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LINER SHIPPING ROUTE STUDY

FINAL REPORT

VOLUME I

SUMMARY OF FINDINGS & RECOMMENDATIONS

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FOREWORD

The Liner Shipping Route Study (LSRS) and the MARINA and SHIPPERCON STUDY (MARSH Study) were conducted, during 1993-1994, under the Philippine Sea Transport Consultancy (PSTC). The Final Report of the LSRS comprises 14 volumes and the Final Report of the MARSH Study comprises 5 volumes.

This technical assistance was made possible through the support provided by the Office of Program Economics, United States Agency for International Development (USAID) Mission in the Philippines. The views, expressions and opinions contained in this and other volumes of the LSRS Final Report are those of the authors and of Nathan Associates, and do not necessarily reflect the views of USAID.

EXECUTIVE SUMMARY

The Liner Shipping Route Study (LSRS) was conducted for the Maritime Industry Authority (MARINA), during 1992-1994, with financial assistance from the United States Agency for International Development (USAID). The principal objective of the study was to assess the adequacy of interisland liner shipping and ferry services. The study's investigative efforts extended to the identification of underlying causes for any shipping service inadequacies. This meant, in particular, the identification of needs for improvement of the facilities and operations of ports of the Philippine Ports Authority (PPA). The principal findings and recommendations of the LSRS are presented below.

Principal Findings

Interisland shipping passenger services have been improving on a large number of shipping routes in recent years, and, in 1993/1994, are mostly satisfactory. Interisland liner shipping cargo services have improved on some routes, but there continue to be needs for general improvement. There are a number of potential routes that are not now served by any franchised regular services, so that there is potential for usefully expanding the numbers of liner shipping and ferry routes, operators, and vessels. A principal constraint to improving the quality of shipping services is the inadequacy of a number of ports in terms of infrastructure, operations and security, and some of the desirable port improvements are quite urgent.

Specific findings are:

- Roll-on roll-off (RORO) ferry services have been a boon to the island of Mindoro and have also benefitted the island of Marinduque. There are many other locations where such services are desired and would be economically advantageous, but are either not existing at all, or exist, but are not of desirable capacities and service standards. The principal constraint to the establishment of new services and the upgrading of existing RORO services is the unavailability of appropriate berths for RORO vessels at ports. Other constraints are: the imposition of arrastre charges even in the absence of any services rendered, which prevents the full realization of the benefits of RORO services; and the needs for truck "clearances", before boarding RORO ferries, as if they were crossing international borders.

- The large majority of passenger/cargo vessels keep fairly closely to schedule. Passengers rate services highly in this regard, even including some services which passengers otherwise do not regard favorably. Since

general cargo vessels and containerships do not similarly adhere to schedules, shippers show a strong preference for shipping their cargo aboard passenger/cargo vessels. This service schedule reliability is especially important for perishable commodities and for exports which must make a transshipment connection at Manila or Cebu.

- There are inadequate numbers of usable containers in interisland shipping, and the shortage is most acute where specialized containers are concerned, including reefer vans, ventilated containers, and livestock vans. At the same time, utilization of the existing fleet of conventional containers is limited by two shipper and consignee practices: overbooking (i.e., failing to fill all booked containers) and delayed unloading of containers at ports of destination.

- Prior to the reclassification of grains into a higher-paying commodity classification (effective 1st December, 1993), the low fork tariffs applicable to grain accommodation were effectively depriving grain shippers and consignees of services on some routes, and may have been responsible for the discontinuation of liner services between General Santos and Cebu. Because the reclassification occurred quite late in the conduct of the LSRS, it was not possible for the study to assess the effects of the reclassification on the availability of liner shipping capacity for the accommodation of grains.

- The unreliability of liner shipping operators on the Manila-Iligan and Manila-Nasipit routes has created some diversion of cargo traffic to the Manila-Cagayan de Oro route, and, to some extent, to the Iligan-Cebu route for transshipment to Manila. The Manila connections to Iligan and Nasipit have each been operated by only a single operator of passenger-cargo vessels. On some other routes with sole operators of passenger/cargo vessels, cargo services (at least) are also not satisfactory, in terms of standards and/or service frequency. These routes include Manila-Puerto Princesa, Manila-Tagbilaran, Iloilo-Cebu, Toledo-San Carlos, and especially Odiongan-Batangas, where both cargo and passenger services are being operated to a low standard, accompanied by overcharging.

- Franchising of a second operator on the Cebu-Dumaguete-Dapitan route, in 1993, resulted in considerably improving the adequacy of both passenger and cargo services on that route. Other routes where increased competitiveness (in 1993, as compared to 1991 and 1992) appears to have resulted in significant, or even considerable, improvement of service standards and adequacy include the Manila connection to Ozamis, the Cebu connection to Surigao, and the Iloilo connection to

Cagayan de Oro.

- Although passenger services are generally satisfactory, traffic congestion occurs on many routes during portions of the April-June period, when volumes are considerably higher than in other periods of the year.

- Some desirable routes are not currently being served by liner operators, and such services are needed between the islands of Tablas and Mindoro, between Tablas and Sibuyan Island, between the ports of Cebu and Puerto Princesa, between Cuyo and San Jose de Buenavista, and between an expanded port of Batangas and a number of other principal ports.

- The port of Cebu is critically inadequate for current traffic levels; inadequacy is in terms of port water depths, effective pier length, condition of facilities, cargo handling equipment and efficiency, storage areas, port area vehicle and pedestrian traffic control, control of vessel repair activities, and security at the port. Security, in fact, is terrible at the port, and shippers sometimes send guards with their cargo; even that measure may not be sufficient to effectively protect their cargo, however, as several shippers report the presence of armed gangs in the port area. The port of Cebu and other ports of Cebu Province are in the process of being transferred from the PPA to a new Cebu Ports Authority (CPA), but the period of "transition" has, in November 1994, already extended for more than two years. Meanwhile, nothing significant has been done to deal with the very serious problems of Cebu Port. The inadequacy of this port adversely affects a large number of interisland services.

- The port of Iloilo is also seriously inadequate for even current levels of traffic, although relatively less critical than the port of Cebu.

- The principal needs at a number of Visayan ports and a few other ports is the provision of RORO berths, to permit the introduction of RORO ferry services. Two or more such berths are required at Iloilo Port, and adequate berths need to be provided at Bacolod, Pulupandan, Toledo, Masbate, a Sorsogon port (for Masbate-Luzon ferry services), a Basilan port and Zamboanga. The port of San Carlos has such a berth, but requires some other improvements to permit large ferries to operate there effectively and into the nighttime hours. The ports of Tacloban and Guiuan may also require RORO berths, to introduce RORO ferry service between them, and a RORO ferry berth is needed on the southeastern coast of Mindoro (probably at Mansalay) to permit the introduction of RORO services between that terminal and Odiongan.

- In 1994, the ports of Mindanao are mostly adequate to accommodate current traffic levels, and the port of Polloc is underutilized. The port of Cagayan de Oro is approaching congested condition, however, and specialized facilities, such as container terminals and bulk grain and/or fertilizer facilities, may be needed at this port and at a port of Southern Mindanao. The port of Pagadian requires some rehabilitation, after suffering earthquake damage.

- Many ports are not being utilized as fully or effectively as would be desirable, as one or more of the following practices limit the throughput potential of the facilities of individual ports: vessel "parking" at commercial berths being permitted without penalty; cargo staying for overly long periods at ports, including cargo confiscated by the Bureau of Customs; PPA staff, pilots and cargo-handling labor departing the ports even before nightfall; cargo-handling labor being generally insufficient and/or unwilling to handle some cargo volumes; tramper vessels being permitted to load/unload at berths over excessively long periods of time; and lighting being inadequate for nighttime operations.

Recommendations

To correct existing interisland shipping service inadequacies, and to give better assurance that interisland shipping services will be satisfactory in the future, the LSRS is recommending that:

- **Regular monthly working meetings of the Domestic Shipping Office (DSO) of MARINA and the planning and operations staff of PPA be instituted for the purposes of ensuring coordinated shipping industry and port system development, and near-term correction of operating problems at ports.** A top priority of these discussions, requiring substantial planning input on the part of DSO, is the development of a prioritized program for the expansion of RORO ferry operations in the Philippine Archipelago. This joint MARINA/PPA effort is ten years overdue, and was first identified as needed by the Presidential Task Force on Interisland Shipping in its April 1989 report.

- **The Domestic Shipping Services Monitoring System (DOSSMONS) be established.** A top priority of the discussions that will occur between the Philippine Shippers' Bureau (SHIPPERCON) and shipper/producer associations, as part of this system, is the identification and projection of container needs by route, including the needs for specialized containers

(i.e., ventilated and reefer containers and livestock vans), and the counterpart MARINA and shipping industry discussions regarding the expansion of numbers of serviceable containers of each type, and the potential for improving average container utilization rates.

- MARINA become proactive where the unavailability of desirable services is concerned, and publicly invite operators and investors to apply to provide such services. Four invitation lists might be publicly announced during 1995: (i) an immediate invitation for applications to convert monopolized routes to competitive routes, in line with the policy already enunciated by both MARINA and the Department of Transportation and Communications (DOTC); (ii) an immediate invitation for applications for services on developmental routes, where the ports are already satisfactory for the accommodation of such services, such as Cuyo-San Jose de Buenavista, Coron-Puerto Princesa, Cebu-Puerto Princesa, and Cebu-Zamboanga (container services); (iii) an invitation, with the approval of PPA, for applications to introduce liner services on routes connecting Batangas to other principal ports; and (iv) an invitation, before the end of the year, for applications to introduce RORO ferry services, based on a program worked out between MARINA and PPA. The last of the foregoing public invitations might be made jointly by MARINA and PPA, in which case it would extend to the provision of RORO berths by the applicants under build-operate-transfer (BOT) arrangements.

- All ferry route franchises have schedule flexibility incorporated within them, to permit operators to respond quickly to changes in the level of demand, and particularly to permit them to institute "seasonal" service schedules to better accommodate passenger volumes during the April-June peak period for travel on most routes.

- A "seasonal rates" pilot project be designed and implemented during 1995, on routes where available passenger-accommodation capacity cannot easily be adjusted for the better accommodation of variations in the level of service demand, and where some modification of the peaking of demand is therefore desirable.

- The effects of reclassification of grains as Class C commodities on the availability of capacity for their accommodation be monitored by MARINA and SHIPPERCON, to ascertain the possible need for further adjustment of rates, e.g., the institution of freight-all-kinds (f.a.k.) rates to induce greater availability of containers for grains, or the institution of route-specific rates on one or more routes.

- Actions be taken by MARINA to better ensure that cargo vessels and containerships franchised to provide liner services, actually operate to posted schedules. Amendment of schedules, to better accommodate fluctuations in demand at the various ports, should be easily possible, but shippers must always know, at the time of space booking, the actual schedule of liner services, in order that the shippers themselves can reliably serve their markets and can meet necessary transshipment connections for export markets.

