who shall invest and engage in economic activity in the ARMM including the age old Traditional Barter Trading System in the BIMP – EAGA.

Tourism - covers the establishment of tourism estate subject to guidelines developed jointly by RBOI-ARMM and the Department of Tourism – ARMM, tourist accommodation facilities, tourist transport facilities and development of retirement villages which shall include health and medical facilities including amenities required by the Philippine Retirement Authority (PRA) and subject to the guidelines to be approved by RBOI-ARMM in consultation with the PRA, the Department of Health (DOH), the Regional Planning and Development Office (RPDO) and other concerned agencies.

Health and Education Services and Facilities - covers the establishment of private hospitals, medical clinics, wellness centers, primary education, secondary education, tertiary education (colleges, universities and vocational – technical schools) and ancillary services including any and all health and education related investment.

Halal Industry - covers services and the production of goods permissible under Muslim or Islamic law.

There are apparently lots of opportunities in the maritime sector. Individual and collective initiatives will be needed to take full advantage of these opportunities, which can fast track and provide incentive to specific areas of business expertise and industrial specialization. ■

# ATS remains bullish this year, continues refleeting

Shipping giant Aboitiz Transport System (ATS) is continuing its refleeting as it expect better passage and cargo traffic in the future as the country continues its climb from the negative effects of the global financial crisis.

ATS said based on their figures both passage and cargo volume has increased by double-digits compared to the figure they posted last year.

In an interview at the sidelines of ATS's holding firm Aboitiz Equity Venture (AEV) Media Lechon Party recently, AEV chief executive Erramon Aboitiz said their refleeting program is to prepare the company for future growth as well as to make ATS more cost effective in terms of fuel expenses and logistics rates while providing better services to its clients.

"Volumes are up," Aboitiz said. "Both passenger and cargo volume so far increased in double-digits compared to last year."

"We are rejuvenating our shipping line. The company is slowly buying back Ro-Ro ships to increase our capacity," Aboitiz said.

In the past couple of months, ATS has introduced two new ships for its SuperFerry fleet and another one for its Cebu Ferry to accommodate the increasing volume the past couple of months.

The three new vessels are also expected to boost ATS's capacity in the second half of the year considering that the company is operating at a limited capacity in the first six months of the year due to some maintenance and dry-docking procedures imposed on their vessels.

The two new SuperFerry, on the other hand, made their maiden voyages last month.

As a result of the dry-docking, ATS reported lower freight and passage business revenues for operating in very limited capacity, registering P152.5 million net loss in the first half of the year,

The drydocking procedures only enable ATS to post P2.5 billion local freight revenues, a 6% decrease versus 2009.

It said despite the 9% cargo volume growth, it was offset by 20% lower average freight rates since they were serving the market with more freighters which charge lower rates.

Earlier, ATS announced that they are bullish about their prospects for all its business ventures on the back of the global economic recovery.

ATS explained that good overall business activity have positively affected not only their shipping and logistics business but also its shipbuilding and ship management ventures including the MCC Transport which is a joint venture with Maersk Line. ■

# Nenaco posts 25% income increase in first six months


Negros Navigation Co. (Nenaco) continues to fashion its winning ways by posting a hefty 25% increase in revenues for the first six months of 2010 to P1.37 billion from P1.10 billion in 2009. Passage volume climbed 30% while freight volume swelled 40%.

The increase in revenues can be attributed largely to the strong marketing initiatives in both passage and freight businesses.

Nenaco, owing to its strong operating performance for the past three (3) years, emerged from its Court rehabilitation proceedings four (4) years ahead of its ten (10)-year Rehabilitation Plan.

"Actually, our performance was dampened by the limited capacity that we have during the period as three of our freighters and one passenger/cargo ferry underwent maintenance and drydocking at different intervals during the first quarter," said Sulficio O. Tagud, Jr., Chairman & CEO of Negros Navigation.

"Despite that handicap, we kept our focus on our core businesses and at the same time held down our costs, other than fuel, to very close to last year's levels" Tagud added.

Early this year, Nenaco re-packaged its freight business with the successful launching of its NN Freight brand. The passage business continued on with its innovative marketing strategies resulting in securing a lion's share of the market in areas where the company served.

With the launching of NN Freight, Nenaco has redefined the landscape of shipping experience. From the traditional pier-to-pier transport, Nenaco now offers the more revolutionary house-to-house service. It is able to pick up cargo from a factory anywhere in the country and deliver the same direct to its final delivery point in a seamless logistical operation.

Nenaco's net income during the period reached P175.2M, down 14% against the same period last year due largely to the sharp spike in fuel prices this year. "Fuel prices increased by 42% this year compared to last year causing our operating expenses to swell 37%, fuel being the biggest component of operating costs" Tagud said. "With the fuel price hike, we pushed our revenues up to offset the additional fuel cost burden," Tagud added.

Nenaco is owned by KGLI-NM, which is a joint venture company between Negros Holdings Management Corporation and KGL Investments of Kuwait. ■

**APL STARTS NEW DIRECT US WEST COAST SERVICE AT ICTSI'S JAPANESE TERMINAL.** *Naha International Container Terminal, Inc. (NICTI), a subsidiary of International Container Terminal Services, Inc. (ICTSI) managing the international container terminal at the Port of Naha in Okinawa, Japan, welcomed a new US West Coast direct service by American President Lines (APL). The PS5 service is an all US flag service, which plies the ports of San Pedro and Oakland, California; Duth Harbor, Alaska; Pusan, South Korea; and Yokohama and Naha, Japan. APL deployed five vessels: APL Korea, APL Thailand, APL China, APL Philippines and APL Singapore. All five vessels, the largest vessels to call at Naha, each have a length of over 900 feet and capacity of almost 5,000 TEUs. Photo shows vessel APL Korea berthing at the Naha International Container Terminal. ICTSI, based in Manila, Philippines, is a leading port management company involved in the operations and development of 21 marine terminals and port projects in 15 countries worldwide.*

## IN FIGHT AGAINST PIRACY

# Philippines reiterates call for greater global cooperation

The Philippines reiterated its call for greater global cooperation in the fight against piracy off the coast of Somalia and welcomed the report of United Nations Secretary-General Ban Ki-moon containing proposals that seek to address this issue.

