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The Role of Government in the Development of the Philippine Maritime Industry and the Promotion of Maritime Safety

ERNESTO R. OGBINAR*

The Philippine maritime industry is ailing. A close look at the industry's subsystems – shipbuilding and shiprepair, maritime manpower development, ports and harbor systems and enforcement of maritime safety rules and regulations over the merchant marine and domestic shipping – reveals gross neglect on the part of the government and its lack of appreciation of the great potential of the maritime industry sector as a means towards national economic development. It is high time for the government to develop the maritime industry and assert the Philippines' strategic role in maritime traffic in Southeast Asia.

Introduction

Preliminary Statement

The Philippines is an archipelagic state of more than 7,000 islands with an immense shoreline and inland waters. Commerce relies heavily on sea transport, the cheapest means of transportation. The sea is not only a source of vast food and minerals but also a corridor for transportation and communication among the people of the numerous islands.

Geographical realities compel a substantial portion of commerce carried out by water transportation. The merchant marine – from the *balanghai*[1] to the sailboats and to the modern ships – grows with the population increase, economic growth and technological advances.

Although there is a tremendous increase in shipping tonnage over the years, the greater portion of the present fleet are obsolete. This indicates that the maritime industry is not given the attention that it deserves in spite of the fact that the Philippines is a natural maritime country.

Supporting the domestic fleet are the shipbuilding and maintenance yards and the dockyards. These facilities maintain the operational readiness of the ships to insure their seaworthiness and safety at all times. The growth of domestic shipping also

*Rear Admiral (Ret.), Armed Forces of the Philippines.

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demands the parallel growth and development of ports and harbors. Such ports and harbors must be open, allow entry at any time, discharge and unload of cargoes with dispatch and efficiency, and enable the ships to turn around fast between ports.

These facilities are complemented by the following support mechanisms: training of the shipboard personnel from the maritime schools, licensing of ship officers and upgrading the skills of all seamen to meet national and international standards aboard sea-going vessels.

The present conditions of the domestic fleet and the continuous growth of population and trade, underscores the urgent need to assess the whole spectrum of maritime activities.

Statement of the Problem

This paper identifies obstacles that hinders the development of the maritime industry and formulates strategies for its further development in order to carry out its critical role in economic development and national security. The study focuses on the size, profile and operation of the domestic fleet as well as its readiness to operate within the standards of safety, and the support it receives from the government and the other sectors.

Seaborne trade is the core of the maritime industry. It generates the demand for shipping and serves as the arteries and veins of the body of the national economy. Few if any elements can match its pervasive influence on our existence. As stated by Harmon (1968), economic growth and well-being, social structures, patterns of living, relations with the outside world as well as the variety and complexity, geographic spread and specialization of our productive output, all hinge on transportation. Upon transportation also depends our capability for defense. While Harmon refers to the American transportation system, the statement also applies to any maritime country of the world such as the Philippines.

This study answers the following questions: Considering the Philippines as a maritime country, is there a national policy concerned with the development of the maritime industry as a major component in economic development? If so, what are the thrusts and accomplishments of the maritime industry from 1967 to the present? What maritime developments have been formulated to achieve these thrusts? To what extent have these thrusts been implemented?

The Sea Transport System

The sea transport system therefore comprises the domestic merchant marine fleet or the carriers, the port terminals and the shipbuilding and shiprepair yards. The domestic merchant marine fleet refers to the carriers or all the ships and vessels taken

collectively as Philippine flag vessels belonging to the Republic and engaged in the interisland trade and commerce.

Domestic shipping as shown in Table 1, there were approximately 8,000 vessels with an aggregate tonnage of 946,079 Gross Registered Tons (GRT)[2] comprising the domestic fleet as of 1987. The domestic fleet has a combined tonnage of 946,079 GRT. The liner fleet has a total of 135,133 GRT or an average vessel size of 144.2 gross tons. Capacity-wise, liners account for 14.28% of total GRT capacity. On the other hand, Table 2 presents that trampers[3] which account for a total of 531,336 or an average vessel size of 202.4 GRT constitute 56.16% of total GRT capacity.

Table 1. Domestic Operating Fleet, 1987

Vessel Type	*Number of Ships*	*Total GRT*
Passenger Cargo	206	35,561.90
Passenger Ferries	309	63,060.90
Cargo Ships	2103	275,331.00
Passenger and Pure Containers	20	43,553.80
Barges	534	214,531.00
Fishing	4815	158,010.00
Subtotal	7987	790,057.60
Others[a/]	818	156,021.40
TOTAL	8805	946,079.00

[a/] In order of fleet size, pleasure yachts, general purpose, tugs, and others.

Source: Marina Report 1989.

In terms of age, vessels of 250 GRT and above appear to be older than the smaller group. This is because smaller vessels generally have shorter economic life span and are made of lighter or less sturdy materials. Thus passenger ferries, passenger-cargoes, and general cargoes are, on the average, aged 9, 7, and 6 years respectively. On the other hand, Table 2 depicts that the biggest size group are aged 20, 22, and 15 years for passenger ferry, passenger cargo and general cargo vessels respectively.

The Conference of Interisland Ships Organization (CISO) is actually a liner fleet composed of passenger ships, passenger-cargo vessels or pure cargo vessels or containers.

CISO which is composed of about 15 major shipping companies dominates the major passenger and cargo routes in the country.

The five largest companies are Sulpicio Lines, William Lines, Aboitiz Shipping, Negros Navigation and Sweet Lines. In 1987, CISO fleet represented 3% of the country's interisland fleet but accounted for 55% of the aggregate tonnage.

Most of the ships plying the Philippine waters are second-hand vessels imported from Japan. In the last seven years, the fleet has been extensively modernized in terms of shipping and shiphandling methods. It is observed that pure cargo ships are generally younger than passenger cargo vessels.

The 1980s brought new developments into the domestic fleet. In 1987 there were 52 semi- and fully containerized vessels owned by the CISO companies serving the domestic fleet. The introduction of these vessels have greatly improved the cargo handling system in the port terminals. The introduction of local ferries and the Roll-On/Roll-Off (RO-RO)[4] vessels which cater to both cargo and passenger traffic have attracted passengers as well as general cargo.