- Franchise application evaluation considerations and techniques be set forth in a MARINA manual on "Design and Applications of the Philippine Domestic Shipping Database", with the manual being made available to the shipping industry. The intention of this recommendation is to make the evaluation method as objective as possible, and "transparent" to the industry.

- PPA and/or the CPA address the critical state of the port of Cebu almost on a "drop-everything-else" priority. Actions need to extend to correction of the serious problem of security, removal of ship repair activities from the commercial port areas, and maximization of the cargo turnover rates in the port's storage areas, as well as to the implementation of existing plans for rehabilitating portions of the port.

- The port of Iloilo also be made adequate by PPA for the accommodation of current and prospective future traffic, including the introduction of RORO ferry services by two or more operators.

- PPA planning efforts be brought up-to-date for other ports, including ports where RORO ferry services might desirably be inaugurated and ports such as Cagayan de Oro, Davao and Ozamis, where specialized facilities may be needed and/or action must be taken to avoid the near-to-medium-term onset of congestion.

- PPA continue its efforts to upgrade the standards of cargo-handling services, including: the introduction of competition at large ports; ensuring that cargo-handlers invest sufficiently in equipment; ensuring that operations continue into or throughout the nighttime hours, wherever such extensions of working periods are desirable; ensuring that cargo-handling contractor staff are well-trained and careful in their handling of cargo, and that they do not refuse to accommodate cargo at posted rates; and ensuring that charges imposed by cargo-handlers are, at all times, rational, and reflect the value of services actually rendered.

- PPA contract all security at ports to the private sector.

- PPA establish a system of non-ferry vessel parking charges. These charges would have the objective of limiting the amount of parking that currently occurs at ports, and thereby increasing the average cargo throughput rates at commercial berths.

- PPA examine the desirability of entering into annual and longer-term leasing arrangements with ferry operators at PPA ports. Ferry operators should be treated as port tenants, rather than as visitors. The leasing arrangements would need to ensure, on the one hand, that PPA is adequately compensated for the facilities being leased, and, on the other hand, that the operators are free from any interference by their landlord during the regular course of their operations.

- PPA develop a port lighting enhancement program, prioritized on the basis of need to expand the effective capacity of ports, and ease of implementing the individual enhancement projects.

- PPA take any actions which might be necessary to ensure that it has full and sole control within its port areas and with regard to issuing clearance for vessel departure, and, in this regard, that PPA rely upon the Shipping and Ports Advisory Council, if and when necessary for ensuring full PPA control.

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ANNEX A

LSRS Terms Of Reference

ANNEX B

Domestic Shipping Services Monitoring System (DOSSMONS)

1. INTRODUCTION

Study Objectives & Outputs

The Liner Shipping Route Study (LSRS) was one of two studies comprising the Philippine Sea Transport Consultancy (PSTC), and was conducted for the Maritime Industry Authority (MARINA), during 1992-1994, with funding from the United States Agency for International Development (USAID). The study's objectives and workscope are described in detail in the terms of reference (TOR) which are included as Annex A of this report volume. In summary, the LSRS was to:

- Assist MARINA in the implementation of rate deregulation and route franchising liberalization policies, through the preparation of draft legal and quasi-legal documents.

- Assist MARINA's Domestic Shipping Office (DSO) to improve its capability of monitoring shipping services, through development of the DSO database, design of a monitoring system, development of rationalization and evaluation tools, and development of an operating cost model.

- Carry out a survey and evaluation of existing interisland liner shipping and ferry services, and identify for some specified areas the desirability of initiating services on possible routes not currently served.

After submission of the LSRS Inception Report in November 1992, and presentation of the report in January 1993, MARINA, USAID, and PSTC agreed to revisions to the study's TOR, principally to give greater emphasis to shipping sector deregulation and liberalization, with reduced emphasis on shipping rate analysis. Thereafter, the LSRS fieldwork and outputs were:

- **A Report on Preparatory Work for a Seasonal Rates Pilot Project.** The report was submitted in draft at the end of January 1993, and then in final in June 1994. The final report recommends that MARINA and the Conference of Interisland Shipowners and Operators (CISO) jointly plan for and implement a seasonal rates pilot project in 1995.

- **A Passenger Services Rating System (PSRS).** The PSRS was submitted in draft in March 1993, and then was revised in June 1994. The revised version excludes maritime safety considerations. (The MARSH Study, which together with the LSRS comprises the PSTC, undertook the development of a Vessel Safety Inspection System, to evaluate the safety aspects of domestic shipping services.)

- **A "Successor" Memorandum Circular (MC).** MARINA issued its MC 71 in October 1992, which enunciated a route franchising liberalization policy in regard to the interisland shipping industry and took further steps toward the deregulation of rates for interisland shipping services. The LSRS produced a draft MC 71-A, or "successor" MC, in March 1993, to clarify and elaborate on the MC 71 policy statements, and to extend liberalization further in some respects. MARINA undertook the necessary revision of the draft, and issued it as MC 80, in November 1993.

- **A draft Domestic Sea Transport Services Economic Regulation Act (DOSTSERA).** The draft law was to remove the Philippine domestic shipping sector from coverage by the Public Services Act (PSA), and was prepared and submitted to MARINA in April 1993, together with assessments of two other bills in Congress which would end the applicability of the PSA to all or some portion of the Philippine sea transport sector. DOSTSERA extended to the Philippine Ports Authority (PPA) and the port system of the Philippines, as well as to shipping services. MARINA, the PPA, and the Department of Transport and Communications (DOTC) undertook to revise the draft, and it exists, in 1994, as the draft **Domestic Water Transport Services Economic Regulation Act (DOWTSERA).**

- **A Southern Mindanao Liner Shipping Services Evaluation Report (Southern Mindanao Report).** The fieldwork for the draft report was carried out at Davao, General Santos, and Cotabato/Polloc in March 1993, and the initial volume of the report was submitted to MARINA and USAID in May 1993. At the July 1993 presentation of the report, the MARINA Administrator, who was chairing the meeting, identified the need for an executive summary volume, and such was prepared and submitted by the LSRS at the end of August 1993. The Administrator also commented that the fieldwork had been too brief to provide a thorough evaluation of services. Accordingly, the LSRS planned and carried out more extensive survey work for subsequent reports, and conducted supplementary Southern Mindanao fieldwork in March 1994.

- **A Domestic Shipping Route Classification System (DSRCS).** The DSRCS was initially submitted in July 1993, and then resubmitted to include a port code and with other amendments at the end of August 1993. During April-July, 1994, MARINA's Management Information Systems Office (MISO) and the LSRS jointly converted the revised DSRCS to the first **Annual Domestic Shipping Route Inventory (ADSRI).** The DSO, the Franchising Office (FO), and

MARINA's nine Maritime Regional Offices (MROs) all provided some assistance in this effort.

- **A Northern Islands Shipping Service Evaluation Report (Northern Islands Report).** Fieldwork for the Northern Islands Report was carried out in Batangas, Legaspi, Lucena, Mindoro, Marinduque, Romblon, Masbate, Catanduanes, and Palawan, during May-July 1993, and the 2-volume report was submitted in draft in September 1993.

- **A Discussion Paper on a Domestic Shipping Services Monitoring System (DOSSMONS).** This paper was submitted in draft to MARINA, USAID and the Philippine Shippers' Bureau (SHIPPERCON) in November 1993, and was presented (together with two LSRS reports) to these and other agencies and associations in February, 1994. The LSRS subsequently discussed DOSSMONS in Cebu, Iloilo, and Zamboanga with public sector and private sector organizations and associations that desirably would participate in DOSSMONS. On the basis of these discussions, some relatively minor amendments to DOSSMONS were made by the LSRS, and the revised DOSSMONS is included in this report volume as Annex B.

- **A Romblon & Marinduque Developmental Routes Report (ROMDERR).** Some of the fieldwork for this report was carried out concomitantly with fieldwork for the Northern Islands Report, but supplementary fieldwork was carried out, in October 1993, on the islands of Mindoro, Marinduque, Tablas, Romblon and Sibuyan. The single-volume report was submitted in draft at the beginning of December 1993.

- **A Cebu-Camiguin Liner Shipping Developmental Route Report (Cebu-Camiguin Report).** Fieldwork was carried out in late August and early September, 1993, at Cebu and Cagayan de Oro and on the island of Camiguin. The single-volume report was submitted at the beginning of December 1993.

- **A Visayan Islands Shipping Services Evaluation Report (VISSER).** Fieldwork for this report was carried out during August-October, 1993, at Tacloban, Catbalogan, Cebu, Tagbilaran, Dumaguete, San Carlos, Bacolod, Iloilo, San Jose de Buenavista (Antique), Roxas City/Culasi, and the Aklan ports of Dumaguit and New Washington. In April 1994, supplementary fieldwork was carried out on the island of Guimaras. The Eastern Visayas volume of VISSER was submitted in December 1993, and the other three volumes of the 4-volume report were submitted in January 1994.

- **A Palawan Liner Shipping Developmental Routes Report**

(PALSDERR). A portion of the fieldwork for PALSDERR was carried out concomitantly with the Northern Islands fieldwork (Cuyo Islands), and supplementary fieldwork was carried out in February 1994 at Coron (Busuanga Island) and at Taytay and Puerto Princesa on Palawan Island. The draft report was submitted in April 1994.

- **A Northern Mindanao Shipping Services Evaluation Report (NORMSSER).** Fieldwork for this report was carried out mainly during September (Nasipit) and November (Cagayan de Oro, Iligan, Jolo, and Zamboanga), 1993, but supplementary fieldwork was carried out at Zamboanga, Pagadian and Ozamis in February and June 1994. The draft 3-volume report was submitted in April 1994, and included separate volumes for the Mindanao North Coast and Zamboanga & Sulu Archipelago, as well as an executive summary volume.

- **A Batangas Liner Shipping Developmental Routes Report (BLISDERR).** A portion of the fieldwork was carried out concomitantly with the Northern Islands Report fieldwork, and very limited supplemental fieldwork was carried out in January 1994. The report was submitted at the end of April 1994.

- **An MC for Ferry Services.** In May 1994, the LSRS prepared and submitted to MARINA a draft MC on the **Rationalization of Domestic Ferry Services.** A draft Administrative Order was also submitted, to assist MARINA in the implementation of policy enunciated in the draft MC.

- **A Domestic Shipping Costs and Rates Report (DOSCARR).** This 2-volume report comprises a **Domestic Shipping Operating Cost Model (DOSOCOMO)** and a volume presenting cost and rate analysis. DOSOCOMO actually comprises two operating cost models, viz., one which derives unit costs for accommodated traffic based on the cost and traffic information from annual reports submitted by interisland shipping operators to MARINA (the "actual cost" model), and one which derives "theoretical costs" from inputted vessel and operating parameters, and unit prices for cost elements, such as the salary and benefits of a master mariner.