*Navies apprehended a suspected pirate off the Coast of Somalia.*

Philippine Deputy Permanent Representative and Charge d'Affaires Carlos D. Sorreta, stressing that many Filipino seafarers have suffered at the hands of Somali pirates, said "to fight piracy, we believe that broader cooperation is key and it is in this context that we welcome the report of the Secretary-General."

"The security, protection and welfare of Filipino seafarers have always been the primary concerns of the Philippine Government -- concerns which I am sure are shared by others with nationals serving on these ships," Mr. Sorreta told the members of the Security Council in a meeting of the United Nations Security Council last August 25.

In calling for greater global action, Mr. Sorreta cited the importance of giving due regard to the victims, saying "beyond ships and cargoes, there is the crew."

Forty-six ships with Filipinos as crew have been taken by pirates while almost 500 Filipino seafarers have been held hostage.

"Many suffer prolonged captivity, some as long as ten months. It is a testimony to their courage, clear thinking and fortitude that they survive," he said.

"It is a tribute to their resilience and that of their families that many are able to return to the sea," he said.

Mr. Sorreta also recognized that the root causes of piracy can be found in the current political and security situation in Somalia.
"Piracy is a grave threat to international security and we join others in citing the importance of addressing its roots causes through a comprehensive approach," he said.

"We are grateful to the many countries involved and committed to this task," he pointed out.

In his statement, Mr. Sorreta shared the actions being taken by the Philippines, including working with other states, ship owners, and manning agencies to ensure the safety of Filipino seafarers.

In closing, Mr. Sorreta said that 81 Filipino seafarers remain in the hands of Somali pirates and that "we pray for their safe release, and hope that our actions here today will somehow help lead to their freedom and to preventing others from suffering the same fate."

During the meeting, Secretary-General Ban Ki-moon and UN Legal Counsel Patricia O'Brian also delivered statements. ■

# PPA to review ATI contract to operate Batangas Port

Philippine Ports Authority has started to review the contract of Asian Terminals Inc., the country's second largest port operator, for the operation of Batangas Port, Phase I.

*An aerial shot of the Port of Batangas.*

PPA general manager Juan Sta. Ana has appointed PPA-Batangas new port manager Fernando Claveria to head the technical working group that will scrutinize the contract .

ATI's contract for the operation of Batangas Port Phase I will expire on 2015.

"There is no formal offer yet. But we are setting up the ground rules for the negotiation," Claveria said in an interview.

"But the process is that we will eventually make our offer and they will agree or not with our proposal," Claveria said.

He added that under the ATI contract, the company is allowed for a renewal of the contract before bidding it to other operators if the negotiations fail, a usual feature of the long-term contracts of PPA.

The operation of the said facility is vital to ATI after the company has bagged the operation of the Phase II of Batangas Port, a facility geared to become the country's next gateway after port of Manila.

PPA officials, however, cannot give comment if the recent court case between the state firm and ATI will affect the negotiations of the said contract.

In May last year, ATI sued PPA-Batangas and its officials for allowing RGB Maritime Services Inc. the right to operate the passenger terminal 2 for a year starting May 2009 until May 2010.

PPA said that the terminal 2 is a new facility, which is not included in the franchise area of ATI. Batangas Port's three passenger terminals are all situated within Phase I, the franchise area of ATI-Batangas.

Both PPA and ATI eventually reached an amicable settlement on the case.

Batangas port handles about 2 million passengers annually and is a critical point in the country's nautical highway linking Luzon to the central part of the country such as Mindoro and Romblon.

On the other hand, ATI also has the right to operate Batangas Port Phase II for the next 25 years, with the company agreeing to pay some $125 million to the government during that period.

Japan International Cooperation Agency gave at least P5.5 billion in loans to PPA for the development of the said container terminal, which can handle as much as 400,000 twenty-foot equivalent units a year. The loans, however, will be paid by PPA and will not be shouldered by ATI.

In 2007, the government has completed the roll-out of cargo handling equipment such as the four rubber-tired gantries and two quay cranes.

At the moment, local liners such as Lorenzo Shipping and Aboitiz Transport's 2Go vessels are calling on the port. ■


# PPA adds 10 new routes to Ro-Ro system

*PPA officials led by Batangas port manager Atty. Fernando Claveria (in black coat), who represented Port District Manager Hector Miole, and Atty. Francisquiel Mancile (2nd from right) listen to the sentiments of local government officials on how to upgrade and market the 10 new ports.*

The Philippine Ports Authority (PPA) has introduced 10 new Ro-Ro ports in the Bicol region that will be incorporated in its Road Ro-Ro Terminal System (RRTS) in its bid to enhance the movement of goods and people with the cheapest cost possible.

PPA said that the 10 new Ro-Ro ports will open up new markets not only for local businessmen but also to other businesses outside the region.