Despite the government policy to accelerate the development of domestic shipping, major problems persist in the industry. Restrictive and irrelevant government regulations plague the industry. Foremost of which is the rule on 12% Return On Investment (ROI) pegged by government since it was established by the defunct Public Service Commission in 1932 (*Manila Bulletin* 13 April 1989). Statistics show that in 1980, the industry actually registered a meager 3.5% ROI. In 1983, it registered 5 to 6% or only one-half of the required ROI. Considering the rigid necessities and requirements for seaworthiness and the numerous risks involved in coastwise transport, the 12% ROI ceiling needs a serious review by government. Shipowners cannot afford new ships requiring capital outlay because of the low returns on shipping operations under the present government regulations.

Another problem is the Grandfather Rule or the Prior Operations Rule which is the right of shipping operators to oppose the entry of a new shipping line. This is based on the policy of Maritime Industry Authority (Marina) of assigning one shipping firm to one route, thus tolerating the monopoly of domestic shipping franchises. Deregulation is required to break the monopoly of some shipping companies. Since the value of cargo in interisland shipping has increased from 18% to 20%, a deregulation policy will not result in overcrowding due to the present insufficiency of vessels.

The high rates of tariff also pose a burden on the shipowners importing new ships in line with the fleet modernization program. With the high cost of importing ships, the shipowners are literally forced to extend the operating life of their ships even beyond their economic life. This leads to unsafe, inefficient and uneconomic operations (*Manila Bulletin* 13 April 1989).

Table 2. Philippine Registered Domestic Fleet, 1987

Types Of Service/ Type Of Operation	*Less Than 250 GRT*				*250 and above*			
	Number	*GRT*	*Ave. GRT*	*Ave. Age*	*Number*	*GRT*	*Ave. GRT*	*Ave.Age*
Passenger Ferry	261	10,701.50	41.31	9	49	52,288.40	1,067.11	20
Liner	240	10,314.90	42.98	9	46	48,765.70	1060.12	19
Tramp								
Passenger Cargo	183	9,422.72	51.49	7	22	26,133.90	1,187.90	22
Liner	141	7,480.46	53.05	7	21	25,790	1,228,10	22
Tramp								
General Cargo	1,916	47,016.60	24.54	6	185	228,285.00	1233.91	15
Liner	467	9,353.51	20.03	7	5	6,923.66	1,384.73	18
Tramp	1,362	35,025.80	25.72	6	173	216,888.00	1253.69	15
Pure Container					18	42,728.30	2357.13	19
Liner					13	305.90	1,946.61	20
Tramp					5	17,122.40	3,424.48	18
Litherage	33	5,423.24	164.34	20	32	17,011.60	531.61	8
Liner								
Tramp	24	3783.93	157.66	19	26	12,241.60	470.83	9
Barging	156	21,029.50	134.80	16	378	193,502.00	511.91	11
Liner	1	73.06	73.06	14				
Tramp	152	20,608.50	135.58	16	377	193,218.00	512.51	11
Towing	484	19,872.30	41.06	13	16	9,230.18	576.89	18
Liner								
Tramp	477	19,798.20	40.88	13	16	9,230.18	576.89	18
Pleasure	44	2,018.35	45.87	10	2	1500.06	750.03	16
Liner								
Tramp	2	304.94	152.47	7	1	1,066.04	1,066.04	30
Passenger/Container	1	89.76	89.76	15	1	1,035.71	1,035.71	16
Liner	1	89.76	87.76	15	1	1,035.71	1,035.71	16
Tramp								
RO/RO					1	464.87	464.87	18
Liner								
Tramp					1	464.87	464.87	18
Others	15	411.57	27.44	8	3	1,987.06	662.35	16
Liner								
Tramp	7	198.97	28.42	6	2	1,684.99	842.50	15
Total	3,093	116,065.54	37.53		707	573,867.08	811.69	
Liner	850	27,311.69	32.13		86	107,820.97	1,253.73	
Tramp	2,024	79,420.34	39.24		601	451,916.08	751.94	

Total Fleet = 8805	Total GRT = 946,079.00	% Total No.	% To Total GRT
Liner = 936	Liner = 135,133	Liner = 10.63%	Liner = 14.28%
Tramp = 2625	Tramp = 531,335	Tramp = 29.81%	Tramp = 56.16%

Source: Marina Report 1989

Ports and Harbor System

In the past, the ports were administered by the Bureau of Customs although their construction and maintenance were done by the Bureau of Public Works. The policy was changed when economic planners pushed for the national integration of ports and harbor planning, development, control and operation. At the same time, the Bureau of Customs proposed to Congress the creation of a separate government agency to integrate the functions of port operations, cargo handling and port development and maintenance so that it can concentrate on tax and customs collection. As a result, the Philippine Ports Authority (PPA) was created in July 1977 under Presidential Decree (PD) 505.

Ports are broadly classified as either public or private ports. In 1982 there were 558 ports, of which 286 were private.

Ports Administration. In 1980, 72 million metric tons and 16 million passengers were carried by various types of water transport carriers and passed through the country's port terminals. Of this cargo, 44% was domestic and 52% foreign. Privately owned berths accounted for 55% of total, public berths 30% and anchorages 15% (PPA 1982-83).

The main ports are located at population and trading centers like Manila and Cebu. These two ports alone accounted for 63% of domestic cargo, 47% for Manila and 16% for Cebu. On a route basis, the Manila-Cebu-Manila route accounted for 38% of the total domestic traffic with 1.81 million metric tons of cargoes.

The reorganization of the PPA in 1987 decentralized its operations through the creation of five major Port District Offices (PDOs) and Port Management Offices (PMOs). The reorganization resulted to positive growth as reflected in the increase of cargo traffic and passenger movement (*Dock News* October-December 1987).

The five major PDOs were created and placed directly under the General Manager's supervision and control. The PDOs deliver line services and serve as the immediate link between the PPA General Manager and the PMOs. The PDOs exercise direct administrative authority over a number of PMOs, which in turn, have control over several port terminals. This development was a major policy shift from one exercising regulatory powers to one that is service oriented.