Organization of LSRS Final Report

The LSRS Final Report is in 14 volumes. This Summary of Findings & Recommendations Volume is comprised of three chapters and two annexes. After this first chapter, the second chapter presents the findings of the study and the third chapter presents

the study's recommendations. Both the findings and the recommendations are divided into three broad parts, viz., discussions of cargo services, passenger services and the development and operation of port facilities. General, area-specific, and route-specific findings are presented, and the recommendations extend to institutional changes and development, as well as recommendations to correct route-, operator-, service-, or port-specific problems.

As indicated in the preceding section, the two annexes of this first report volume are the TOR for the LSRS (Annex A) and the revised DOSSMONS (Annex B).

Volumes II through XIV of this LSRS Final Report are:

- **Volume II: Domestic Sea Trade of the Philippines, 1991-1993 - Commodity Profiles.** The annexes presented in the draft Southern Mindanao report included discussions of the interisland trade of rice, corn, fruits, vegetables, livestock and fisheries products. Those discussions have been extracted from the service evaluation report, and other commodity discussions have been added, to provide the reader with a good understanding of the interisland trade patterns of major commodities. Statistics on trade are those compiled by the National Statistics Office (NSO).

- **Volume III: Domestic Sea Trade of the Philippines, 1991-1993 - Island Profiles.** Annexes presented in three draft service evaluation reports on the economies of various islands and areas have been extracted from those reports, and are more fully developed in this separate report volume. As in Volume II, NSO data provide much of the basis for discussion.

- **Volume IV: Northern Islands Shipping Services Evaluation Report.** Although this volume is basically the finalized version of the draft Northern Islands Report, two major changes have been made in finalizing the report: (i) the annexes on island economies have been shifted to Volumes III and XI; and (ii) the discussion of Palawan services has been shifted to Volume IX.

- **Volume V: Eastern Visayas Shipping Services Evaluation Report.** This is the finalized version of the Eastern Visayas volume of VISSER, except that the annexes discussing the economies of Samar Island and Leyte Island have been shifted to Volume III.

- **Volume VI: Central & Western Visayas Shipping Services Evaluation Report.** This is the finalized version of two volumes of VISSER on the Central and Western Visayas, but

the annex discussions of the economies of Cebu, Bohol, Negros and Panay have been shifted to Volume III, and the April 1994 fieldwork done on the island of Guimaras permitted the addition of discussion on Guimaras shipping services and ports.

- **Volume VII: Mindanao Shipping Services Evaluation Report.** This is a combined finalized version of the Southern Mindanao Report and the Mindanao North Coast volume of NORMSSER, except that: (i) the discussions of individual commodities have been shifted to Volume II; (ii) the discussion of the Cagayan de Oro-Iligan economic corridor has been shifted to Volume III; and (iii) supplemental fieldwork after submission of the two report drafts permitted enlarging upon the discussions of some cargo shipping services and ports, i.e., Davao, General Santos and Ozamis.

- **Volume VIII: Zamboanga & Sulu Archipelago Shipping Services Evaluation Report.** This is the finalized version of the Zamboanga & Sulu Archipelago volume of NORMSSER, and only very limited change has been made from the draft. However, more discussion was possible, than in the draft, on services to Pagadian, since supplemental fieldwork on the Zamboanga Peninsula was carried out in June 1994.

- **Volume IX: Palawan Liner Shipping Developmental Routes Report.** This report is enlarged because all discussion of Palawan shipping services (i.e., existing and proposed developmental services) has now been concentrated in this single volume.

- **Volume X: Cebu-Camiguin Liner Shipping Developmental Route Report.** This report is essentially the same as the draft report, except that it has been possible to present a more complete discussion of the trade and economic potential of Camiguin Island.

- **Volume XI: Romblon & Marinduque Developmental Routes Report.** This is a considerably expanded and improved version of the report. The LSRS carried out additional fieldwork on the island of Mindoro in 1994, to enable the study to more thoroughly evaluate the options for a potential Tablas-Oriental Mindoro roll-on roll-off (RORO) ferry service. Also, in finalizing this report, the study has been able to use NSO trade information which was not yet in hand when the draft was produced.

- **Volume XII: Batangas Liner Shipping Developmental Routes Report.** This is the finalized version of the April 1994 draft, with very little change from the earlier version.

- **Volume XIII: Domestic Shipping Operating Cost Model.** This is DOSOCOMO, and is somewhat improved in comparison to the draft, to facilitate the appropriate use of "actual cost" information when cargo traffic reporting is complex.

- **Volume XIV: Domestic Shipping Cost & Rate Analysis.** The finalized version is not very different from the draft, except that some of the "actual cost" analyses were redone using the revised and slightly more sophisticated version of DOSOCOMO.

2. PRINCIPAL FINDINGS

Cargo Services

The principal findings of the LSRS in regard to interisland shipping cargo services are presented in the following paragraphs. General findings are first presented, after which the discussion is organized by island or island group.

General Findings

There are a number of cargo service characteristics and problems which the LSRS found to be widely the case in interisland shipping, although none of them perhaps are universally the case. The most common cargo service characteristics and problems are:

- **Monopolization of shipping services is undesirable.** The same operators are performing well on competitive routes and performing poorly on routes where they have a monopoly. It is not true, however, that monopolized routes are always poorly served. On a few monopolized routes, there are high rates imposed, in comparison to MARINA official rates, but the greater financial problem is that shippers consider that they must remain in the good graces of the sole operator and the vessel captain and crew if they are to be assured of having shipping service.

- **Once-a-week service on a route is unsatisfactory, and is especially so when there are large volumes of perishable cargoes to be accommodated on a route.** This is tied in with the preceding point, since it is only on some of the routes where there is a service monopoly that services are no more frequent than weekly. In connection with attaining satisfactory service frequencies on routes, the ongoing fleet changeover trend, while certainly desirable in terms of fleet seaworthiness, speed, and modernity, may not be entirely desirable in regard to vessel size, i.e., the optimal size of vessel on a route is one that permits the accommodation of all traffic with at least two or three calls a week, rather than with once-a-week service. This is generally true even if some "returns-to-scale" advantage is lost, by opting for smaller vessels, making more frequent calls.

- **General cargo vessels and containerships usually do not have posted schedules, or, if they do, they do not closely adhere to them.** Large numbers of shippers are highly displeased by this manner of operation, and much

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prefer to ship their cargoes by passenger/cargo vessels, if at all possible, since most of these vessels perform regularly scheduled services for consecutive periods of several months, or even for years.

- Large numbers of containers are in dilapidated condition, which frequently means that cargoes are damaged when they are accommodated in the containers, and there is moreover a general insufficiency of all types of containers, including standard containers, ventilated containers, reefer vans, and livestock vans. The shortages of reefer and livestock vans exist despite the fact that rates for livestock accommodation and for the accommodation of perishable commodities in reefer vans were deregulated in November 1990. To adequately serve small shippers, there is a need on several routes for 5-ft and 10-ft standard and ventilated containers, as well as the more general need for adequate numbers of containers of any size in satisfactory condition. The result of this container shortage is that, even on routes where cargo capacity would otherwise be adequate (in terms of vessel capacities and call frequency), there are insufficiencies of appropriate capacity. The problem of dilapidated containers does not appear to be entirely the fault of the liner shipping operators, since there is general dissatisfaction with cargo-handling services at ports, and shipping operators seem to the LSRS to be nearly unanimous in their condemnation of poor handling, and the damage effects of poor handling on their containers. (This situation is unlikely to change until all PPA ports are served by arrastre contractors chosen through publicly-invited competitive bidding, and port facility leasing contracts all have strict performance clauses.) Shippers and consignees, too, are partly at fault for the general shortage of serviceable standard containers, since large numbers of shippers and consignees treat shipping line containers as storage facilities, thereby increasing their turnaround times, and reducing their availability for the accommodation of other cargoes.

- Shippers complain not only about the container shortage itself, but also that liner operators book cargo consignments as if no shortage existed, and, when the shippers move their cargoes to ports as scheduled, they are then apprised of the shipping line's inability to accommodate their cargoes. Shut-outs then occur, and, in some ports, cargoes must await another vessel while sitting unprotected from both the elements and loss through pilferage. This situation occurs not only due to overbooking, but also due to failure of the operator to keep to schedule. One reason for operator overbooking practices, however, is the practice of some (usually

large) shippers of failing to fill all of the containers they have booked. Thus, the practices of some shippers are indirectly harming other (usually small) shippers.

- RORO ferry services often represent the appropriate capacity on a route, and are a boon to shippers and consignees where they are being satisfactorily operated, but the PPA and MARINA have been very slow to confer on the development of these services in most locations where they would be appropriate. RORO service development, moreover, is discouraged by government controls and bureaucratic delays, as well as by irrational arrastre interference and expense. The fact that truck "clearances" are, in 1994, still required in order for them to move from island to island contributes to the slowness of development of this type of service.

- Rate regulation for the accommodation of grains has been severely restricting the availability of liner shipping services for these commodities. These restrictions have applied to flows of rice from Manila to Cebu and the Eastern Visayas, and from Panay to the Eastern Visayas and Northern Mindanao, and to flows of corn from Southern Mindanao to Cebu.

- In some locations, the inadequacy of services in the "heavy" traffic direction is due in part to a large imbalance of traffic in two directions. The islands of Samar, Leyte, Bohol, and Negros have much lower liner shipping outbound cargoes than inbound cargoes. These cargo imbalances make it more difficult for liner operators to achieve profitability, and tend to discourage, therefore, full accommodation of cargo in the heavy traffic direction.

- Because of both the variation of cargo mixes and the differences in the imbalance of trade in two directions, among shipping routes, the current method of establishing cargo rates ensures that rates are not appropriate for all routes. When, as is currently done, cargo rates are determined by MARINA on the basis of the liner shipping industry-wide relationship of costs to revenue, operators performing services on routes with a good balance of cargo in two directions and high proportions of Class A and Class B cargo can attain high profitability, whereas operators serving routes with a poor balance of flows in two directions and large volumes of Class C (i.e., low-paying) cargo find it very difficult to attain profitability. The tendency, therefore, is for this latter group of routes to be underserved, in terms of potential "heavy" direction traffic volumes. Shippers throughout the Philippines are more concerned with the

adequacy of interisland shipping services, than with the costs of such services. As such, scope exists for better ensuring that interisland cargo services will be adequate on all routes and for all cargoes, through making changes in the MARINA pricing policy.

- Shippers of perishable commodities are displeased with the shipping operator practice of accepting these cargoes only "at the owner's risk", and so labeling the cargo consignments. When this is done, the shippers cannot collect on any claims, even though cargo spoilage, damage, or loss may be the fault of the shipping operator, as in cases of vessel engine failure.