In an interview at the sidelines of the SRNH Ports Investors Forum organized by the Port Management Office of Legazpi, acting port manager Atty. Francisquiel Mancile said the additional ports will define the future of the region in terms of logistics and tourism.

"We continue to dialogue with the local government units (LGUs) where the 10 ports are located in order to fully harness the potentials of the areas," Mancile explained.

"PPA also continues to promote and improve port facilities to connect with other ports to efficiently move people and goods," Mancile added.

"With the introduction of the ports, potential markets could now be opened to local and international shipping," Mancile explained.
The ten new Ro-Ro ports, on the other hand, include the Ports of Pantao and Pioduran in Albay, Caramoan in Camarines Sur, Castilla in Sorsogon, Aroroy, Cataingan, Cawayan, Claveria, Esperanza and San Pascual in Masbate.

Among the products that pass through these ports include bottled cargo, general cargo, cement, animal feeds, refined petroleum products, copra, rice, fish and fish preparations, silica sand, coal and gypsum.

The local government of these towns, on the other hand, welcomed the inclusion of their ports to the RRTS but said they need more than just inclusion from the system of ports.

According to their claims, PPA should also help them in promoting and marketing the ports and make the necessary recommendation to the agencies of the national government such as Department of Public Works and Highways and the Department of Tourism to help upgrade the current road system to the ports.

Ro-Ro operators, on the other hand, led by Montenegro Shipping said they are willing to put in the needed service in the area but they will start with the ports with enough traffic that will slowly expand to the other ports. ■

# Int'l manning event returns to Manila

The world's most important manning and training conference returns to Manila, Philippines for its 11th year.

Over 250 leading maritime recruitment and training professionals from over 20 countries will meet in Manila on November 17 and 18 at the Hotel Sofitel Philippine Plaza for the 11th Annual Asia-Pacific Manning & Training Conference.

Organized by the UK-based conference specialist, Informa Maritime Events, the conference will have as its theme: 'Year of the Seafarer 2010 & Beyond: What Next for Maritime Manpower'.

"Highly acclaimed as a prime networking event, the 'definitive conference on maritime manpower', promises unrivalled opportunities to hear a wide variety of views from senior decision-makers from the Philippines and other maritime manning nations," Kathryn Barnard Informa Manning & Training Conferences Conference Producer said.

The conference will feature some of the most influential players in the industry including: Chairman of the event, V.Ships CEO Manpower Lawrie Campbell, International Chamber of Shipping Chairman and International Shipping Federation President Spyros Polemis, Wallem Shipmanagement Ltd Fleet Manager John Wood, Hong Kong Shipowners Association Managing Director Arthur Bowring, Filipino Association for Mariner's Employment President Ericson M. Marquez and Filipino Shipowners Association Chairman Carlos Salinas among others.

Among the highlights of the event is an exclusive Filipino crew update in which regulators and manning executives from the Philippines discuss the new administration's strategies for the manning sector. A much awaited feature of the conference is the Seafarer Forum in which seafarers and senior managers will debate face-to-face how to enhance job satisfaction and career progression.

A first for the conference will be the 'Manning and Training Cadet Forum' wherein Filipino cadets will relate their experiences and ambitions for a life at sea. This will provide valuable insights into how the industry can promote itself to the younger generation.

The event will also feature a pre-conference workshop 'STCW Focus Day: Beyond Manila 2010' to be held on November 16 and a post-conference workshop entitled 'Maritime Labour Convention Focus Day: Challenges and Solutions to Implementation for Shipowners and Manning Agents' to be held on November 19.

The STCW Focus Day workshop will be conducted by IFSMA president Capt. Christer Lindval and will discuss the changes to STCW as it affects the industry, seafarers and education and training centres.

The Maritime Labour Convention Focus Day workshop will be handled by DNV Principal Surveyor and Country Manager (Indonesia) Pawan Sahni. Delegates will be given a copy of the Maritime Labour Convention 2006 and together with workshop facilitators will study in-depth the five Convention titles to understand their implications for daily operations.

Philippine residents who register by this date will be granted a special rate UK399 pounds.

Asian residents who book by October 15 can avail of the early rate of UK799 pounds and UK899 pounds thereafter.

International residents registering by October 15 will receive an early rate of UK999 pounds and UK1,099 pounds thereafter.

To secure a place at the industry's most important event, visit www.manningandtraining.com/KT0142MR or call +44(0)20 7017 5511. ■


TO BENEFIT PHILIPPINE BANANA EXPORTERS

# Maersk launches new reefer van technology that prolongs shelf life

World's largest containerized cargo carrier Maersk Line has opened up new markets worldwide for Philippine banana exporters with the introduction of its new shipment process. The new technology, which uses controlled atmosphere (CA) system, will now allow Philippine-based banana exporters to transport their produce all the way to Europe longer than 30 days.

Maersk Line successfully carried out a trial shipment of fresh bananas to Rotterdam in the Netherlands from Davao using reefer containers under its new technology developed by StarCare reefer equipment.

In a statement, Kim Aksel Kristensen, Director at Maersk Line's Reefer department said their new technology offer growers, buyers and other entities involved in the banana trades a whole new dimension to their trading patterns.

Maersk Line can now offer access to almost any market place globally through the use of StarCare, in affordable shipment sizes down to 20 pallets.

Subsequently Maersk Line is being an active and innovative part of creating new opportunities for our clients in the single largest perishable commodity segment in the world, the banana.

After successful trials with bananas out of Ecuador, the shipment from the Philippines was initiated and with great success.