Foreign Assisted Development Projects. The Third International Bank for Reconstruction and Development (IBRD) Port Project is an integral part of the country's ports investment program (PPA 1984). Included in the project are the ports of Cebu, Iloilo, Cagayan de Oro and Zamboanga. These ports and the ports of Davao form the backbone of the country's waterborne transport system. The focus of construction upgraded facilities such as deep water berths, additional cargo areas and provisions for cargo containerization.

The Fourth IBRD Port Project includes the rehabilitation of twelve national ports, six of which involve construction works (*Dock News* January-March 1989). As embodied in the 1974 Maritime Industry Law, the PPA and the World Bank selected those ports based on cargo and traffic growth patterns and shortfalls between existing berth capacities.

Problem of Ports Development. Despite the government's heavy investments in the development of ports and harbors, common problems in port management continue to exist.

There are still inadequate port and harbor facilities. There is a great lack of basic port equipment which are used in cargo handling particularly forklifts. This induces bottlenecks in cargo handling operations which leads to port congestion.

The one-port one-operator policy of PPA which eliminates competition among arrastre and stevedoring operators cause operators to become complacent. This further causes the deterioration of cargo handling services itself.

Poor maintenance of most waterways, channels, rivers and ports results in shallow lanes which pose a danger to navigation and also delay in operations. In some cases vessels have to wait for the high tide to be able to dock and undock. This results in a longer turnaround time which is translated into higher operating costs.

Shipbuilding and Shiprepair

The Maritime Industry Development Program (MIDP) adopted the following projects: (a) early replacement of obsolescent and uneconomic vessels; (b) modernization and expansion of the Philippine Merchant Marine Fleet; (c) enhancement of the domestic capability for shipbuilding, repair and maintenance; and the (d) development of a reservoir of trained manpower.

In 1988 there were 67 shipyards, graving docks and syncrolift yards registered in the country. The capacity of these yards were registered as follows: for shipbuilding ways - 239,320 GRT; Graving docks for shipbuilding - 395,200 GRT; Marine railway for shipbuilding and shiprepair - 14,350 GRT; for synchrolift repair - 13,500 GRT; Floating drydocks for underwater repairs - 2,500 GRT and for berth repair - 3,480 or a total of 668,550 GRT (Marina Report 1989).

About 40 shipbuilding and shiprepair yards are located in Metro Manila, Zambales, Bataan, Batangas, Quezon and Albay. There are 17 shipyards in the Visayas found mainly in Cebu, Iloilo and Negros. There are seven shipyards in Mindanao located in Zamboanga, Davao, Misamis Oriental and Cotabato. Metro Manila has a total of 36 shipyards, most of which are located in Navotas and Malabon.

The government policy that boosted the shipbuilding efforts was contained in PD 666 (*Manila Bulletin* January 1988). It provides incentives for the shipbuilding and shiprepair industry by granting exemption from import duties and taxes to shipbuilders. It also allowed the importation of machineries, equipment and materials for shipbuilding as well as replacement for spare parts and the overhaul and repair of vessels.

As a result of these incentives, three large shipbuilding yards emerged between 1978 to 1987: Philippine Shipyard and Engineering Corporation (Philseco) in Zambales in 1977; Koppel Philippines in Batangas in 1975; and the Philippine National Oil Company (PNOC) Marine Corporation in Bauan, Batangas in 1978. The peak of domestic shipbuilding as reported by the Philippine Shipbuilders Association (Philsar) and its 51 shipyard members was in 1982 (Marina 1982-1983). A total of 222 orders of various types of vessels was recorded. In the same year, 53 passenger-cargo ships, 75 barges, 46 tugboats, 29 fishing boats and 10 other vessels or a total of 216 vessels were built. The shipbuilding industry thrived because the government allowed the importation of $23.9M vital parts under PD 666 in 1982 and $605 M in 1983.

The Withdrawal of PD 666 and its Effects. PD 666 was suspended on 15 October 1984. Its ship repairs provisions were restored by the Department of Finance through the representation of Marina on February 1986. However, it was withdrawn completely by the government through Executive Order No. 93 in April 1987.

The withdrawal of the incentives resulted practically in the death of the ship construction and shiprepair industry since 90% of their materials and spare parts were imported (Sandoval 1988). At the peak of the shipbuilding years the shipbuilding corporations reported assets of ₱3.0 B; total paid up capital of ₱36 B; Gross revenue of ₱1.38 B and net income of ₱99.0 B. With the withdrawal of PD 666, the industry started reporting annual losses. The shipbuilding and shiprepair yards which used to employ 10,000 workers have now only 5,000 workers.

Problems of the Shipbuilding Industry. The shipbuilding and shiprepair industry is presently beset by the following major problems:

(1) There is no clear cut policy on shipbuilding. There is instead an unabated continued dependence on the importation of second hand ships to the utter neglect of the local shipbuilding industry. Moreover, most of the second-hand ships acquired from Japan are already 10-20 years old.

(2) The government is insensitive to the needs of the local shipbuilding industry. This is reflected in the withdrawal of PD 666 in 1984 in spite of the outstanding successess of the local shipyards from 1978 to 1987.

(3) There is lack of financing for local construction. Shipbuilders are burdened with high interest rate which goes as high as 19%.

(4) There is a question of the competence and quality of workmanship of the local shipyards. This refers to the poor quality of construction and repair service as a whole and late delivery schedules. The other is the level of technology and unfamiliar knowledge of modern ship design, which can be attributed to the nonutilization and neglect of the shipyards.

(5) There is no well developed ancillary industry. The critical absence of ancillary industries force the shipbuilders to import necessary ship parts and engines which explain the high cost of building ships.

(6) There is a lack of a well developed steel industry. The steel industry is the backbone of the shipbuilding industry. A well developed steel industry will lessen its dependence on the importation of steel plates and other materials.

(7) There is a lack of qualified manpower in shipbuilding and shiprepair. There is no pool of qualified naval architects and engineers and skilled labor in all phases of shipyard work and operations. This is aggravated by the exodus of qualified engineers and skilled workers abroad.