Northern Islands

The LSRS defines the northern islands as including Luzon, Mindoro, Masbate, the islands of Romblon Province, Marinduque, and Catanduanes. The adequacy of service connections to Manila North Harbor (MNH) is discussed from the standpoint of shippers and consignees of the Visayan Islands, Mindanao and Palawan in later sections of this chapter. Other than the services operated to and from MNH, the principal LSRS findings in regard to the adequacy of ferry and liner shipping routes and cargo services provided to ports of the northern islands are:

- The advent (at the beginning of the 1980s) of RORO ferry services on the Calapan-Batangas route, and subsequently on the Puerto Galera-Batangas and Abra de Ilog-Batangas routes, represented a major improvement in cargo transport between the islands of Luzon and Mindoro, in comparison with the previous reliance on conventional vessels for cargo accommodation. Cargoes are now mainly shipped aboard elongated cargo jeepneys and cargo trucks ranging in size up to 18-wheelers, and these vehicles are accommodated aboard RORO ferries. Shippers found services to be adequate in capacity, reliably-operated, efficient, and imposing reasonable charges. Shippers contrasted the existing situation favorably with the pre-RORO service days, not only because of the transport improvement per se, but also because the improvement has, according to the shippers, attracted additional Luzon buyers to Mindoro produce markets.

- The island of Marinduque has also benefited from the advent of RORO ferry services, and a few shippers informed the LSRS that they had shifted from air to sea shipment because of the advantages offered by RORO services. RORO ferry services are operated from both of Marinduque's principal ports, i.e., Sta. Cruz and Balanacan, to the port of Dalahican, at Lucena, Quezon.

The RORO vessels are not large, but are more-or-less adequate to meet present demand. Passengers spill over into the vehicle-accommodation area on voyages out of Sta. Cruz, however, and both passengers and shippers indicate that there is some need to increase capacity on the route.

- RORO ferry services are provided on the Tabaco-Virac route, but these services are not now adequate to meet demand, especially for cargo. The only RORO vessel on the route is old, and has experienced recurrent engine problems, which have meant service interruptions and delays, and have caused many shippers to seek other forms of transport (tramper or air cargo services). Shippers indicate that improved reliability is not the only need, and are desirous of having a second RORO ferry operator initiate services between Tabaco and Virac, with a larger RORO vessel capable of accommodating large trucks.

- Liner shipping services between the Romblon Province port of Odiongan, on the west coast of Tablas Island, and Batangas are reliably operated, but are otherwise low-standard services. The operator also overcharges for these services. Shippers complain of shut-outs and of improper stowage of breakbulk cargo aboard the vessel.

- There are no direct shipping services between the two largest islands of Romblon Province, Tablas and Sibuyan. Trade and passenger traffic between these two islands must pass through Romblon Port on the island of Romblon, or through the port of Batangas. Charges for cargo services between Sibuyan and Romblon and between Romblon and Tablas are very high, and effectively preclude any significant volume of trade developing between Tablas and Sibuyan.

- There is also no good service connection between Tablas and Mindoro, although, in this case, motor banca service is available when sea conditions permit and traffic is offering. A significant amount of Mindoro-Tablas trade is reportedly passing through the port of Batangas, although it was not possible for the LSRS to quantify the trade which follows this indirect route.

- Although Masbate only has twice-a-week liner shipping service to Manila, there are few complaints by shippers or passengers about inadequate services to meet demand on this route. The greater limitation, especially for shippers, has been the limited capacity of ferry services, and the fact that no RORO ferry services were yet being provided, at the time of the LSRS survey. (In 1994, RORO ferry services were initiated between Masbate

and Bulan, even though neither port had berths designed for the accommodation of such services. Regrettably, the LSRS did not have the opportunity to assess the adequacy of these new services to meet demand.)

- There is a large potential for diverting domestic cargoes from the MNH to the port of Batangas. Shippers interviewed by the LSRS indicated needs for direct service connections between Batangas and Iloilo, Cagayan de Oro and Tacloban. Other shippers who, in 1993, had only once-a-week service to Manila, indicated that Batangas would represent a good service alternative, on another day of the week, i.e., the timeliness of services to Batangas would more than counterbalance their slight preference for MNH as a destination. Batangas and MNH both have liner shipping connections to the ports of Coron, Romblon and Odiongan, and in all three of these cases, Batangas was more important, during 1991-1993, for Luzon outflows to these ports, but MNH was of greater importance as a destination for cargoes moving from Coron and the Romblon Province ports.

Visayan Islands

The principal findings of the LSRS in regard to cargo services operated to the ports of the Visayan Islands are identified, by island, below.

Cebu

The economy of Cebu is growing rapidly, but its shipping service connections are not keeping pace. This is largely due to port inadequacies at both Cebu and Toledo, discussed in a later section of this chapter. Specifically, the following shipping service connections are inadequate for Cebu shippers and/or buyers:

- Three low-capacity RORO ferry services exist between the island of Cebu and its neighbor to the west (Negros), and a high-capacity service is needed. Such a service could be expected to convert most Cebu-Negros cargo flows from the use of conventional vessels.

- Only one operator is serving the Cebu-Iloilo route, and Panay shippers indicate that they sometimes ship their cargos across Negros to Cebu because of the inadequacy of Iloilo-Cebu cargo services. The Negros-crossing option is not really attractive, however, because of the absence of RORO services between Panay and Negros, and only low-standard RORO services between Negros and Cebu.

- Containerized cargo movements between Cebu and Zamboanga

must go via Manila, since none of the vessels serving the Cebu-Zamboanga route have the capability of accommodating containers.

- Many containerized and breakbulk cargo movements between Davao and Cebu must also move via Manila since capacity on the Davao-Cebu route has been inadequate since Sweet Lines discontinued serving the route in 1991. Both Cebu buyers and Davao shippers complained to the LSRS of the inadequacy of capacity on this route, but the operator who continued to serve the route, after 1991, maintained to the LSRS that cargo capacity was adequate on the route. The difference of opinion may be due mainly to the service frequency consideration; shippers and buyers do not consider once-a-week service to be adequate, and particularly (as in the Davao-Cebu case) when much of the cargo is perishable. The LSRS learned, in March 1994, that a second operator had commenced to serve the Cebu-Davao route, which may mean that cargo services were adequate on the route in 1994.

Panay

Iloilo Port accommodates cargoes originating from, or destined for, the northern Panay provinces of Aklan and Capiz and the western Panay province of Antique, as well as cargoes of Iloilo Province and Guimaras Province. Products shipped are mainly agricultural products, including especially rice, fisheries products, fruits and vegetables. Liner shipping cargo services are inadequate on a few routes, in terms of insufficient numbers and poor condition of standard containers, and lack of both reefer and ventilated containers, to accommodate the volumes and types of Panay cargo outflows.

Shut-outs of rice consignments occur between Iloilo and both Cagayan de Oro and Zamboanga. There are no liner shipping services between Iloilo and the Eastern Visayas, so that, in the case of rice shipments, Iloilo shippers generally opt for the chartering of tramper vessels rather than having their rice transshipped at Cebu. Because of a similar lack of services between Panay and Mindoro islands, some Panay goods must be shipped to Manila, trucked to Batangas, and then moved aboard a RORO ferry to Mindoro. Although there are limited cargo services between Palawan and Iloilo, the LSRS was informed that perishable commodities being shipped from Palawan to Iloilo must go via Manila, and some diminution of quality is encountered nevertheless.

Theoretically, Aklan shippers say, they have a variety of liner shipping cargo services to choose from, with four vessels calling at the ports of Dumaguit or New Washington. However: the operator of one of these vessels refuses cargo when calling at Dumaguit; a second vessel calls only irregularly (and had not

called in four months, at the time of the LSRS survey); a third vessel calls just once a week, and stays in the port for four hours only, permitting very little cargo loading/unloading to be done; and the fourth vessel is small, and calls at New Washington just once a week. When vessels do not arrive as scheduled, cargoes that have been delivered to the ports must remain in unprotected conditions, until the next vessel that will accept cargo arrives; this means that the cargoes may be exposed to heat and/or rain for periods of several days, before they are finally loaded.

Negros

The island of Negros is without a good port, as discussed in a later section of this chapter, which contributes to the inadequacies of shipping services. The principal shipping service needs of the island are probably high-capacity RORO service connections to both Iloilo and Cebu Island. Buyers at Dumaguete also indicate that there is a need for additional shipping capacity in the inward direction on the Cebu-Dumaguete route, but indicated that they do not expect the shipping operators to provide the incremental capacity because of the large imbalance of cargo flows in two directions, i.e., there is considerable surplus capacity in the outward direction.

Bohol

Shippers at Tagbilaran are dissatisfied with having only once-a-week service to Manila, and urge that a second operator be franchised to serve the Tagbilaran-Manila route. On days when the route is not served, shippers are able to ship through the port of Cebu, and the cost is actually lower. Shippers prefer to ship from Tagbilaran, however, because, when they ship through Cebu, their cargoes are only containerized upon reaching the port of Cebu, which significantly increases the risk of cargo loss.

Leyte

Leyte Island is mainly served by liner shipping cargo services connecting to Cebu and Manila. There is a large imbalance of cargo flows, with cargo volumes moving to Leyte from Manila and Cebu being much greater than the cargo volumes moving outward from Leyte. This imbalance of cargo flows is more pronounced when only liner shipping is considered, since much of Leyte's cargo outflow is comprised of copra, a commodity that is accommodated primarily by trampers. The imbalance of cargo flows means that space aboard liners is generally available in the outward direction at Leyte's principal port of Tacloban, for cargoes being shipped to Cebu and Manila, but space is often insufficient for cargo to be moved in the "heavy" flow direction. Liner operators reportedly do not accept rice at all for southward movement from Manila to Tacloban, and other commodities, such as animal feeds and flour, are often "shut out" of southbound voyages, delaying their delivery.

Between Leyte and Cebu, there are road transport/ferry alternatives to direct Tacloban-Cebu shipment by sea, and shippers indicate that the road transport/ferry option is both cheaper and quicker. Among other reasons for the longer journey time by sea is the likelihood that some of the vessels plying the Tacloban-Cebu route will need to wait for high tide when arriving at the port of Cebu, because of the insufficient water depths in the domestic port area.

Some of the shippers at Tacloban complain about not having direct liner shipping services to Batangas, and the ports of Negros, Panay, and most of Mindanao. Lacking such services, they must either charter tramp vessels for their cargoes or they must send their cargoes to Cebu for transshipment.

Samar

The island of Samar has only very limited liner shipping services. This is due in part, however, to the adequacy of road transport and Samar-Sorsogon RORO ferry services in providing a service connection to Manila and all of Luzon. Also, because of the San Juanico Bridge, the Leyte port of Tacloban Port is able to serve much of Samar Island, as well as serving Leyte. Liner shipping serves the Samar ports of Catbalogan and Calbayog, but does so only irregularly, and one of the operators serving the Cebu-Catbalogan route discontinued services in 1993. The fact that liner services to these ports are limited is mainly due, however, to the limited demand for services, and also because the ports are unprotected from rough seas and otherwise relatively undeveloped.