"The quality of the bananas didn't suffer from the long transit time, the color was green as it should be, and the bananas were nice and firm with no chilling injuries – absolutely no deterioration of the fruit," Maersk said in the statement.

According to Maersk, imported bananas are nothing out of the ordinary in Europe, but arriving by sea from a destination as far as the Philippines is a breakthrough. The bananas spent a total of 34 days in the containers and arrived in Rotterdam as fresh as when they were loaded at the point of origin. ■

# Hostage-crisis aftermath haunts Philippine Airlines

Flag carrier Philippine Airlines (PAL) continues to post losses as an aftermath of the botched hostage rescue operation at the Quirino Grandstand two weeks ago involving foreign tourists, mostly Hong Kong nationals.

Latest data released by PAL executives showed that the airlines—which is also dealing with the ongoing labor problems involving its flight crew—posted about $80 million in initial losses due to the hostage taking incident that killed eight people including Filipino hostage taker dismissed police chief inspector Rolando Mendoza.

Nonetheless, PAL expects that the condition will just be temporary and tourists will continue its visit to the country the soonest time possible, particularly with China as it is considered PAL's biggest market so far due to its fast economic pace.

The airlines also said that they will continue to mount regular flights to its 26 international and 21 domestic destinations despite the adverse impact of travel advisories against the Philippines following the tragic ending of the hostage drama.

PAL is likewise anticipating a load drip during the airline's lean season usually between August and November, aggravated by the aftermath of the August 23 hostage drama.

Meanwhile, PAL president and chief operating officer Jaime Bautista in a statement said PAL raked in $31.6 million income for its peak months from April to June 2010, which is 11% lower compared to the figure posted in the same period last year.

Bautista said while the aviation industry is showing signs of slow recovery, PAL remains focused on continuing efforts to generate more revenues and control costs.

"PAL must swallow bitter pills and handle its labor issue with utmost care to survive amidst the difficult and cutthroat operating environment," he said.

Earlier, PAL reported revenues of $426.7 million for the first quarter of its fiscal year 2010-11, an improvement of $99 million or 30% over the same period total of $327.7 million in 2009.

During the first three months of its current fiscal year, the airline benefited from improvements in passenger traffic as well as cargo, reflecting signs of economic recovery worldwide. Higher yields generated per seat offering also complemented growth in passenger demand.

During its last fiscal year ending March 2010, PAL reported a net comprehensive loss of $14.4 million in spite of a $35.5 million profit during the first quarter. ■

## TO AVERT FUTURE PROBLEMS

# Hanjin to comply with vessel registration, accreditation requisites

Hanjin Heavy Industries Corporation Philippines (Hanjin Philippines) is experiencing the pains of not being an accredited shipyard of the Maritime Industry Authority (Marina), yet it's willing to comply with its vessels' registration.

*HHIC's Subic Shipyard.*

Marina Administrator Emerson Lorenzo, who was the previous head of the Shipping Regulations Office (SRO) said they had been talking with Hanjin on the shipyard's accreditation with Marina few years ago, but it insisted that Subic Bay Metropolitan Authority (SBMA) has the authority over them.

He claimed they had wrong interpretations on the SBMA charter.

"Marina and SBMA had discussions in the past but SBMA supported Hanjin, saying when they entice Hanjin to invest, they assured Hanjin, it would not deal with any other government agencies but SBMA," Lorenzo said.

"Our stand is Marina will not be a deterrent to investment, but we need to put -up compliance with the law," he added.

In the past, Japanese shipyard Tsuneishi Heavy Industries Inc. encountered the same problems of registering with Marina but later on they complied.

Lorenzo said Mr. PJ Yu, Hanjin's managing director related that they have concerns with the Intellectual Property Rights (IPR) issue.

"Yu said Hanjin was afraid that if it construct big vessels, they will need to submit the design to Marina and it may jeopardize their trade secret. I told him we can discuss that. Also, if it registers with Marina, it will be required to comply with other government laws," Lorenzo said.

Marina collects P8,000 registration fee. In the case of Hanjin, whatever exemptions like VAT, Hanjin will be exempted.

Recently, SBMA told Hanjin that its five vessels must be registered with Marina for safety of passengers who are workers of Hanjin.

Hanjin's vessels were dry docked at Hanjin shipyard, but it cannot obtain safety certificates. Marina has a regulation that vessels must be dry docked only in a Marina accredited shipyard to be able to secure safety certificates.

"Now Hanjin has realized the inconsistencies and they are confronted with dry docking of ships. One of their vessels finished the drydock but there is no safety certificate. They wanted to exempt only one so they can immediately use them," Lorenzo said.

Hanjin said they will comply by bringing the other vessels to an accredited shipyard.

Lorenzo stressed that being a world -class shipyard, Hanjin has the capability to handle shipbuilding, much more ship repairs. If only, it has accreditation by Marina, it will not encounter any problem.

"If Hanjin doesn't want to (be registered), its fine. For me it's just a minor issue," he stressed. ■

## USING STATE-OF-THE-ART FACILITIES

# COMPASS conducts extensive cargo-handling training

From July 27 to August 14, 2010, Philippine's top crewing & maritime services companies have been sending their trainee participants to undergo an intensive five (5) day Cargo Handling Simulation training courses being initially offered by COMPASS Training Center for the first time in its new and state of the art training facilities in Manila.

The course provides practical and theoretical training for Deck Officers at operational level whose specific duties and responsibilities are related to handling of cargo operations and use of cargo equipment on oil, chemical and product tankers. The training consists of series of exercises perform on COMPASS newly installed Liquid Cargo Handling Simulator.