Maritime Education and Training

Early Maritime Education

The Philippine Merchant Marine mainly draws its corps of officers from the Philippine Merchant Marine Academy (PMMA), the state maritime institutions and the private maritime institutions. The forerunner of PMMA was the Escuela Nautica de Manila established in Manila in 1820 under the administration of Spanish Governor General Mariano Fernandez Corcueras from 1816 to 1822 (Alip 1949; Giagonia 1973). It was the first maritime school in Asia. The school was closed during the Philippine Revolution. The school was reopened in 30 June 1902 and was renamed the Nautical School of the Philippine Islands. It was categorized as an insular school under the administration of the US Navy. It was later transferred to the Bureau of Education with nonnaval officers as Superintendents.

In 1906 the school was closed due to lack of bottoms. It was reopened in 1913 and renamed the Philippine Nautical School under the Department of Public Instruction. During the commonwealth period under President Quezon, the school administration was transferred to the Department of National Defense. When the Japanese occupied Manila in 1942, the Japanese military administration took advantage of the school and offered courses in deck and engineering courses for officers. The school was reopened by the newly installed Philippine Republic in 1945 and later transferred to the Department of Education in 1950.

The Philippine Merchant Marine Academy

In June 1961, Republic Act (RA) No. 3680 converted the Philippine Nautical School into the Philippine Merchant Marine Academy. The main objectives of the Academy are to: (1) meet the demands for marine officers for expanding foreign and coastwise trade; (2) provide naval officers during times of war and national emergencies; and (3) train graduates with adequate preparation for sholding responsible positions in the allied fields of the merchant marine service such as shipping executives, port surveyors, marine surveyors and other associated skills. The administration of the Academy is vested on the PMMA Board whose members are chosen from the leaders of the maritime industry. The PMMA is headed by a Superintendent with the rank of Commodore. He implements the policies of the PMMA Board of Trustees.

The present curriculum provides for three academic years and one year shipboard training aboard ocean-going ships. It leads to the degree of Bachelor of Marine Transportation major in Nautical Studies or Marine Engineering. The graduates are also awarded commissions as Ensigns in the Philippine Navy Reserve and the automatic issuance of a Third Mate or a Fourth Marine Engineer designation without taking the Board of Marine Examination.

The Private Maritime Institutions

With the proliferation of maritime schools in the early seventies, standards in maritime education deteriorated. The curriculum of the private schools needs revitalization to be able to produce graduates at par with the graduates of PMMA. Thus, PD 97 was promulgated in 1973. It required a bachelor's degree in Marine Transportation, Major in Seamanship and Navigation for nautical graduates and a two-year course for an Associate degree in Marine Engineering (RP 1973).

The Philippine Association of Maritime Institutions (PAMI), the Board of Marine Examiners, the Bureau of Private Education, the Philippine Coast Guard (PCG) and the representatives of the shipping industry formulated the curriculum. The new curriculum was approved by the Department of Education, Culture and Sports (DECS) in 1973 and was implemented in 1977.

The curriculum provided for five semesters of formal schooling and eighteen months of apprentice training aboard commercial vessels. Satisfactory completion of the academic requirements and apprentice training qualifies a graduate to take the Third Mate or Fourth Motor Engineer licensure examination conducted by the Professional Regulations Commission. After which he is issued a license to practice his profession in the maritime service. There were 44,451 students enrolled in 48 institutions in 1988. Of the approximately 3,000 students that graduate annually from these schools, few have had the opportunity to actually undergo shipboard training.

The Philippine Regulatory Commission

The Philippine Regulatory Commission (PRC) is a body established under the Office of the President responsible for the conduct of examinations for tertiary education (colleges and universities) throughout the country. It was created by PD 97 as amended by PD 1560 (RP 1977). The practice of the marine profession is regulated by the PRC through the Board of Examiners for Deck Officers and Marine Engineers. It also issues the Certificate of Registration for those who qualify in the Marine Board of Examination.

Updating of Training for Marine Officers and Ratings

The National Maritime Polytechnic. In 1977, the government saw the need for the establishment of a training institution to cope with the increase in the level of knowledge required by the international watchkeeping standards. Thus the government created the National Maritime Polytechnic (NMP) in 1977 under PD 1369. It offered specialization and upgrading courses for licensed officers and seamen and conducted research in the latest maritime technology and skills required in maritime training.

The NMP acquired a training vessel in 1983, the MV Filipinas. It is a combined training-cargo vessel designed to provide hands on training for 240 cadet trainees at any one time.

Maritime Training Centers. Maritime Training Centers are private or government training entities or schools accredited by DECS to offer Basic Seaman Courses for seamen (e.g., dock and engine hands or steward personnel) who will be employed aboard merchant marine ships. These schools also offer upgrading courses in seamanship, engineering, Safety of Life at Sea (SOLAS) specialized courses and deck and engine watchkeeping. There are presently 14 schools, all of which are regulated by an Inter-Agency Committee composed of representatives from Marina, Philippine Overseas Employment Administration (POEA), DECS and the PCG.

For overseas employment, a seaman is issued a Continuous Discharge Book or Seaman Book by the PCG and a Certificate of Competency in Standards of Training Competency and Watchkeeping (STCW) of the International Maritime Organization (IMO) by the Marina. The manning agency, an agency authorized to recruit seafarers for employment aboard foreign ships, enter into a contract with a foreign principal only with the approval of the POEA.

Problems of the Private Maritime Institutions

PMMA enriches its curriculum and manpower capability through the scholarships at the World Maritime University at Malmo, Sweden (PMMA 1983-84). In addition, one year of supervised shipboard training aboard foreign ships and the monitoring of curriculum by the United Nations Development Program (UNDP) make the

graduates of PMMA comparable with the best in Asia and in demand among foreign principals.

But a survey of the private maritime schools reveals major problems. The proliferation of schools have contributed largely to the lowering of the quality of graduates from these schools. Although their curriculum have been upgraded to the level of a bachelor's degree, such quality is reduced by the lack of competent instructors and inadequate facilities, equipment and textbooks. Out of the 64 maritime schools only 10 are strictly maritime schools which produce quality graduates (PAMI 1988).