Shippers of southeastern Samar indicated to the LSRS a need for direct Guiuan-Cebu liner shipping service and/or the institution of RORO ferry services between Guiuan and Tacloban, in order that their goods will no longer need to be transshipped at Tacloban. The institution of RORO services between Guiuan and Tacloban would permit trade between southeastern Samar and Cebu to move the full distance by road and RORO ferry since there are already RORO ferry services being provided by two operators between Isabel, Leyte and Carmen, Cebu.

Palawan Province

The great need of the province of Palawan is for the initiation of services on routes not now operated, rather than the expansion or upgrading of services on existing routes, although some expansion and upgrading are needed. The province has insufficient shipping connections, and low service frequencies and standards on the shipping connections that it does have. The principal existing route serving Palawan Province is Puerto Princesa-Manila, and service is just once a week. Shippers indicate that this is not adequate, and that a second sailing is

needed on another day of the week, preferably by another operator. The principal product shipped from Palawan is fish (the province's annual catch is around 57,000 tons, most of which is for outward shipment). and shippers of fish estimate that their average spoilage rate is 10 percent by arrival time at Manila.

The best served portion of the province is the northern island of Busuanga. That island's principal port of Coron has twice-weekly liner services to both MNH and Batangas. By contrast, the Cuyo Island Group has no good service connection to anywhere. There is once-a-week service to Manila, but shippers are never certain which day of the week the vessel will arrive. Reportedly, there are regular shipper shut-outs at the whim of the captain of the vessel plying the Cuyo-Manila route. When cargo is accommodated, the voyage normally requires 36-40 hours, partly because the vessel may stop at an unscheduled port before continuing onward to Manila. Arrastre charges at Cuyo are very high and, according to shippers, services are entirely manual, and mostly slow, unskilled and careless. Fish traders in the Cuyo Islands have been declining in numbers because of the difficulties entailed with obtaining ice, much of which is shipped into Cuyo, from as far away as Manila, and because of the uncertainties and financial risks entailed with shipping fish out of Cuyo. There may be a danger that fishermen could end up with only a single buyer for their fish, viz., the trader who has managed to lease the only ice-making facility in the Cuyo Islands. The problems of fish traders and other problems could be corrected/avoided if a regular and frequent ferry service between Cuyo and the Antique port of San Jose de Buenavista were instituted.

Mindanao

Liner shipping cargo services are separately discussed below for the Mindanao North Coast, Southern Mindanao, and Zamboanga and the Sulu Archipelago.

Mindanao North Coast

The LSRS investigated the adequacy of cargo services at Cagayan de Oro, Iligan and Nasipit. Principal findings of the investigation are:

- Shippers are generally approving of cargo services provided at Cagayan de Oro, although cargo shut-outs do occur, particularly during the peak season for the harvesting of tomatoes. Shippers are also approving of the cargo handling services at the port of Cagayan de Oro, indicating that a competitive situation exists at the port, and both the service standards and the charges for services are satisfactory.

- Shippers were especially pleased with the cargo services being provided by one liner operator on the Cagayan de Oro-Manila route, indicating that the operator provides reliable services, operates according to their preferred schedule, and takes care to properly stow their cargoes (for rapid unloading at Manila); they would like a similar vessel on a similar schedule to be franchised on the route, to ensure that demand for services can always be met, and they would like both vessels to provide adequate ventilated container capacity.

- Shippers at both Iligan and Nasipit have not been satisfied with cargo services provided on the Manila-Iligan and Manila-Nasipit routes, respectively. They indicate that they have repeatedly encountered vessel departure and shipment delays, and have suffered cargo value losses as a result. This seems particularly to have been true for shippers of bananas, but a shipper of wood products at Iligan indicated to the LSRS that his products had also suffered deterioration due to excessive waiting and exposure to strong sunlight, to the point where buyers complained about product quality.

- With good services being provided at Cagayan de Oro, and only lower standard, less frequent cargo services being provided on the Iligan-Manila and Nasipit-Manila routes, shippers of perishable commodities and a few non-perishable commodities have begun to divert their shipments from their home ports to the port of Cagayan de Oro. The cost of shipment is higher when cargoes must be moved over the longer road distances to Cagayan de Oro, but shippers indicate that the superior services at Cagayan de Oro make incurring the additional road transport costs worthwhile. For Iligan shippers, at least, the superior services at Cagayan de Oro include not only liner shipping services, but extend to port cargo-handling services, since they prefer to avoid the higher-cost services at Iligan. Some shippers of bananas at Iligan, however, indicate that Iligan-Cebu shipping services are frequent and well-operated, so they are opting for transshipment of some of their Manila-destined cargoes at Cebu, rather than to divert their cargoes to Cagayan de Oro, or rely entirely on the direct Iligan-Manila service.

- Ventilated containers are needed to accommodate perishable cargoes being shipped from Nasipit, Cagayan de Oro and Iligan (the LSRS did not conduct shipper surveys at Ozamis, Surigao and Dipolog in regard to Manila routes, and did not identify therefore whether or not ventilated container capacity might also be required at one or more of those ports).

- Although shut-outs do not constitute a serious problem at the Mindanao north coast ports where the LSRS conducted shipper surveys, some are occurring, and their occurence derives in part from the overbooking of containers by some shippers. There is also a problem of the serviceability of containers that are being made available to shippers; i.e., the number of shut-outs is not high, due in part to the use of damaged, and sometimes badly damaged, containers for the accommodation of cargo.

- There appears to be a need to institute liner shipping services between Cagayan de Oro and Batangas, whenever the state of development of Batangas Port would permit such services to be inaugurated. It also appears likely that liner services between Cagayan de Oro and the Southern Leyte port of Maasin would be useful and financially viable.

Southern Mindanao

The LSRS carrried out investigations of the adequacy of liner shipping cargo services at the ports of Davao, General Santos, and Polloc, in March 1993, and then revisited Davao and General Santos in March 1994. Principal findings of these investigations are:

- Conventional container and breakbulk cargo shipping capacity and services are more-or-less satisfactory between the ports of Southern Mindanao and Manila. Large shippers of Southern Mindanao either have arranged for their own shipping services (i.e., have chartered tramp vessels) or are adequately served by liner shipping on routes to Manila throughout the year. To ensure such adequacy, some of the large shippers hire more space than they actually require. A number of small shippers, however, indicate that, in the peak shipment season, which is approximately May through October in Southern Mindanao, they are sometimes shut out of voyages because of unavailability of space. There has been a reduction of such shut-outs at General Santos, however, due to the franchising of another operator in late 1991. A more common problem is that they must accept shipment of their goods in damaged containers. A problem encountered by large and small exporters alike, who must transship their cargoes at Manila, is that containerships and conventional cargo vessels on Manila-Southern Mindanao routes do not, as a general rule, keep to schedule, with the result that connections with international-trade vessels at Manila are sometimes missed.

- The container types which are required for the

accommodation of perishable commodities, including fruit, vegetables, and fisheries products, are largely unavailable. This fact constitutes the most important inadequacy of domestic shipping services provided to Southern Mindanao. Despite the deregulation of rates on reefer boxes, in November 1990, liner shipping operators have not responded by increasing reefer box availability. Operators have not done so for three important reasons: (i) there were no reefer plugs at the public port facilities of Southern Mindanao (but ten were installed in late 1993); (ii) shippers have not projected for shipping operators what their needs for reefer box accommodation are, and will be in the short to medium term; and (iii) shipping operators are wary of themselves owning reefer boxes, because the claims for lost cargo value in cases of reefer box failure would be quite high. Ventilated containers, which would be sufficient for maintaining the quality of most fruits and vegetables over domestic voyages, are almost unavailable in the Philippines, and operators could not be induced to obtain them at the low, Class C (basic) rates they were permitted to charge for fruit and vegetable accommodation, prior to December 1993. As such, most of these fruits and vegetables were being shipped in standard containers, with the doors left open for ventilation. Spoilage was, reportedly, usually held to under ten percent in this way, but there was a high incidence of pilferage. Bananas were often shipped in passenger cabins, as were some vegetables. In December 1993, however, MARINA issued MC 80 which tends to improve the likelihood that appropriate capacity will be provided for fruit and vegetable accommodation since: (i) the rates on their accommodation in ventilated containers were deregulated; and (ii) they have been reclassified as Class C commodities, so that even the rates for their accommodation as breakbulk cargo will be higher than formerly.

- Delays due to shipping operator overstaying at ports and diverting to unscheduled ports tend to increase the proportions of perishable good consignments which spoil.

- As indicated above in regard to Cebu cargo services, it has taken a long period of time to replace an operator who discontinued services on the Cebu-Davao route in 1991. For more than two years, significant amounts of Cebu-Davao trade had to move via Manila, at considerable incremental cost in comparison to direct Davao-Cebu shipment. In 1994, this problem may have been largely corrected, as a second operator began to serve the route.

- The port of Polloc is not accommodating all of the cargo

traffic generated by its natural hinterland, although it is not possible for the LSRS to provide any quantiified estimate of the amount of the cargo traffic diversion. Five reasons for this diversion were identified, with the fifth reason probably resulting in part from the first four: (i) shippers sometimes prefer shipping through Davao and, more frequently, through General Santos because of the better security in the vicinities and hinterlands of those ports; (ii) shippers at Cotabato also prefer the riverport of that city in order to avoid the road between Cotabato and Polloc, where there are a number of "checkpoints" that add cost to shipment; (iii) there is no permanent cargo-handling workforce at Polloc, and the contractor must round up labor when a ship is about to arrive; (iv) some of the arrastre charges, particularly for handling wood products, are high relative to arrastre charges at General Santos; and (v) scheduled services sometimes fail to call because insufficient traffic is offering.

- Livestock shippers maintain that, whereas shipping charges per livestock van have climbed since rates on livestock shipments were deregulated in November 1990, there has been little improvement in livestock shipping services. Livestock regularly lose weight in transit, and some of the livestock are maimed in handling or die during the voyage. Shippers argue that this occurs because of improper or unskilled handling at ports, failure of shipping operators to replace damaged containers, and failure of the operators to provide sufficient water during the voyage or to keep to schedule (in which case food supplies, provided by the shippers, become inadequate). The shipping operators counter that a principal cause of animal death or weight loss is the practice by shippers of overstuffing livestock vans. The LSRS considers that the allegations on both sides are true, and contribute to the plight of livestock aboard Southern Mindanao-Manila liner vessels.

- The grains accommodation situation has improved at General Santos and Polloc, in comparison to 3 or 4 years ago, in part because of the franchising of another operator (whom shippers say is performing well), in late 1991, but also because tramper vessel capacity seems to be more readily available than in the past. The demand for containerization of grains, which constitutes an expensive way of shipping grain, was artificially induced by the very low rates that liner operators were permitted to charge for grain accommodation, largely in containers. Thus, the reduction, in 1989, of the large differentials between the rates that liner operators charged for grains and the rates that tramper operators charged has not only

had the effect of making liner operators more willing to accommodate grains, but has reduced the artificial shipper preference for containerized shipment aboard liner vessels. Major shippers at General Santos are storing their grains and shipping over their own dock facilities, which has had the dual effects of reducing demand at the public wharf and for liner shipping services, and of improving the utilization of available tramp vessel capacity, by spreading demand for grain movement more evenly over a longer period. (Much of the shipping service "inadequacy" of the past was, in fact, due to the general lack of grain treatment and storage capacity in Southern Mindanao, which necessitated shipment during a brief harvest/post-harvest period in order to avoid spoilage.)

