

THE PHILIPPINE SHIPPING INDUSTRY IN THE MARITIME WORLD

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Abstract. The Maritime Industry Authority (MARINA) of the Philippines envisions the country to become a leader in the world maritime industry with highly competitive human and non-human resources as agents in effecting national development. This paper is a presentation and analysis of the Philippine shipping industry unraveled before the global maritime backdrop. It specifically identifies the features of domestic shipping and the type of cargoes handled, service differentiations and market competitiveness. Policies and projects for domestic shipping enhancement are delineated. The archipelagic condition of the Philippines makes domestic shipping inevitably vital and indispensable in order to link the country's 7,107 islands through efficient passenger and goods transport and other related services. Domestic shipping caters mainly to bulk, specialized and liner transports, the last under Philippine government regulation. Transport of goods and passenger takes the most sizable share of the country's merchant fleet and comprises the largest business of domestic shipping. Like any other business enterprises, Philippine shipping has suffered occasional fluctuations, enduring market slumps but only to regain market control and sustain economic recovery. Rates of return on equity have not been very encouraging, to say the least, due mainly to high fuel costs, limited increase in cargoes and passengers, and the attractiveness of faster air travel. On the average, travel by ship in the Philippines is relatively cheaper than air travel although understandably more time-consuming. In the Philippines, Negros Navigation leads and is the oldest among the top ten domestic shipping companies, registering the highest paid-up capital. The Philippines has lagged behind Japan, Korea and a few other Asian countries in shipbuilding. Some of the largest shipbuilders in the country are, in fact, foreign companies. It is recommended that the Philippine government take a bold step to accelerate the development of domestic shipping in the country through a massive modernization program for the industry. Substantial improvement must be made on port operation and management and on the weather report system. Domestic shipping services must be made more efficient and professional. Better qualified personnel need to be hired to deliver high-quality service.

INTRODUCTION / BACKGROUND

Philippine shipping has always played an important role in the country's economy, starting in 1571 with the galleon trade between Manila and Acapulco. The trade was quite successful in bringing mainly Chinese goods from the Far East and Manila to Acapulco aboard the galleons built in various parts of the Philippines. In return, Acapulco was the source of Mexican silver and other highly valuable commodities and metals for Manila especially for the Spanish residents and the affluent class in Manila. The Manila Galleon trade lasted until 1811 and its official abolition was in 1813 (Corpus, 1997: 39).

By 1818 the shipment of exports to the US and other countries were through Philippine ships and other cargo vessels, mainly in US, Japanese, British, and Norwegian ships.

The shipping industry expanded with the establishment of Negros Navigation in 1932, followed by several shipping companies which eventually closed shop. It was only in 1948 when the predecessor of what is now WG & A was established. In the 1970's, other shipping lines were established along with Sulpicio Lines and Lorenzo Shipping Corporation founded in 1973.

The role of domestic shipping in the socio-economic development of the country is highly critical considering that the Philippines has 7,107 islands that need to be linked with one another for the efficient

transport of goods and services and movement of people. The nautical highway which links major islands is a step in the right direction as initiated by the present administration of President Gloria Macapagal Arroyo. Despite these developments, the share of domestic shipping in relation to gross domestic product (GDP) is relatively small. In 1990, domestic shipping industry accounted for only 0,6 % of gross domestic product (GDP). From 1991 to 2000, the share of domestic shipping of the GDP went to down to 0,5 % (Austria, 2003: 4). The significance of inter-island modes of marine transport is crucial as shown by the 99,9 % of inter-island cargo and 83,2 % of passengers carried by the domestic shipping industry. (MARINA-JICA, 2005: S-4).

With the latest technology in shipping, domestic and world shipping will have a more cost-effective operation.

Modernization of ship management has brought about ready and comprehensive support services on the management of ships. Ship owners as initiators of ship procurement can easily turn over their ship to reputable ship management companies.

PHILIPPINE DOMESTIC SHIPPING AND WORLD SHIPPING

Domestic shipping has three segments consisting of bulk transport, specialized transport and liner transport of agricultural products with fishing boats accounting for 70 % share. On the other hand, in world shipping the bulk is energy-related.