Another problem affecting the graduates is the conduct of licensure examinations for entry into the maritime service. Reports of irregularities in the form of leakages of examination questions remains unchecked and has become a national embarrassment. The licensure examination and licensing system is harmful not only to the graduates but also to those already in the service. This situation also poses a great danger to the safety of life and property at sea and negatively affects the image of the country. Sadly, the government has not taken drastic steps to eliminate these flaws (Casiano 1989; Rasul 1989).

Maritime Safety and Enforcement at Sea

Maritime safety enforcement in the Philippines dates back to 1917 under the Americans. The Administrative Code of 1917 vested the Bureau of Customs the power to administer maritime safety (PCG 1987) including the authority to approve plans for construction, repair and alteration of vessels and to conduct inspection of vessels, equipment and appliances. RA 1937, known as the Tariff and Customs Code of the Philippines retained all these functions in the Bureau of Customs.

The Philippine Coast Guard (PCG)

The administration of maritime safety function in the country changed drastically in 1967. Without an agency to carry out effective maritime rules and regulations resulted to rampant smuggling and illegal fishing, encroachment of foreign vessels in Philippine waters and the lack of supervision over a growing merchant marine. This condition goaded lawmakers to create a national police force at sea. Thus, PD 5173, otherwise known as the Coast Guard Law, creating the Philippine Coast Guard was enacted in February 1967.

The Coast Guard Law vested the PCG with the following major functions: (1) to enforce all applicable laws in the territorial waters of the country; (2) to develop and maintain aids to navigation and the safety of navigation in restricted sea lanes; (3) to develop and maintain search and rescue capabilities; (4) to investigate maritime casualties and disasters; (5) to supervise the merchant marine in the issuance and licenses and certificates of officers and the conduct of emergency drills at sea; and (6) to render aid to distressed persons or vessels on the high seas. To carry out the new mandate, the

functions of the Maritime Safety Division of the Bureau of Customs, the Board of Marine Inquiry and the Lighthouse Service of the Philippine Navy were transferred to the Philippine Coast Guard.

A new Maritime Safety Division was activated at the PCG Headquarters, to formulate plans and policies and develop rules and regulations for the enforcement of maritime safety. Similarly, the Aids to Navigation Division was organized to formulate plans and policies in the development and maintenance of aids to navigation in the country. The Lighthouse Service became a special operating unit in the inspection and maintenance of all navigation aids.

The Coast Guard Law further created three Coast Guard districts. Under the districts are Coast Guard stations and substations and the patrol crafts assigned to them. The stations and the patrol crafts are the line units tasked to inspect all ships on the SOLAS requirements such as life saving equipments, fire fighting and damage control equipment, and overall seaworthiness of the ships. The authorized officers and crews enforce maritime regulations at sea, conduct search and rescue operations, monitor all aids to navigation and monitor the movement of ships. To date there are 8 Coast Guard districts, 51 stations and substations and 140 detachments throughout the country.

Some Limitations of the PCG

The Philippine Coast Guard also has its own limitations. As one of the major commands of the Philippine Navy, it competes with the other commands for resources. The ships it operates belong to the Navy which are merely attached to the Coast Guard for operational control. It can build its capability only within the framework of the Navy's overall plan.

The Philippine coast guards are not recruited and trained in the same manner as the personnel of the US Coast Guard or the Japan Maritime Safety Agency. Those of the Philippine Coast Guard are members of the Navy assigned to the Philippine Coast Guard on a rotation basis. Their education, training, military occupation specialty, promotion and career system are basically naval. Coast Guard personnel are Navy personnel performing coast guard functions. They are rotated among the Navy command (except the Marines) based on the Navy career and promotion system. It is only when they are assigned to the Coast Guard that they specialize on Coast Guard functions. But the profession of maritime safety requires a highly specialized lifetime career. The current system makes efforts at professional training in maritime safety, search and rescue, marine pollution, maritime law enforcement, and safety of navigation at sea short of the professional and international maritime standards.

Divestment of Functions of the PCG

In January 1987, the Department of Transportation and Communications (DOTC) was reorganized under Executive Order No. 125. Under such reorganization,

the Marina retained its status as an attached agency of DOTC. However, eight maritime functions of the Coast Guard mandated by RA 5173 were also transferred to Marina. This practically divested the PCG of its statutory functions. A position paper submitted by the Commandant of the Philippine Coast Guard to the Secretary of National Defense stated that there is no logic in transferring the maritime functions of the PCG to Marina if at the same time it would be the PCG which will carry out the same functions as a deputized agency (Cunanan 1987). There have been several similar to attempts in the past but were unsuccessful until this time.

Selected Cases of Maritime Disasters

The fiery collision between MV Vector, a tramping tanker and MV Doña Paz, a cargo passenger liner of Sulpicio Lines off Dumali Point Mindoro on 20 December 1987, sunk both vessels (PCG 1988). Of the 3,000 passengers of MV Doña Paz, only 21 survived. There were only two survivors from MV Vector from a manpower complement of 13 officers and crew. The MV Marylen, a cargo-passenger liner, also of Sulpicio Lines, sunk in the midst of a typhoon off Gigantes Island near Leyte on 24 April 1988 (PCG 1988). Out of 430 passengers and a complement of 60 officers and crew, 259 survived.

An analysis of both accidents shows culpable negligence of masters in the MV Vector-Doña Paz tragedy. The duty officers on watch at the time of the accident showed not only laxity in the bridge, but also lack of discipline, elementary rudiments of safety and poor attitude towards their profession.

In the case of MV Marylen, the master continued on his plotted course until it was too late in spite of frequent storm warnings and threatening weather conditions.

Furthermore, the ship operator hired unqualified master and chief mate for the voyage. The MV Vector had structural defects which the ship operator could have repaired before the voyage. These defects undermined the seaworthiness of the vessel.

In the ensuing search and rescue operations, reactions were delayed due to antiquated or defective communication equipment specifically that of the Philippine Coast Guard. Although the Coast Guard is mandated by law to render search and rescue operations during emergencies, the government through lack of funds, failed to develop this capability.

The substandard performance of the ship officers is the result of a confluence of factors. These factors are the following: poor quality of graduates produced by the private maritime schools, the lack of opportunity for shipboard training, the questionable conduct of licensure examinations and the lack of upgrading of skills of the officers and crew in the interisland shipping.