Zamboanga & Sulu Archipelago

Principal findings of the LSRS in regard to liner shipping and ferry services being provided to Zamboanga and ports of the Sulu Archipelago are:

- Most cargo movements to and from ports of the Sulu Archipelago have the port of Zamboanga as their other trip end, and the long-distance services at Zamboanga Port, which connect that port to Manila, Cebu, Iloilo, ports of Southern Mindanao, and other domestic and international ports, therefore serve the entire Zamboanga and Sulu Archipelago area.

- The long-distance services are mostly satisfactory for both cargo and passengers, but the link to Cebu requires additional capacity, and specifically requires the institution of containerized cargo services. At present, containerized cargo movements between Zamboanga and Cebu must be transshipped at Manila, entailing considerably higher shipment costs and longer shipment time than would be incurred with a direct container shipping conection.

- Ferry services between Zamboanga and the Basilan Island ports of Isabela and Lamitan are frequent (a total of six round-trips per day, of which four are to Isabela), and appear to be satisfactory for the accommodation of passenger traffic. The vessels are not designed for the accommodation of much breakbulk cargo, however, and cargoes on board must frequently make 1.5 round-trips before being unloaded at Isabela.

- The principal problem regarding Zamboanga-Basilan ferry services, however, is that they are not now serving all of what ought to be their natural hinterland. This is

not due to any inadequacy of the ferry services themselves, but rather to the poor state of the island's road network, as well as to the civil disorder on the island, and the number of checkpoints along the roads.

- Services between Zamboanga and ports of the Sulu Archipelago are provided by numerous small wooden-hulled and steel-hulled vessels, and are highly competitive. Services are mostly satisfactory, but some of the vessels are old, and passenger physical accommodation standards are in some cases quite low.

- Operators belonging to the Southwestern Mindanao Shipowners Association (SMSA) and some independent operators admit that it would be difficult for them to meet internationally-accepted vessel seaworthiness standards, except in the long term, and are hopeful that MARINA will be willing to develop with them, and accept, a phased plan for the improvement of vessel seaworthiness standards in the Zamboanga and Sulu Archipelago area.

- The most serious problem facing these operators is that the government (at 2 or 3 levels) is depriving them of 10-15 percent of their passenger service revenues through the issuance of large numbers of "free passes" for passage between islands, with the operators being required to honor these passes. Reportedly, the Philippine Coast Guard (PCG) is the worst offender in the issuance of passes, but the PPA, the Philippine National Police (PNP), local governments and police, and the military also issue such passes, albeit in smaller numbers. The operators note that they ought not to be pressed by MARINA to renew their fleets, at the same time that they are being deprived of the means of doing so.

- Whereas most Sulu ports are adequately served, the port and island of Siasi is sometimes by-passed by operators scheduled to serve it, and Siasi shippers complain about this. For their part, the operators admit to avoiding Siasi, but maintain that they do this for two good reasons: (i) there is insufficient space at the 50-meter pier when another steel-hulled interisland liner vessel is already docked there (wooden-hulled vessels generally also occupy a portion of the berthing space); and (ii) there are excessive numbers of free passes issued by various government agencies at Siasi, and operators cannot afford to always fill up their passenger capacities with non-paying "customers". Reportedly, on one occasion, the proportion of such non-paying passengers to the total rose to 80 percent.

- SMSA members and independent operators interviewed by the

LSRS expressed some concern in regard to MARINA's policy of route franchising liberalization. At the same time, the LSRS notes, the policy seems to be accomplishing its intended objective, since operators are aware of the need to compete effectively, with the provision of good-standard services, and are planning their vessel acquisitions accordingly.

- Operators are also incurring high expenses as a result of having to come to MARINA headquarters in Manila (with their lawyers) in order to attend hearings on their franchise and franchise renewal applications. The operators favor MARINA's policy of decentralization of functions, but want the policy extended to permit the Zamboanga MRO to reach decisions on contested applications, as well as on uncontested applications, that are within their geographic jurisdiction (nearly all services to Sulu Archipelago ports are within the jurisdiction of the Zamboanga MRO).

- Operators point out that there is a duplication of function in regard to the vessel certificate of inspection, since these are given by both MARINA and the PCG. The LSRS was apprised of a case where the two agencies had conflicting opinions regarding the seaworthiness of a vessel. The operators would like to be informed of which certificate permits them to operate within the law. One certificate and one overseeing agency should suffice, and the operators would like to see this duplication of function brought to an end.

Passenger Services

The principal findings of the LSRS in regard to interisland ferry and liner shipping passenger services are presented in the following paragraphs. General findings are first presented, after which the discussion is organized by island and island group.

General Findings

Interisland passengers have benefited considerably from the route franchising liberalization policy of MARINA and MARINA's requirement that all large passenger/cargo vessels be brought into class. This latter requirement started working its magic first, as the trend toward acquisition of bigger and better vessels began while liberalization policy was still just under consideration, and had not yet been enunciated as MC 71. Since the issuance of MC 71 in October 1992, however, the liberalization policy has acted to effect passenger service improvement in two ways: (i) by creating

a climate of competition, wherein all operators performing passenger services are aware of the need for service upgrading to meet all of the needs of their respective markets; and (ii) by permitting the franchising of any services which offer higher standards of technology and accommodation than hitherto have existed on the routes being franchised.

The most notable of the improvements that have occurred over the past few years have been the improvements effected by several of the larger members of CISO. These operators have been acquiring large passenger/cargo and RORO vessels, and placing them on the routes operating out of MNH and Iloilo. The improvement of passenger services, however, also extends to many other liner shipping and ferry routes, including several emanating from the port of Cebu.

A common characteristic of nearly all of the passenger services that were surveyed by the LSRS is that they are reliably operated, i.e., they closely adhere to schedule. Shippers generally prefer to ship their cargoes aboard passenger/cargo and RORO vessels (which generally accommodate passengers) for this reason; they especially need the greater reliability of these vessels (as compared to conventional cargo vessels and containerships) when they are shipping perishable commodities, or any cargo in transit, needing to make connections with ocean-going vessels. Passengers on a few vessels could find little else to say in favor of the services, than that the operators kept to schedule.

Despite the improvements which have occurred over the past few years, there remain needs for further improvement, and especially a need to ensure that all vessels performing commercial passenger services are seaworthy. Other than the continuing need to replace or improve vessels which are not seaworthy in passenger service, the principal continuing problem is the extent of passenger traffic peaking. On most, but not all, routes there is a pronounced peaking of passenger traffic for 2 or 3 months, during the April-June period, and many routes also have a short traffic peak late in the year and/or early in the new year. The latter usually coincides with the Christmas period, whereas the former is caused in part by the school breaks of students, although students rarely represent more than one-quarter of the passengers on a voyage. Table 1 indicates, for a number of routes, the traffic peaks that occur during the months of April, May, June and December. The figures are expressed as percentages of annual traffic (8.33 percent represents the mean average for the 12 months of the year).

Most ferries in the Philippines are underutilized, in that they could operate more trips per 24-hour period than they do. There are also a number of short liner shipping routes where vessels operate in just one direction per day, whereas round-trip operation would be possible (thereby converting the liner routes to ferry routes). The introduction of "seasonal" service schedules on

Table 1

Proportions of Annual Passenger Traffic on a Route That Occurs During the Months of April, May, June and December

Route & Direction	Traffic Years on which Seasonality is Based	Percentage of Annual Passenger Traffic			
		April	May	June	December
Manila - Mindanao Routes					
Manila - Davao	1990 - 1992	11.45	11.39	9.23	8.05
Davao - Manila	1990 - 1992	13.78	13.18	9.22	5.73
Manila - Dadiangas	1990 - 1992	13.11	13.00	13.00	6.38
Dadiangas - Manila	1990 - 1992	14.99	12.67	9.31	4.39
Manila - Cotabato	1990 - 1992	11.49	13.06	8.58	1.02
Cotabato - Manila	1990 - 1992	12.24	13.18	12.32	0.48
Manila - Butuan	1990 - 1992	11.91	17.27	10.42	6.55
Butuan - Manila	1990 - 1992	10.03	16.46	12.07	5.02
Manila - Cagayan de Oro	1990 - 1992	12.67	11.92	9.48	9.84
Cagayan de Oro - Manila	1990 - 1992	14.49	11.39	9.27	6.70
Manila - Iligan	1990 - 1992	6.96	7.57	9.57	9.45
Iligan - Manila	1990 - 1992	8.56	9.60	9.46	6.97
Manila - Ozamis	1990 - 1992	13.15	13.41	9.30	7.31
Ozamis - Manila	1990 - 1992	12.19	13.02	9.97	7.17
Manila - Zamboanga	1990 - 1992	9.83	11.13	10.53	5.68
Zamboanga - Manila	1990 - 1992	12.74	11.91	9.30	6.31
Manila - Visayas Routes					
Manila - Tacloban	1990 - 1992	12.33	15.72	13.57	3.95
Tacloban - Manila	1990 - 1992	11.43	14.44	13.86	6.56
Manila - Tagbilaran	1990 - 1992	14.65	14.32	9.29	8.70
Tagbilaran - Manila	1990 - 1992	7.05	16.42	13.83	10.31
Manila - Cebu	1990 - 1992	12.01	12.42	8.80	8.73
Cebu - Manila	1990 - 1992	11.50	13.12	10.65	7.82
Manila - Dumaguete	1990 - 1992	14.32	12.27	10.32	5.98
Dumaguete - Manila	1990 - 1992	12.78	13.67	13.06	6.67
Manila - Bacolod	1990 - 1992	11.29	13.11	9.23	10.53
Bacolod - Manila	1990 - 1992	11.34	12.64	9.61	7.47
Manila - Iloilo	1990 - 1992	11.83	12.54	7.54	7.90
Iloilo - Manila	1990 - 1992	13.80	12.14	8.60	8.18
Manila - Puerto Princesa	1990 - 1992	11.21	13.24	9.87	8.55
Puerto Princesa - Manila	1990 - 1992	12.23	14.10	8.54	7.96
Visayas - Mindanao Routes					
Cebu - Cagayan de Oro	1990 - 1992	9.76	11.35	8.67	8.23
Cagayan de Oro - Cebu	1990 - 1992	10.85	11.07	8.53	7.44
Cebu - Davao	1990 - 1992	13.60	15.89	15.20	0.00
Davao - Cebu	1990 - 1992	12.41	6.77	9.95	0.68
Cebu - Iligan	1990 - 1992	9.14	9.56	8.74	8.67
Iligan - Cebu	1990 - 1992	8.98	10.41	9.37	7.85
Cebu - Zamboanga	1991 - 1992	11.75	8.45	9.33	9.72
Zamboanga - Cebu	1991 - 1992	11.48	8.24	9.83	9.53
Cebu - Butuan	1990 - 1992	10.59	13.83	10.86	7.26
Butuan - Cebu	1990 - 1992	12.47	14.76	10.86	6.66
Iloilo - Cagayan de Oro	1990 - 1992	14.06	13.56	8.31	11.20
Cagayan de Oro - Iloilo	1990 - 1992	15.04	12.47	7.84	9.91
Iloilo - Zamboanga	1990 - 1992	12.80	23.15	10.23	0.71
Zamboanga - Iloilo	1990 - 1992	16.61	13.42	9.99	1.12
Cebu - Ozamis	1990 - 1992	10.68	11.59	8.84	9.15
Ozamis - Cebu	1990 - 1992	9.55	12.32	9.48	8.32