Last July 27 to 31, 2010, shipping and maritime crewing companies namely PASCOR, Norteam, Ace Navigation, and OSG sent their respective trainees to the Cargo Handling Simulator Training Course for Crude Oil Tanker. While on the 2nd week schedule on August 2-6, 2010 for Cargo Handling Simulator Training Course for Chemical Tanker the following companies, Knutsen (Eagle Clarc), Stolt Nielsen, PTC-NCM, EMS Crew Management, ASM and Norteam brought in their respective trainees. And finally, trainees from TSM, Manila Ship and Alster participated on the third week schedule for Cargo Handling Simulator Training Course for Product Tanker held last August 10-14, 2010.

The three sets of cargo handling simulation courses were each handled by two competent management level officers with vast experience on each type of vessel, one serving as the lead course instructor while the other officer serves as the assistant instructor. Each scheduled COMPASS Cargo Handling Simulator training course is designed to be attended at most by eight (8) participants as to allow each trainee to gain the maximum benefit from the hands-on simulation learning experience being provided by the course.

The purpose of the training is to familiarize the candidates on all aspects of crude oil tanker/chemical tanker/product tankers cargo operations and ensure that they can handle a cargo operation watch on board safely and effectively. Successful trainees of this course should be able to take immediate responsibility for any cargo operation on crude oil tanker/chemical tanker /product tanker. Deck officers at operational level and management level are given this tanker simulator training, provided they have experienced sea time on similar tankers and have taken part in the similar exercises to those simulated in the course. This encounter with simulated exercises should not be their first experience of such operations.

The three week long preliminary offering of the sets of Cargo Handling Simulation courses by COMPASS Training Center was generally described as successful. The trainee participants themselves evaluated the training program and saw it as an excellent training program. At the end of the training program, each participant was awarded a certificate of completion and was given an individual evaluation of how the trainees performed in the different competencies required by the course.

COMPASS Training Center is now accepting enrollment to its Cargo Handling Simulator courses. To know more about the Cargo Handling Simulator Training Programme and how your organization can benefit from it, call COMPASS now for details at (632) 353 5487, 4500138, 528 1035 or email at sales@compass.ph.

COMPASS is leading the way to professional competence. ■

# SONAME asks gov't to boost local shipbuilding


*Soname president Samm Lim (seated, center) with the members of the Maritime Journalist Association of the Phlilippines.*

A group of naval architects and marine engineers is asking the Government to strengthen the shipbuilding industry for the country to compete as one of the world's maritime power and compete with other nations such as Korea, Singapore and Hong Kong.

The group, the Society of Naval Architects and Marine Engineers (Soname), said the Philippine Government should not only concentrate on several aspects of the maritime industry.

In a press briefing, Soname president Sammuel Lim said his group, along with several stakeholders and maritime associations are preparing an industry road map to be submitted to the new Government for consideration.

"The Philippines cannot be a maritime power without a shipbuilding industry," Lim stressed.

"In order to strengthen the shipbuilding industry, Government should stop the importation of ships and instead order that vessels for the domestic trade should be built in the country," Lim explained.

"Government should do their part just like what they did when they ban the use of single-hull tankers for persistent oil two years ago," Lim said.

"If implemented, it will have a ripple effect as it will also boost the country's manning, ship management and ship owning industries as well as the naval architecture and marine engineering profession," Lim added.

As an initial step, Soname has launched a ship and boat design contest that is open to amateur and professional naval designers to determine the most suitable design of vessel and boat for the domestic trade.

The design, initially limited to passenger ferry up to 4-hour voyage and cargo/passenger ferry, will be submitted to Government for consideration.

Soname has likewise invited several financing institutions such as the Development Bank of the Philippines, the Japan International Cooperation Agency to help in judging the entries for them to also come up with a program to finance local vessel operators to build and operate such vessels.

The Philippine Interisland Shipping Association is also included in the panel to study the operational suitability of the design to their operations.

The winning design, on the other hand, will also be given to different Philippine-based shipbuilding operators to market and build.

As of the moment, domestic vessel operators prefer to acquire cheap, second-hand imported vessels mostly coming from Japan and Korea with an average age of 20 to 30 years.

However, experts said these imported vessels are not suitable and design to handle the conditions of the country's waters.

To correct the trend, Congress passed Republic Act 9295 or the Domestic Shipping Development Act of 2004 that provide incentives and tax breaks for ship owners to refleet and have their vessels build by local shipyards but continues to be at berth 6 years later. ■

# HHIC-P books 20 new projects in the first six months of 2010

Hanjin Heavy Industries Corp.-Phils. (HHIC-P), the county's biggest shipbuilder, has contracted at least 20 more newbuildings in the first half of the year.

The new contracts have also paved the way for HHIC-P to increase its workforce by about 50% to work on the new projects.

Latest data from HHIC-P showed that the 20 new projects is worth about $1.2 billion and would boost the company's sales to about $700 million worth of vessels this year, $935 million in 2011, and $1.28 billion in 2012.

The new orders have likewise bumped the total number of projects to 56 vessels worth about $4.9 billion.

Hanjin, on the other hand, has remained Subic Bay Metropolitan Authority's top exporter since last year by posting freight on board (FOB) value totaling $372.74 million in the first half of this year.

Subic's export FOB value is expected to grow in the coming months, as Hanjin and other free port enterprises roll out more products due to brightening prospects in global trade.

The data also showed said that since 2007, Hanjin has helped train some 22,000 workers at its skills training center at the Freeport wherein the trained workers included welders, painters, pipe fitters, electricians, machinists, and outfitters, who were mostly hired later at the Hanjin shipyard.