But this is not the end of the travails of the new merchant officer. He has to contend with the poor conditions aboard ship: congested living quarters, substandard food, low salary and lack of concern for his welfare. Worst of all, the government heavily regulates the domestic shipping. Yet, there is no government agency that looks into the welfare of seamen unlike the Filipino seafarers aboard foreign ships whose welfare is closely monitored and protected by the POEA.

Reflections on the Current State of the Maritime Industry

The lack of vision of the government in using the nation's natural wealth towards the economic development and national security is reflected in its lack of appreciation of the significance of maritime development.

The economic development of a maritime country is anchored on the waterways which connects its islands. At the same time, the sea around serves as natural barriers that protect the territorial possessions of the country. There is a great need therefore to build a strong and modern merchant marine for domestic shipping to meet the demands of a growing interisland commerce. This entails the development of a professional Coast Guard who will protect our marine wealth, preserve our environment, enforce law and order at sea and ensure the safety of all merchant vessels at sea.

The fragmentary legislations did not transform the Philippines into a shipbuilding nation or a shipping nation, or even a ship repair nation. This myopic vision merely made the country supplier of labor for international vessels.

There is a lack of directed development in domestic shipping. Such development is founded on at least three distinct areas: economic regulations, promotion and development of the shipping industry and safety regulations and enforcement.

Economic regulatory functions over the maritime industry consists of control measures for merchant marine. A body is needed to pursue the formulation of policies and the drawing of plans and programs which will modernize the industry. These policies shall coordinate shipping routes, passenger and freight rates, carrier-shipper relations and regulations over ship operations, shipyards and repair yards and general programs for the modernization of the merchant marine.

Promotion and development includes all measures and schemes which can effectively push the growth of the industry. These measures include assistance of financial institutions, tax exemptions for shipbuilding and shiprepair, development of shipbuilding and shiprepair, and continued research and development of suitable ship and infrastructures.

Safety regulatory functions encompass operation of merchant ships, shipbuilding and shiprepair and aspects which affect the seaworthiness of the vessel. This function rightly belongs to the national safety agency which is the Philippine Coast Guard.

At present, Marina continues to regulate the domestic shipping through obsolete laws such as the 12% ROI and the one-ship one-route policy rule. Freight rates and passenger rates are still heavily regulated. In terms of promotion and development, the shipping industry continues to meet difficulties due to lack of financial support from the government.

The continuous power struggle between Marina and the Coast Guard on the enforcement of safety regulations aggravates confusion in the whole maritime industry. In the end, the quality of safety enforcement suffers.

The poor and slow development of domestic shipping can be attributed to the following:

(a) Lack of a long range policy on the development of domestic shipping, shipbuilding and shiprepair. There is no integration of plans between the development of shipping and shipbuilding. In spite of the Maritime Industry Development Program (MIDP) as an Implementing Plan for the Maritime Industry Law of 1974 (PD 474) not much has been achieved up to this time.

(b) Ship replacement, modernization and utilization depends more on the initiative of the private sector rather than that of government. While domestic shipping increased due to the demands of the economy, the major shipping companies expanded their operations through the acquisition of second hand vessels. Encouragement by the government to buy second-hand vessels curtailed the development of the shipbuilding industry and ultimately retarded the modernization of the fleet. It rationalized modernization through the acquisition of 10-15 year old second hand ships instead. The results are idle shipyards and the emigration of technical shipboard personnel.

(c) Since the ship operators were left on their own, the expansion of the domestic fleet was not based on the needs of the economy but rather on the interests of the shipping companies. Only the liner fleet controls the passenger and freight traffic. The trampers and the barges which are greater in number, cheaper and more efficient to operate are not properly utilized in the interisland trade.

(d) Another drawback in the slow growth of the industry is the dysfunctional organization of the maritime industry. This has contributed immensely to the failure of government to hasten its development. The present structure instead is devoid of centralized and coordinated planning at the policy level.

Instead it promotes hierarchical independence of line agencies that confuse and thwart, rather than coordinate implementation of policies at the operational level.

In spite of the heavily funded development project of PPA, the key ports in the country including Manila are congested. PPA and Marina do not coordinate closely to determine priorities in the development of ports and harbors. This results to: slow rehabilitation of major ports, lack of warehousing facilities, poor arrastre and stevedoring services and the shallow conditions of the ports and harbors which hamper the fast turnaround of vessels. But the growth of shipping demands a development of ports and harbors.

The government has a strong bias against shipbuilding. Although PD 474 and other legislations have mandated the development of shipbuilding, it has not recovered since PD 666 was rescinded. This resulted in more than 500,000 GRT in capacity not being utilized for shipbuilding. Fortunately, ship repair is on the way to recovery due to the requirements of annual inspection to maintain safety.

The system of maritime education and training, licensure examinations and licensing is unsatisfactory. The graduates of the private maritime institutions suffer in comparison to the graduates of the PMMA.This is compounded by irregularities in the conduct of licensure examinations for Third Mate and Fourth Motor Engineer licenses.

The new marine officer also faces the bleak prospect in the domestic shipping service. The government does not protect his welfare as to compensation, tenure, living conditions and does not provide continuous training and development. The neglect of most shipping operators of these officers' welfare also breeds lack of pride in the profession, lack of professionalism and lack of discipline.

Although the Philippine Coast Guard is mandated by law to enforce maritime safety regulations, it has built-in limitations that affect its effectiveness. Being a major unit of the Navy, it competes with other commands in the Navy for funds that otherwise could be utilized to modernize navigational aids, the acquisition of modern lighthouse tenders, enforcement of safety of navigation by establishing sea lanes and developing necessary types of crafts for patrol, harbor inspection, search and rescue. As it is, it can only utilize what the Navy allocates to it.

Furthermore, the Board of Inquiry of the Philippine Coast Guard as an investigating body of maritime disasters is mainly a fact-finding body. Its powers are only recommendatory and are so limited that the Board has not been able to deter nor prevent occurrences of maritime disasters. It is admittedly difficult serving as a regulatory body on one hand, while passing judgment on the ineffective performance of regulatory functions on the other.

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Finally, the divestment of the maritime functions of the Coast Guard and its subsequent deputization by Marina to perform tasks which the law has mandated the Marina to perform in the first place is confusing at best.