Table 1
(continued)

Proportions of Annual Passenger Traffic on a Route That Occurs During the Months of April, May, June and December

Route & Direction	Traffic Years on which Seasonality is Based	Percentage of Annual Passenger Traffic			
		April	May	June	December
Intra - Visayan Routes					
Cebu - Ormoc	1990 - 1992	9.55	10.87	9.23	7.18
Ormoc - Cebu	1990 - 1992	9.38	10.73	9.57	7.61
Cebu - Tagbilaran	1990 - 1992	11.53	10.09	8.82	9.89
Tagbilaran - Cebu	1990 - 1992	8.93	11.69	9.88	9.08
Batangas - Mindoro Routes					
Batangas - Calapan	1991 - 1992	9.94	8.33	7.56	10.52
Batangas - Puerto Galera	1991 - 1992	13.75	10.47	8.53	12.13
Batangas - Abra de Ilog	1991 - 1992	11.23	12.54	10.36	13.08
Batangas - San Jose	1991 - 1992	8.18	9.88	8.68	11.98
Batangas - Sablayan	1991 - 1992	9.90	9.87	9.04	7.46
Batangas - Romblon Routes					
Batangas - Romblon	1991 - 1992	8.27	9.04	9.80	10.18
Batangas - Odiongan	1991 - 1992	9.93	8.82	7.98	12.22

most of these short routes could largely eliminate the traffic congestion which occurs during the peak months of travel, and the improved utilization of vessels would have the added advantage of significantly lowering the unit cost of passenger accommodation. Where longer-distance routes are concerned, however, there is less scope for increasing service frequency, and the introduction of seasonal pricing of services may be necessary for moderating the peaking of traffic.

Table 2 indicates the numbers of passengers interviewed by the LSRS who responded to a question regarding shipping service improvement over a two-year period. Two different passenger survey forms were employed during the course of LSRS conduct; the first of these did not ask passengers to indicate the degree of improvement which might have occurred, during the preceding two years, on the route they are sailing at the time of their interview, whereas the second form asked passengers to differentiate between "slight" and "considerable" improvement. Thus, Table 2 includes columns where the degree of improvement is not specified, and other columns where the degree of improvement is specified as either "slight" or "considerable". The revised (second) survey form also offered passengers the option of indicating that they were first time travellers on a route, in which case, of course, they would have no way of knowing whether services had or had not been improving over the past two years. On the majority of surveyed routes, however, most passengers had travelled the routes before, and many passengers could be described as frequent travellers on those routes. The survey results shown in the table are discussed, by geographic area, along with other survey results, in the following paragraphs.

Northern Islands

Mindoro

Three ferry routes and two liner shipping routes were surveyed by the LSRS, during May-June 1993 (i.e., during the peak period of travel), between Batangas and ports of Mindoro. Results of these surveys showed that:

- The Batangas-Calapan route was being adequately served, at the time of the survey, although one of the four RORO vessels surveyed on the route required some upgrading of its services in several respects. As shown in Table 1, the Batangas-Calapan route is one of the few that were surveyed that has no pronounced peaking of traffic during April-June.

- The Batangas-Puerto Galera route was being well served in all respects at the time of the LSRS survey. This was

Table 2

Passengers Indicating that Passenger Services on Route They Are Sailing Have Improved Over the Past Two Years

Route Group & Route	Number of Passengers Interviewed by Class				Passengers Indicating that Improvement Has Occurred											
					Degree of Improvement Not Specified				Slight Improvement				Considerable Improvement			
	1st	2nd	3rd	Total	1st	2nd	3rd	Total	1st	2nd	3rd	Total	1st	2nd	3rd	Total
Northern Islands																
Batangas - Calapan	27	-	172	199	11	-	52	63	-	-	-	-	-	-	-	-
Batangas - Abra de Ilog	9	22	77	108	2	1	13	16	-	-	-	-	-	-	-	-
Batangas - San Jose	-	-	50	50	-	-	14	14	-	-	-	-	-	-	-	-
Batangas - Sablayan	-	-	70	70	-	-	20	20	-	-	-	-	-	-	-	-
Batangas - Puerto Galera	4	19	77	100	-	2	24	26	-	-	-	-	-	-	-	-
Sta. Cruz - Dalahican	-	-	51	51	-	-	12	12	-	-	-	-	-	-	-	-
Balanacan - Dalahican	-	-	75	75	-	-	41	41	-	-	-	-	-	-	-	-
Tabaco - Virac	-	-	104	104	-	-	22	22	-	-	-	-	-	-	-	-
Odiongan - Batangas	26	5	70	101	3	1	18	22	-	-	-	-	-	-	-	-
Manila - Masbate	16	19	38	73	3	9	15	27	-	-	-	-	-	-	-	-
Masbate - Cebu	10	13	43	66	6	7	29	42	-	-	-	-	-	-	-	-
Masbate - Bulan	-	-	22	22	-	-	8	8	-	-	-	-	-	-	-	-
Masbate - Pilar	-	-	13	13	-	-	6	6	-	-	-	-	-	-	-	-
Cuyo, Palawan - Manila	-	-	25	25	-	-	1	1	-	-	-	-	-	-	-	-
Puerto Princesa - Manila	5	16	9	30	-	-	1	1	-	-	-	-	-	-	-	-
Total: Northern Islands Routes	97	94	886	1,087	25	20	276	321	-	-	-	-	-	-	-	-
Eastern Visayas																
Tacloban - Manila	7	-	137	144	6	-	44	50	-	-	-	-	-	-	-	-
Tacloban - Cebu	19	63	77	159	9	19	26	54	-	-	-	-	-	-	-	-
Tacloban - Guiuan	14	56	21	91	10	24	8	42	-	-	-	-	-	-	-	-
Tacloban - Balangiga, Samar	-	-	21	21	-	-	4	4	-	-	-	-	-	-	-	-
Calbalogan, Samar - Cebu	-	-	25	25	-	-	-	-	-	-	17	17	-	-	-	-
Calbayog - Cebu	-	5	34	39	-	2	5	7	-	-	-	-	-	-	-	-
Cabalian - Cebu	-	29	31	60	-	-	-	-	-	10	7	17	-	3	2	5
Baybay, Leyte - Cebu	5	23	6	34	-	-	-	-	-	3	3	6	1	2	-	3
Bato, Leyte - Cebu	7	6	25	38	-	2	13	15	-	-	-	-	-	-	-	-
Hilongos - Cebu	2	57	42	101	-	5	2	7	1	7	9	17	1	12	-	13
Naval - Cebu	-	24	25	49	-	-	-	-	-	9	5	14	-	-	1	1
Palompon, Leyte - Cebu	4	36	156	196	-	-	-	-	-	11	43	54	3	7	29	39
Ormoc - Cebu	15	27	71	113	-	1	-	1	-	7	14	21	-	3	7	10
Maasin - Cebu	-	50	80	130	-	-	13	13	-	12	17	29	-	6	2	8
Total: Eastern Visayan Routes	73	376	751	1,200	25	53	115	193	1	59	115	175	5	33	41	79

Table 2
(continued)

Passengers Indicating that Passenger Services on Route They Are Sailing Have Improved Over the Past Two Years

Route Group & Route	Number of Passengers Interviewed by Class				Passengers Indicating that Improvement Has Occurred											
					Degree of Improvement Not Specified				Slight Improvement				Considerable Improvement			
	1st	2nd	3rd	Total	1st	2nd	3rd	Total	1st	2nd	3rd	Total	1st	2nd	3rd	Total
Central Visayas																
Cebu - Manila	78	99	197	374	17	10	11	38	4	16	18	38	1	9	19	29
Cebu - Dumaguete	-	7	53	60	-	-	-	-	-	3	13	16	-	-	3	3
Cebu - Bantayan	-	-	31	31	-	-	-	-	-	-	11	11	-	-	-	-
Cebu - Dapitan	3	58	65	126	-	-	-	-	1	21	22	44	-	5	7	12
Cebu - Masbate	-	16	60	76	-	-	-	-	-	7	14	21	-	3	7	10
Cebu - Larena, Siquijor	4	19	37	60	-	-	-	-	-	8	22	30	1	2	3	6
Cebu - Cag. de Oro	6	57	221	284	1	6	27	34	2	8	20	30	-	-	2	2
Cebu - Surigao	1	10	27	38	-	-	-	-	1	4	7	12	-	1	13	14
Cebu - Cataingan	-	28	13	41	4	-	-	4	-	-	-	-	-	-	-	-
Cebu - Iligan	7	40	140	187	-	-	-	-	1	11	57	69	-	1	29	30
Cebu - Nasipit, Butuan	6	8	140	154	4	2	21	27	-	-	20	20	-	-	19	19
Cebu - Tubod Lanao del Norte	1	39	24	64	1	8	7	16	-	-	-	-	-	-	-	-
Cebu - Tagbilaran	4	64	107	175	2	12	22	36	-	-	-	-	-	-	-	-
Tagbilaran - Larena - Plaridel	-	-	30	30	-	-	2	2	-	-	-	-	-	-	-	-
Tagbilaran - Dumaguete	-	6	21	27	-	-	-	-	-	-	-	-	-	-	-	-
Tagbilaran - Manila	21	34	50	105	-	-	-	-	9	17	9	35	11	4	2	17
Tgbl. - Batan - Dumaguit - Mnla	-	-	14	14	-	-	1	1	-	-	-		-	-	-	-
Talibon - Cebu	2	37	28	67	-	-	-	-	-	6	8	14	-	-	1	1
Tubigon - Cebu	9	52	120	181	-	3	7	10	-	10	20	30	-	1	1	2
Total : Central Visayan Routes	142	574	1,378	2,094	29	41	98	168	18	111	241	370	13	26	106	145
Western Visayas																
Iloilo - Manila	45	29	241	315	5	-	10	15	21	15	121	157	-	-	-	-
Iloilo - Bacolod	43	50	28	121	-	-	-	-	18	4	13	35	16	14	9	39
Iloilo - Palawan	8	-	66	74	-	-	-	-	-	-	-	-	4	-	24	28
Iloilo - Cag. de Oro	8	1	44	53	-	-	-	-	-	-	-	-	6	-	29	35
Aklan - Manila	2	11	20	33	1	3	4	8	-	-	-	-	-	-	-	-
Total : Western Visayan Routes	106	91	399	596	6	3	14	23	39	19	134	192	26	14	62	102
Sulu Archipelago																
Zamboanga - Manila	8	25	47	80	-	-	-	-	4	8	12	24	-	4	5	9
Zamboanga - Isabela, Basilan	9	59	81	149	-	-	-	-	5	15	23	43	4	27	4	35
Zamboanga - Lamitan, Basilan	9	32	56	97	-	-	-	-	6	19	23	48	1	-	2	3
Zamboanga - Jolo	-	1	243	244	-	-	-	-	1	43	-	44	-	-	3	3
Zamboanga - Siasi	-	1	15	16	-	-	-	-	-	1	2	3	-	-	-	-
Zamboanga - Bongao	-	-	42	42	-	-	-	-	-	-	6	6	-	-	2	2
Jolo - Tawi Tawi	1	1	34	36	-	-	-	-	1	-	11	12	-	-	3	3
Zamboanga - Sitangkai	-	1	14	15	-	-	-	-	-	-	2	2	-	-	2	2
Zbga. - Cag. de Tawi Tawi	-	-	51	51	-	-	-	-	-	-	19	19	-	-	1	1
Zamboanga - Pagadian	-	-	113	113	-	-	-	-	-	-	9	9	-	-	-	-
Total : Sulu Archipelago Routes	27	120	696	843	-	-	-	-	17	86	107	210	5	31	22	58