As to volume, the share of domestic shipping is only 0,6 % of the world shipping with containerized cargo having 0,9 % of world shipping. The domestic shipping industry has been unable to make a dent in world shipping. Likewise, its share in the domestic economy is only 0,5 % of gross domestic product.

Domestic shipping is dominated by a few shipping lines, namely the Negros Navigation, WG & A, Sulpicio Lines, Lorenzo Shipping, Herma Shipping and Transport Corporation, PNOG Shipping. On the other hand, world shipping enjoys an almost perfect competition due to the provision of ample and readily available funding.

The Philippine domestic shipbuilding, ship repair and ship breaking are also much smaller compared to the established giant shipbuilders in the world. The Philippines, of course, has the potential. After World War II, the country was next to Japan in shipbuilding but gradually lagged behind such other countries as Korea and Taiwan for various reasons.

In addition, the Philippines have a small share of overseas fleet dwarfed by the large shipping lines of Japan, Norway, Greece, and other countries.

The rates of return in domestic shipping have not been attractive to investors. It is noted that the country possesses topography conducive to shipbuilding, enticing Hanjin of Korea and Tsuneishi Shipyard of Japan to put up their shipyards in the country. With ample capital, it is possible for the Philippines to venture into huge-scale shipbuilding, ship repair and ship breaking operations, given the natural and human resources of the country.

Seafarers that man domestic and world shipping are important to the country and the world. Filipino seafarers aboard foreign shipping lines continue to be a major source of foreign exchange for the country. Filipino seafarers employed in domestic shipping lines get a lower pay than those on foreign shipping lines. Maritime accidents in the country may be attributed to the less qualified seafarers who man domestic ships; the more qualified get hired by foreign shipping lines.

Filipino seafarers are named the modern Filipino heroes for their extraordinary discharge of duties and responsibilities aboard foreign shipping lines. Many Filipino seafarers have received various recognitions from shipping companies and prestigious organizations abroad and from the Philippine government and civic organizations in the country.

Graduates of maritime higher education institutions in the country comprise the largest share in the deployment of seafarers in world shipping. Because only a very small percentage of graduates are employed in domestic shipping the maritime education institutions in the country tend to be linked more to world shipping than the domestic shipping industry.

Rationalization and quality assurance systems are in place in all maritime schools to assure the continuous generation of world-class graduates.

The demonstrated achievements of the maritime schools have affected a laudable impact on the development and growth of both domestic shipping and world shipping.

Governance and management is well on stream to sustain the continuing improvement in domestic and world shipping with the implementation of the Quality Standard System (QSS) and Quality Management System (QMS) consistent with standards observed by various prestigious certifying bodies in the world.

MARITIME EDUCATION IN THE PHILIPPINES

Maritime education in the country started with the establishment of Escuela Nautica de Manila in 1820 just a few years after the end of the Manila Galleon trade. The Escuela Nautica de Manila became the Philippine Nautical School in 1900 and much later, in 1963, became the Philippine Merchant Marine Academy. However, maritime education failed to expand even with the establishment of pioneering shipping lines of the Philippines, the Negros Navigation, in 1932. Privately-owned maritime educational institutions were later established beginning with the Philippine Maritime Institute (PMI) and the Iloilo Maritime Academy, now the John B. Lacson Foundation Maritime University (JBLFMU), both founded in 1948. Between 1948 and 1977, nineteen privately-owned maritime schools were established: five in Luzon; eight in the Visayas; and six in Mindanao. In addition, there is one government-owned maritime school, the Philippine Merchant Marine School. With the rising need for Filipino seafarers abroad, maritime education in the country had a tremendous increase in enrolment. More maritime schools were established in various regions of the country with Manila and adjacent cities having the biggest number. Bold initiatives to improve the outcomes of maritime education started with the identification of maritime schools that complied with the STCW '78 as Amended in the 1995 Convention.