Although PDs 474, 505 and 1573 mandated certain agencies to develop particular sectors in the maritime industry, specific supporting legislations are still wanting. Specifically, the updated Philippine Development Plan 1988-1989 only gives slight reference to domestic shipping.

Furthermore, in the NEDA Development Report of 1988, the only reference made to a component of maritime industry or shipping is the ports development under the IBRD program and the study of Roll-On and Roll-Off (RO/RO) system in the country.

Finally, the Omnibus Code of 1987 granted incentives to all registered enterprises in a preferred area of investment. However, interisland shipping and related facilities are listed under Public Utilities and not entitled to income tax holiday since they are considered nonpioneering ventures.

Based on the NEDA Reports and Plans, the policy of government to accelerate the development of the maritime industry and modernize and expand the Merchant Marine, concerned agencies in government have other priorities. The premier planning body which orchestrates the economic development of the country sees the significance of maritime development only in terms of its role in communications and has very vague knowledge of the ports and harbor system. It is high time that maritime experts should get involved in national planning.

Policy Recommendations

Based on the foregoing, the following are recommended:

(1) The government should create a multidisciplinary committee to conduct a deep, far-reaching inquiry on the maritime industry. A legislator knowledgeable of maritime power as a means to attain economic development should head the committee. It should be composed of experts in maritime law, maritime economists, maritime business leaders, members of the academe, shipping managers, shippers, port managers and other practitioners.

This Committee may be established in the model of the Rockdale Committee of England which served as the basis of the development of the shipping industry of that country. The general conclusions and recommendations of the Committee should be the basis of a national policy on maritime development.

(2) The Committee should project growth of the interisland trade and commerce, the demand of the economy establish a ship replacement and modernization program.

Ship replacement and modernization should not be taken separately. They should be integrated into the whole maritime development scheme together with the development of shipbuilding and shiprepair, ports and harbors, maritime education and training, promotion of safe navigation and the enforcement of safety of life at sea.

(3) The Maritime Industry should be restructured into a maritime commission to plan and carry out the provisions of a legislation declaring the national maritime policy. The Maritime Industry Commission is envisioned to be a development oriented body, on top of which, is a planning and policy unit which integrates the plans of all the sectors of the industry and provides policy guidance to the line managers (bureau) for decentralized operations. (See Figure 1.) The Commission should be further clothed with quasijudicial powers to be able to enforce regulatory functions without any disturbance from any other agency.

(4) The PPA and Marina should conduct a joint study of the commodity flow of essential and strategic commodities in the domestic trade routes. The commodity flow study will determine the volume of certain types of commodities and materials and can be projected over a period of time so that the development of such ports and harbors and piers can be formulated. Modern cargo handling equipment, warehousing, arrastre and stevedoring services, must also be developed to ensure the delivery of goods to and from consumer centers and the overall efficiency in port operations.

(5) On the development of shipyards to bolster the shipbuilding and shiprepair industry of the country, the specific provisions of legislation as a result of the Rockdale type committee recommendations should supersede all others. The development of shipbuilding and shiprepair should be pursued in support of and coordination with the other sectors. The Maritime Commission will oversee the shipbuilding and shiprepair development of the country.

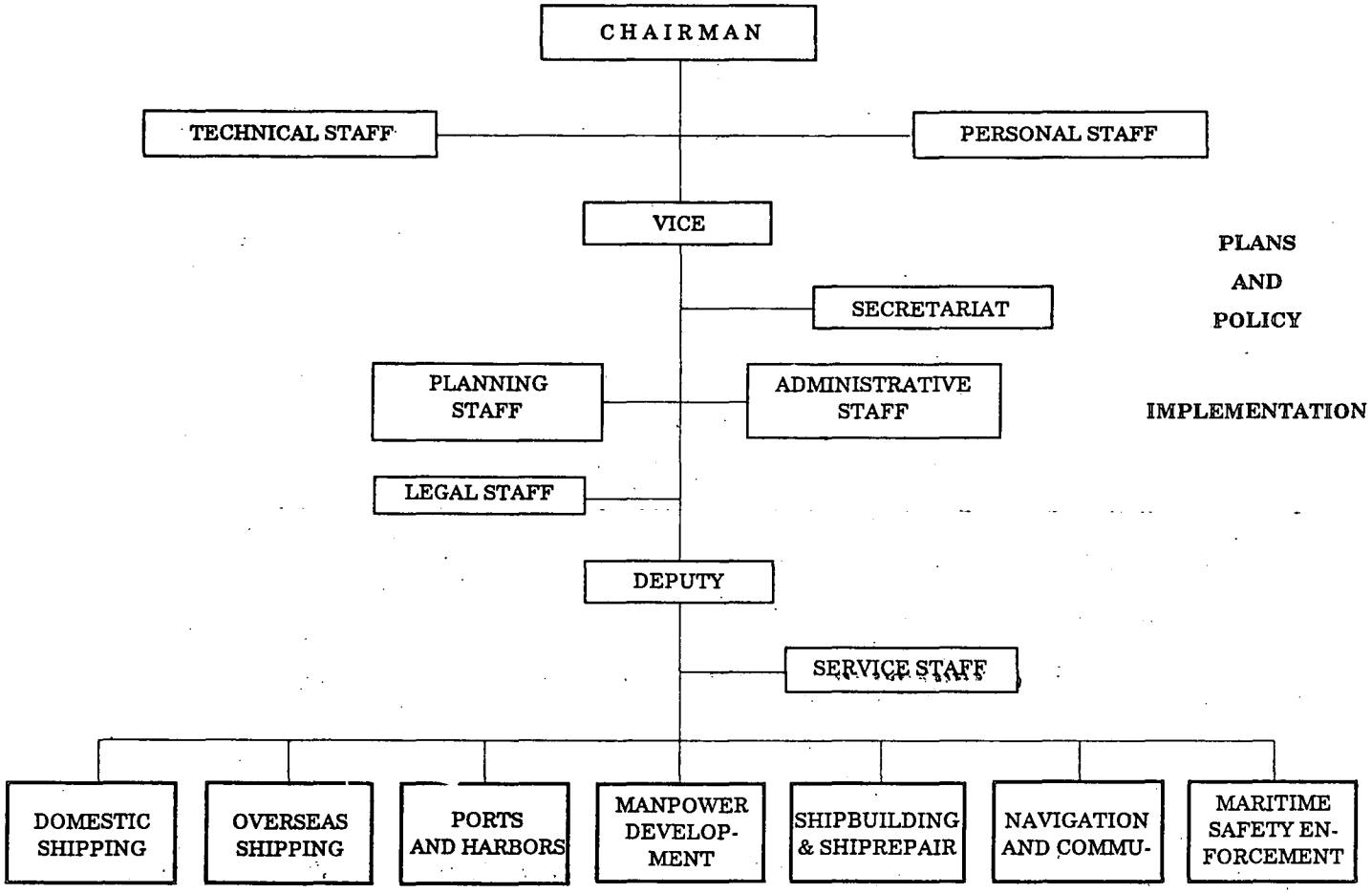
The commodity flow can also determine the types of vessel most appropriate to carry essential commodities. This can be the basis for designing standard types of vessels for certain routes that can be built by local shipyards.