Since its entry to SBMA a couple of years ago, HHIC-P has already invested a total of $1.9 billion in its Subic shipyard, had so far manufactured 14 vessels worth $850 million since 2008 when it delivered its first vessel, the MV Argolikos, to a Greek shipping company.

Earlier, the company said from 2006 to 2016, Hanjin will focus on construction and operation of Subic shipyard and steel structure plan on a 560 acre site in Subic Bay Freeport zone.

It added that Subic shipyard, with its global infrastructure will allow Hanjin to be forerunners in global enterprise by creating synergy between the factory and construction industry as well as through new shipbuildings. ■

# ICTSI sells stake in SSEI

Port operator International Container Terminal Services, Inc. (ICTSI) has sold its stake in Subic Shipyard and Engineering, Inc. (SSEI) as well as its entire shares with Consort Land, Inc. (CLI) valued at about P755.811 million.

ICTSI sold its 9.54% share in SSEI to Keppel Philippines Marine, Inc. (KPMI) for approximately P636.815 million.

The company's share with CLI that represents 8.56% of CLI's outstanding stock was sold to Goodsoil Marine Realty Inc. and SSEI for P118.996 million.

In a disclosure to the Philippine Stock Exchange, ICTSI said both transactions will be paid fully by September 29, 2010.

ICTSI explained that they decided to sell their stake in both firm to concentrate on its core business which is port operations.

ICTSI, along with Magsaysay Shipping Corp. and SM Development Corp., are long time partners of KPMI in the operations of the SSEI.

With the purchase, KPMI increased its shares in SSEI to 79.2% from 37.5%.

As of the moment, ICTSI is concentrating on further improving its overseas units recently signing a long-term contract to operate the container terminal of the Port of Portland.

ICTSI is also still waiting word from the port authorities of Peru whether it won the bid to operate its Callao Port.

The company is likewise looking at ports in the Middle East, Asia-Pacific and Africa.

This year, ICTSI is eyeing to post profit on the back of the global economic recovery but maintained that full-swing recovery is only attaining in 2011.

Currently, ICTSI operates Manila International Container Terminal, the Mindanao Container Terminal in Misamis Oriental, Makar Wharf in General Santos, Cubi Point in Zambales and Sasa Wharf in Davao City. ■

# Stena Bulk orders new vessels

Stena Bulk has confirmed an order for two in-house designed Suezmax tankers from Samsung, South Korea for delivery in 2011. The 158,700 dwt vessels, with a length of 274 metres and a beam of 48 metres, will be when delivered, the largest tankers in Stena Bulk's fleet. Also included are two optional sister vessels, declarable spring 2010.

Nearly MUSD 7 extra per vessel has been invested in state-of-the-art technology in order ensure the highest environmental class including minimum 10 percent lower bunkers consumption compared with the best Suezmax tankers of today.

The order of the Stena Superior and the Stena Supreme is part of Stena Bulk's strategic investment in own high-class tonnage for the Stena Sonangol Suezmax Pool, which is now in its fifth successful year together with the state-owned Angolan oil company Sonangol.

The pool consists of around 15 tankers, which will be expanded to about 25 large tankers over a 3-year period. The collaboration between Stena Bulk and Sonangol also includes a comprehensive training program for Sonangol's employees both at sea and in Stena Bulk's worldwide network of offices.

A new and modern maritime academy school in Angola is currently also in the
pipeline to be progressed jointly between the companies.

Stena Bulk's offices in Houston, Rio de Janeiro London and Singapore are responsible for the commercial operation and chartering of all tankers in the Stena Sonangol Suezmax Pool.

The Stena Sphere has already placed significant and major orders with Samsung Shipyard, including four drillships of the so called Stena DrillMAX design and two super ferries, in addition to the new Suezmax tankers. ■

# Wärtsilä and Turboden to launch Marine ECC

Wärtsilä, the marine industry's leading solution provider, has signed an exclusive agreement with Turboden of Italy to jointly develop, market, and distribute the Wärtsilä Marine Engine Combined Cycle (ECC) product. Marine ECC is to be based on Organic Rankine Cycle (ORC) technology.

The two companies will gain synergistic benefits from the combined strength of Wärtsilä's global presence in the marine market, and from Turboden's leadership and experience in developing ORC technology.

Turboden is a Pratt & Whitney Power Systems company. The joint development work will initially focus on applying the ORC technology for ship applications, and the Wärtsilä Marine ECC product is expected to enter the market during 2011.

The Wärtsilä Marine ECC provides a means of obtaining an efficient and reliable small-scale combined cycle system from the otherwise wasted energy recovered from downstream exhaust gas, and/or from the high-temperature cooling water of reciprocating engines.

This could provide added power in the range of 8 to 12 per cent to the prime mover. Typical sizes range from hundreds to several thousand kWe. With the Marine ECC in operation, fuel oil consumption is significantly lowered, which in turn provides the operator with reduced operating expenses. At the same time, and as a direct result, exhaust gas emissions are lowered and this too aids the operator in meeting increasingly stringent environmental regulations.

"Because of high fuel prices and the need to reduce emissions, improving energy efficiency is today a matter of great importance to our customers. The Marine ECC will benefit both the customer and the environment, and is, therefore, completely in line with Wärtsilä's strategy," says Juha Kytölä, Vice President, Product Centre Ecotech, Wärtsilä. ■

# IMO, shipping industry, seafarers seek UN response to piracy

Support from the United Nations Secretary-General Mr. Ban Ki-Moon to secure the release of hostages - seafarers, in the main - currently being held by pirates in Somalia has been sought, via a letter jointly signed by IMO Secretary-General Mr. Efthimios E. Mitropoulos and heads of international shipping and seafarer organizations.