GOVERNANCE AND MANAGEMENT OF MARITIME INDUSTRY AND EDUCATION

Governance and management of the maritime industry and education took shape with the establishment of regulatory agencies which have evolved to be critical entities for the promotion of excellence. The Maritime Industry Authority (MARINA) was established in 1974, the Maritime Training Council (MTC) in 1984, the Philippine Overseas Employment Administration (POEA), the Commission on Higher Education (CHED) in the 90's and others.

The STCW'78, as Amended in 1995, triggered more innovative strategies to improve governance and management in maritime education.

The state of the shipping industry and maritime education, as well as their governance and management has paved the way for the paradigm of this presentation that domestic shipping and

world shipping comprise such a dynamic and large sector that when supported with the quality of manpower in the maritime industry backed up by good governance and management, there will evolve a formidable industry that can propel the economic growth of the country and the world.

THE FILIPINO SEAFARERS

The Filipino seafarers account for 25,83 %, the largest group, among the overseas Filipino workers (OFWs). From 2000 to 2006, the growth rate was lowest in 2000 with 0,83 % and highest in 2006 with 19,9 %. The contribution to the total OFW's remittances is shown as follows: 17,13 % in 2003, 18,3 % in 2004, 15,61 % in 2005, 14,27 % in 2006 and 15,69 % in 2007. Data reveal that the seafarers are not as well paid as the land-based workers although those occupying the highest position of Master Mariner and Chief Engineer are salaried at US \$5,800 to US \$8,500 per month.

The Filipino seafarers aboard foreign ships are getting much higher salary than those employed locally.

The salary ranges of seafarers are not reflective of the ITF negotiated level but are negotiated on the basis of the global salary to maintain the Filipino seafarers' competitiveness with those from other countries and to stabilize the employment of seafarers in world shipping.

A SCENARIO FOR A BETTER MARITIME INDUSTRY

Governance and management within the regulatory agencies and the maritime education sector are crucial. Good governance and management must be constantly in effect in the regulatory agencies and maritime education sector to assure the production of world-class graduates.

What is urgent in the governance and management of the maritime education sector, as it affects domestic shipping and world shipping, is the evolution of transformative education towards the formation of transformative leaders.

CONCLUSIONS AND RECOMMENDATIONS

On the basis of the aforementioned conditions in the Philippine Domestic shipping and world shipping, the following conclusions and recommendations are made:

Over the last 17 years, seafarers accounted for more than 20 % of overseas Filipino workers (OFWs) that reached its highest of 25,83 % in 2006. This is a healthy development and all sectors are called upon for support for a continuing deployment of seafarers of world-class quality and capabilities.

There is a need for the Philippines to sustain and strengthen the mutually beneficial relationship with countries with the largest registry of ships such as Panama, the Bahamas, Liberia, and countries where there is the concentration of ownership of world fleet such as Greece, Japan, Norway, the United States, China, Germany, Hong Kong, the Republic of Korea, Taiwan and the United Kingdom, to assure a continuous flow of seafarers from the Philippines. Norway and Japan, for example, have extensive programs in providing scholarship for students and employment of graduates of maritime higher institutions. Other countries should be encouraged to do the same.

Institutions involved in the maritime education, training, and research as well as manning agencies and employment agencies of seafarers in the Philippines should strengthen its relationship with the counterpart institutions in other countries.

To encourage college-bound students to go into the maritime profession, maritime higher education institutions should be strengthened in its continuing excellence in maritime education. There is also a need for information and career campaign.

There is a need to document the contribution of the seafarers through impact studies of maritime higher education institutions by region as well as studies on manning companies that have provide major employment to seafarers.

The profile of seafarers showed that a big majority (64,31 %) are ratings while only 35,69 % are officers. The officers contribute more to the economy than the ratings. Thus, there should be a purposive intervention to expedite the promotion of seafarers from ratings to officers.

Secondary education in the country should be strengthened in order that college-bound students are better prepared for college education, in particular, maritime education.

There ought to be a quantum leap in the financial support of maritime education in the country from business and industry, government and the non-governmental organizations (NGO's).

A more comprehensive package for scholarships with the accompanying employment and placement opportunities should be provided.

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