(6) In the field of maritime education and training, the following measures may be adopted:

a) Enforce strictly the DECS curriculum for degree courses in Nautical Studies and Marine Engineering in the private maritime institutions. Periodic audit reviews should be conducted to enforce this provision.

b) Phase out substandard maritime institutions but assist existing maritime schools who still have the potential to carry out the DECS requirements for the degree courses.

Figure 1. Organizational Chart of the Maritime Industry Commission (As Proposed)



c) Both government and the private institutions must provide adequate opportunities for cadets to obtain the required apprentice sea training as a prerequisite for licensure examinations.

d) Amend PD 97 authorizing PRC to conduct licensure examinations for Masters, Mates and Marine Engineers. Instead, transfer the function to the Philippine Coast Guard. At present the Civil Aeronautics Board conducts examinations for airline pilots while the National Telecommunication Commission conducts examinations for the radio operators. In the United States, the US Coast Guard conducts examinations and issues licenses for officers in the maritime service. Since the Philippine Coast Guard is mandated as the guardian of maritime safety, the function of conducting examinations and issuance of licenses should be transferred to it.

(7) The Philippine Coast Guard should be retained as the guardian of maritime safety (RA 5173) but at the same time effect the following changes:

(a) Separate the Philippine Coast Guard from the Philippine Navy and the Armed Forces of the Philippines and transfer its administration and operation as a national maritime safety agency to the proposed Maritime Industry Commission. The transfer should provide for the retention of its character as a uniformed service, performing civilian functions as specified in RA 5173 and PD 601 and at the same time performing naval duties in times of emergencies under the Department of National Defense. Being a separate service, it should provide for its own recruitment, training, promotion and career development system of its officers and men to professionalize Coast Guard Service. Furthermore, the legislation should provide for capital funds to build up the facilities and infrastructure and the acquisition and development of sea going assets such as patrol ships, patrol crafts, harbor crafts, lighthouse tenders, search and rescue vessels, helicopters, navigation aids and their maintenance, maritime communications, appropriate aircrafts for security patrols and maritime law enforcement.

(b) Abolish the Marine Board of Inquiry of the Philippine Coast Guard and create in its stead the National Safety Commission. The Commission will hear cases of maritime disasters. The Safety Commission can be harnessed to serve as maritime lawyers, sea captains and marine engineers, naval architects, surveyors of classification societies or senior officers of the locality nearest the site of the accident. The National Safety Commission should be clothed with wide powers including imposition of heavier punishment within a certain period of time. The findings of the Safety Commission should be final and executory without any appeal.

(c) For sometime now, the domestic fleet had been dependent on the Philippine Merchant Marine Regulations which were based on the 1960 International Safety Convention in London. They are now considered obsolete and do not contain specific rules and regulations on current ship design, construction and classification of merchant ships. It is time to elevate the standards of sea safety through the establishment of a Philippine Classification Society.

The government should now authorize the organization and establishment of a Classification Society that will enforce and safeguard the provisions of safety over all registered vessels in the country. The society aims to establish the rules and regulations for classifying and building steel vessels for operations in sheltered, coastal and eventually deep sea waters in the Philippines. A classification society basically sets standards for design, structure and maintenance of vessels to ensure safety of life and property at sea.

(8) Notwithstanding the government's pronouncements to develop the maritime industry, specifically domestic shipping, certain government institutions had not been supportive of this thrust. It is strongly recommended that certain government institutions be given specific tasks in the area of financial support and incentives to build up the industry. Foremost among these institutions are NEDA, Board of Investments, Department of Finance and other government financial institutions.

The Philippines occupies a strategic center of maritime traffic in Southeast Asia. It is said that the new World Order will shift toward Asia and the Pacific. It is high time for the government to ponder on this rich potential and position the country in the maritime industry. The country can be a great shipping, shipbuilding and shiprepair nation if the government opens its eyes towards the seas around it.

Endnotes

[1]*Balanghai* is considered the oldest type of a sea-going banca used in the pre-Hispanic Philippines.

[2]Gross Tone (GRT) - A unit for capacity of 100 cu. ft. (2.83 cubic meters) used for ascertaining the legal registered tonnage of vessels. Also called Registered Tons. Maritime Dictionary, edited by Rene de Corchova, Van Nostrand Co., 2nd Edition, 1961.

[3]Trampers refer to ships that generally provide on time or voyage charter for the carriage of bulk cargo for the use of line operators, but the conclusion of contracts for the carriage of specified quantities over a bulk cargo over a period of time between the specified ports, the contractor being free to use ships of his own choice.

[4]Roll-On/Roll-Off (RO-RO) are cargo vessels or freight ships specially designed and constructed with low ramps on both ends of the vessel to facilitate loading and unloading of cargo through the use of trolley cars, light cargo vehicles that load on and off through the ramps.

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1984	Presidential Decree No. 666. Providing Incentives for the Shipbuilding and Shiprepair Industry.
1987	Presidential Decree No. 1309. Creating the establishment of the National Marine Polytechnic.
1987	Executive Order No. 226. Omnibus. Investment Code of 1987.