In the letter they asked Mr. Ban to draw the attention of the Security Council to the unacceptable plight of the 395 hostages currently being held by pirates in Somalia and seek to develop a dynamic approach that might secure their release.

"In this, the Year of the Seafarer, your early positive response to our request will be greatly appreciated by the world's seafarers and the international maritime community," the letter adds.

The letter was drafted following the 14 July meeting of shipping industry organizations and representatives of seafarer organizations held at IMO.

The 14 July meeting was also attended by Mr. Marianito Roque, until recently Secretary of the Department of Labor and Employment in the Government of the Republic of the Philippines - a country that supplies approximately 25% of the world's seafarers and whose nationals have been the principal victims of acts of piracy and consequent hostage-taking, particularly in waters off the coast of Somalia.

The letter to Mr. Ban notes that the IMO Council decided, at its 104th session in June, that the theme for World Maritime Day 2011 and, thus, the thematic priority for the Organization and the shipping industry throughout next year, should be "Piracy: orchestrating the response".

Notwithstanding the various and multi-faceted efforts made to address the scourge of piracy (including by the United Nations, IMO, UNODC, the European Union, NATO, individual Governments and the shipping industry) and the relative success they are having, especially with respect to averting attacks on cargo ships chartered by the World Food Programme to carry humanitarian aid to Somalia, the IMO Council has recognized that much work still remains to be done if the ultimate goal of eliminating piracy is to be achieved. ■

# ABB lands order worth $20 million

ABB, the leading power and automation technology group, has won an order worth $20 million to provide complete power systems, drilling drive and propulsion systems for a new deep water drilling rig to be built by Daewoo Shipbuilding and Marine Engineering (DSME) at its shipyard in South Korea. The end customer is Brazilian ship owner Petroserv, who will operate the drilling rig for Petrobras.

The rig is scheduled to be commissioned by early 2012.

ABB will supply complete electrical systems for the semi-submersible drilling rig, which will be used for oil and gas exploration drilling. The delivery includes power generation and the high and low voltage distribution systems, the drilling drive system, the propulsion drive system, as well as related engineering services.

In addition to supporting the short delivery schedule, ABB's scope of supply was specifically selected to improve equipment reliability, efficiency and availability, securing a stable supply of power throughout all rig systems.

"ABB's broad scope of supply, resident marine, oil and gas industry expertise, and proven track record of delivering advanced, reliable solutions for offshore drilling vessels were important factors in winning this order," said Veli-Matti Reinikkala, head of ABB's Process Automation division.

This project is ABB's fourth Semi submersible drilling vessel project for DMSE; ABB delivered the same scope of supply for the Petroserv #1 rig, which also operates for Petrobras in Brazil.

The new contract with Petroserv demonstrates that the global strategy, along with ABB's core concept for simplicity as a driver in design, commissioning and operation phase for marine customers, can succeed as well in new markets, like Brazil, as they have with owners in U.S.A, Europe and Asia.

ABB's Process Automation division delivers integrated automation solutions for control, plant optimization, and industry-specific application knowledge and services to help process industry customers worldwide meet their critical business needs in the areas of operational profitability, capital productivity, risk management and global responsibility. These industries include oil and gas, power, chemicals and pharmaceuticals, pulp and paper, metals, minerals, cement, marine and turbocharging. ■

*(Conclusion)*

# Eyes of the world on the Phi

In three days, the eyes of most of the world would be upon the Philippines with the assumption of Benigno Aquino III as elected President. While 30 June also means the end of the 9-year PGMA regime, most of the cheering from the homecrowd including this senior citizen, will be because of fresh hopes for a better Philippine future.

At the same time, as already manifested by the ambassadors of the world's big players accredited to Manila -- the U.S., E.U., China, Japan, Australia, the Holy See, among others -- the global community has expressed its support for the incoming P-Noy Administration with the underlying wish that the Philippines becomes a more capable competitor on the world stage and a reliable source of socio-cultural benefits for less-endowed countries.

**Contributor to Solutions, Not Problems**

During this period of transition from the old to the new, the common desire for both the national audience and international observers would be for the Philippines to become a consistent provider of solutions, instead of being part of the world's problems -- particularly in regard to scandals, human rights violations, street children, uneven playing fields, environmental pollution, and bad governance.

After 10 years of impeachments, warlordism, cronyist-dynasties, journalist killings, corruption, and budget deficits, it is about time that the Philippines -- as a regional leader in the Asia-Pacific -- moves in a more positive direction in accordance with its potential weight, given our population (projected to 100 million by 2015), strategic geographic position, Christian-Muslim culture, skilled workforce, English language proficiency, and democratic tradition.

**"Meeting of the Minds"**

Last week, in Tokyo, this writer had the opportunity of interacting with some of the world's leading educators belonging to the International Association of University Presidents (IAUP) in which FVR is a Senior Advisor. Founded in 1964 in England, IAUP consists of university Heads/CEOs/Rectors/Chancellors from around the world. Its primary purpose is to strengthen the quality of education in an increasingly interdependent world, inculcate global reverence for peace, and promote environmental sustainability. It is composed of more than 600 members, devoid of political and partisan affiliations, from over 100 countries.

What took place in the Tokyo IAUP confab was, literally, a "meeting of the minds." The Association's 2011-2014 priority work agenda focuses on "Building Bridges" -- for higher education to be the bridge to human security, to peace, and to economic development. It is officially accredited to the U.N. as an international NGO, and enjoys close ties with the UNESCO, UNICEF, WHO, Alliance of Civilizations, and World Bank.

**A Moment in History**

The IAUP offers a regular forum for education leaders to discuss major issues and challenges in a global, cross-cultural context. Its purposes are to:

- Provide a worldwide vision of higher education.
- Strengthen the international mission of learning institutions.
- Promote academic exchange and collaboration.
- Enable the voice of educational leaders to be heard.
- Promote networking and collaboration to support sustainable development in the context of global competency.
- Promote international peace and understanding through education.

The next triennial of IAUP's general membership is scheduled in New York City in June 2011. Because the venue will be next door to U.N. Headquarters and the proven gravity of education's impact on all countries, this coming meeting has been dubbed "A Moment in History." U.N. Secretary General Ban Ki-Moon and U.S. President Barack Obama are expected to address the opening session.

# ppines (for a while)

Responsible IAUP officers to implement its New York program are President-elect Michael Adams and SecGen-elect Richard Bronson, both of Fairleigh Dickenson Universiy (New Jersey), and Treasurer-elect Carmen Lamagna, American International University of Bangladesh (a Filipina and 2006 Malacañang Pamana-OFW Awardee).

**Worldwide Survey of People's Needs**

Over the past months, 230 university and college presidents from Africa, Asia-Pacific, Europe, Latin America, Middle East, and North America were surveyed concerning their perceptions of global issues and the roles of higher education in addressing their problems. The survey sought to determine what education leaders think about the top global issues and the significance of their own roles as university heads.

According to the IAUP survey, poverty/hunger/famine top the list as the greatest world-wide threat. Global warming was identified as the second greatest threat. Terrorism came in third; however, terrorism was rated considerably higher by U.S. respondents than by those from elsewhere.

Both Asian and U.S. university presidents agreed that the top priority for them was the commitment to educational opportunity. However, 93% of the U.S. heads thought that human rights was the second most important; only 81% of the Asian presidents agreed, placing human rights behind the responsibility to provide skills/knowledge for gainful employment at 88%. The U.S. presidents did agree, but placed skills for employment in third place at 88%.

**New Japan "I Kan" Leadership**

As opined by many Tokyo-based foreign diplomats and journalists, much attention has been focused recently on Japan with the assumption of Prime Minister Naoto Kan, former Finance Minister in the short-lived Yukio Hatoyama cabinet. As in the Philippines where incoming President Benigno Aquino III faces tremendous budget deficits and a continuing massive debt burden, Japan is saddled with the challenge of rebuilding state finances.

In both Japan and the Philippines, international analysts, media networks and homefront critics have been thoroughly debating the chances of success of new leaders Naoto Kan and Benigno Aquino III. In the global sense, however, PM Kan's problems go much deeper than President-elect Aquino III's -- Japan being the world's No. 2 economy.

A recent survey by the Asahi Shimbun, Japan's major bilingual daily, showed a 59% approval rating for the new PM, which stood in stark contrast to a dismal 20% grade for then PM Hatoyama just before stepping down in early June.

Kan, 63, who hails from the middle-class, has pledged to run a government that would create "a society with the least unhappiness." He acknowledged the importance of "a strong economy, strong public finances and strong social security."

A graduate of the prestigious Tokyo Institute of Technology, Kan began his political career in the 1980s. In 1996, as Health and Welfare Minister, he gained widespread public admiration for exposing a government cover-up of HIV-tainted blood products that caused thousands to contract the AIDS-causing virus.

"Kan is also expected to develop a more balanced economy that is responsive to the needs of the people," according to Ryuichi Narita, expert on contemporary history at Japan Women's University.

**Kan's Foreign and Fiscal Policies**

On foreign policy, Kan's background augurs well for a reinvigorated relationship with Asia, particularly with Japan's former colonies in the region. The newly-installed PM who is known for his activist roots has declared that he would not be turning his back on Tokyo's commitment to Washington under the Japan-U.S. Security Pact -- a stance that experts say provides an opportunity for Japan to forge a more stable partnership-based relationship with the U.S. PM Kan also announced that he would deal with the contentious U.S. base issue by "giving top priority to lessening the burden on Oki-

nawa prefecture."

The Associated Press reports (18 June): "Changing course from his predecessor Yukio Hatoyama, who had focused on foreign policy shifts and higher social welfare spending, fiscal hawk Kan called for a full debate on tax reform, including whether or not to hike sales tax. Kan said the DPJ would call for a full debate on tax reform and did not rule out the possibility of doubling the five percent sales tax, with the aim of drawing up a plan within the financial year."

In a sharp turnaround from his predecessor, PM Kan has made fiscal reform top priority despite the impending July 11 upper house election, vowing to consider doubling the 5% sales tax, although not for at least two or three years. Credit ratings agency Moody's welcomed the plan as a step in the right direction to fiscal health, but analysts said the long-suppressed rise in the consumption tax was vital for the targets to be met.

Quoted Reuters (23 June): "PM Kan said 'If we could sustain the social welfare system forever by issuing deficit financing bonds, there would be no need to bring up the issue of the sales tax. But if left alone, our social welfare system will collapse.'"

**Providing People's Needs**

In the Philippines -- like in Japan, China, Greece, Spain, South Asia, Latin America, and Africa -- it is providing people's needs that matters, not promising to provide for people's needs.

PM NAOTO KAN HAS SAID EMPHATICALLY, "YES, WE KAN!"

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Please send any comments to fvr@rpdev.org. ■

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