Table 2
(continued)

Passengers Indicating that Passenger Services on Route They Are Sailing Have Improved Over the Past Two Years

Route Group & Route	Number of Passengers Interviewed by Class				Passengers Indicating that Improvement Has Occurred											
					Degree of Improvement Not Specified				Slight Improvement				Considerable Improvement			
	1st	2nd	3rd	Total	1st	2nd	3rd	Total	1st	2nd	3rd	Total	1st	2nd	3rd	Total
Mindanao																
Polloc - Iloilo - Manila	37	58	147	242	12	13	56	81	7	4	4	15	1	2	2	5
General Santos - Iloilo - Manila	21	19	75	115	12	2	3	17	-	-	-	-	-	-	-	-
Davao - Manila	9	40	80	129	-	6	14	20	-	4	5	9	-	6	2	8
Manila - Cagayan de Oro	25	21	51	97	-	-	-	-	12	6	10	28	6	5	5	16
Manila - Iligan	9	7	49	65	-	-	-	-	3	4	28	85	-	-	2	2
Manila - Ozamis	36	15	105	156	-	-	-	-	15	7	39	61	7	5	20	32
Manila - Surigao	65	19	31	115	-	-	-	-	23	3	5	81	9	2	8	19
Manila - Nasipit	11	3	114	128	-	-	6	6	1	2	25	28	1	-	6	7
Total : Mindanao Routes	213	182	652	1,047	24	21	79	124	61	30	116	207	24	20	45	89

despite the fact that the survey was conducted during the peak travel period, which is fairly pronounced on this route (see Table 1).

- The Abra de Ilog-Batangas RORO ferry service has the potential for serving most of the cargo and passenger demand between Luzon and Occidental Mindoro. Passenger traffic grew on this route by more than 31 percent in 1992, and such rapid growth of traffic, together with the peak period timing of the LSRS survey, probably explains why a number of interviewed passengers felt that services were not adequate to meet demand.

- The three ferry services between Mindoro ferry ports and Batangas have the potential for offering a wide range of capacity on these routes, according to the level of demand for services. Normal operations are two round-trips per day for most operators, but operators could increase the service schedule to three round-trips per day if, and whenever, required.

- Liner shipping services provided on the San Jose-Batangas and Sablayan-Batangas routes are operated to satisfactory standards, but passengers would like more frequent services. Once the Mindoro west coast road is upgraded, however, the improved access to Abra de Ilog-Batangas ferry services can be expected to reduce demand for liner shipping services, and, in fact, this may already be occurring, as passenger traffic at Sablayan dropped sharply from 1991 to 1992.

Marinduque

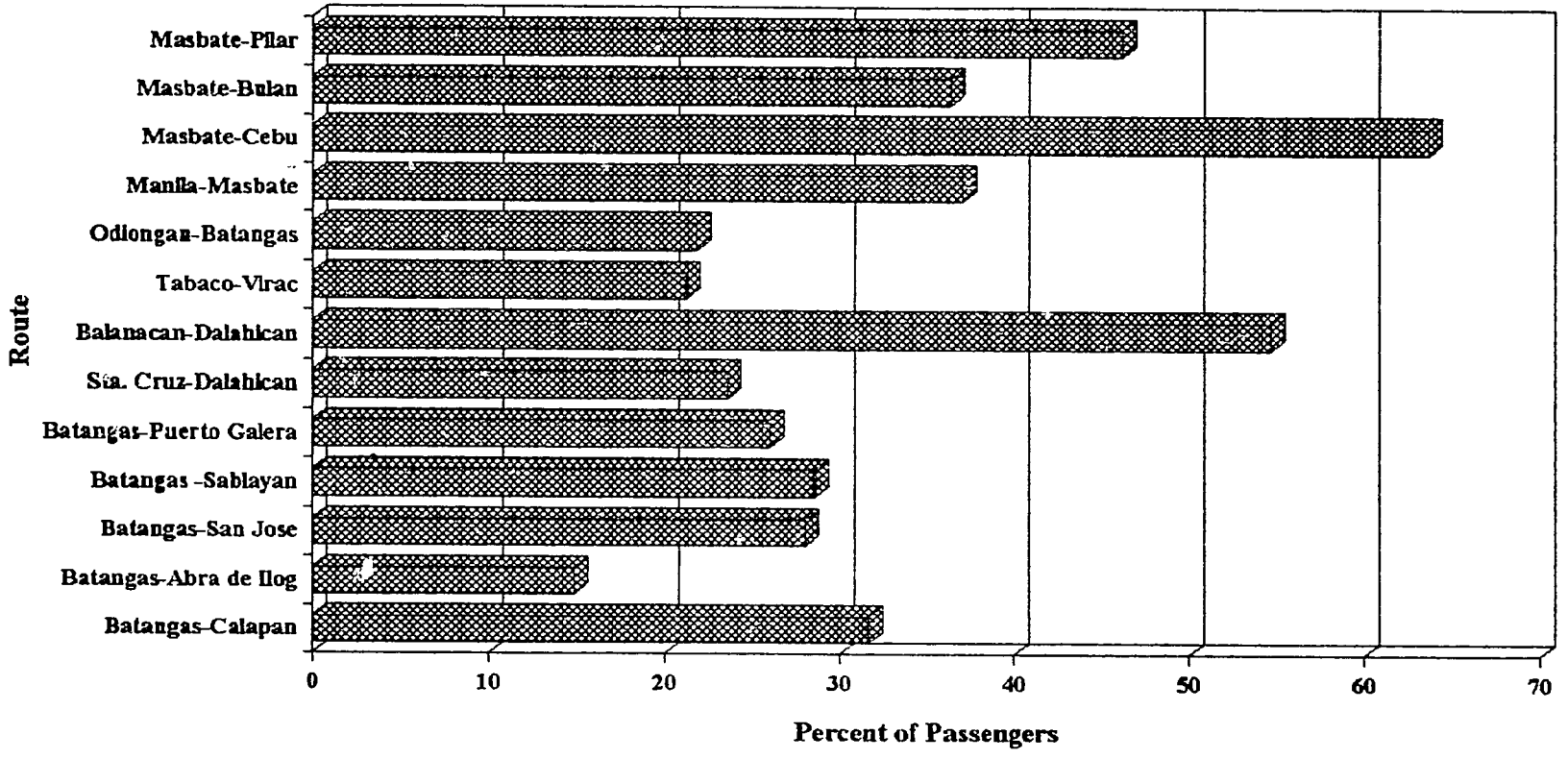
Passenger services are provided by the same RORO ferries that perform most of Marinduques's cargo services, and operate from the ports of Balanacan and Sta. Cruz to the Luzon port of Dalahican, near Lucena. Passengers interviewed on the Balanacan-Dalahican route considered services on that route to be adequate to meet demand, whereas only half of the passengers on the other route felt that demand was being satisfactorily accommodated. Figure 1 indicates that more than half of the passengers interviewed on the former route considered that services had improved over the past two years (i.e., from mid-1991 to mid-1993), and nearly one-quarter of the passengers on the Sta. Cruz-Dalahican route viewed services as having improved.

Romblon

The LSRS surveyed the Batangas-Odiongan route, and found that passengers were dissatisfied with nearly all aspects of service,

FIGURE 1

Passengers on Northern Island Routes Indicating that Passenger Services Have Improved Over Past Two Years



with the notable exception that they generally agreed that services are operated to schedule. Fully two-thirds of these mostly seasoned travellers expressed the view that services are not adequate to meet demand, and a very high 87 percent of the passenger sample were of the view that traffic congestion in the peak travel period constitutes a serious problem. Among a litany of other passenger complaints about this service, more than one-third of the LSRS survey sample rated the attitude of the vessel's crew toward passengers as unacceptable. Shippers also complained of the arrogance and surliness of the crew.

Masbate

As shown in Figure 1, passengers surveyed at Masbate generally view services as improving, with more than one-third of the passengers on each of four surveyed routes so indicating; on the Masbate-Cebu route, nearly two-thirds of the interviewed passengers considered than services had improved over the 1991-1993 period. Only the passengers on the Masbate-Pilar ferry route voiced any serious complaint about service standards - in that case, the attitude of the vessel crew toward the passengers.

Catanduanes

LSRS survey results on the Tabaco-Virac route were not very useful because of the large numbers of interviewees who did not venture any opinions on many of the survey questions. Nevertheless, more than 20 percent of the passengers surveyed considered that services had been improving over the past two years (Figure 1).

Visayan Islands

Passenger services provided to ports of the Eastern, Central and Western Visayas are largely satisfactory. Figures 2, 3, and 4 show the percentages of passengers who consider that passenger services had improved, during the past two years (mid-1991 to mid-1993), on the routes where the LSRS interviewed them. The following is generally true of passenger services provided to Visayan Island ports:

- Liner shipping and ferry operators see themselves as competing in terms of service standards, and this competition is resulting in a general raising of standards wherever two or more operators are competing on a route. In the Eastern Visayas, most liner services are facing stiff competition from the combination of road transport and ferry services.

FIGURE 2

Passengers on Eastern Visayan Routes Indicating that Passenger Services Have Improved Over Past Two Years

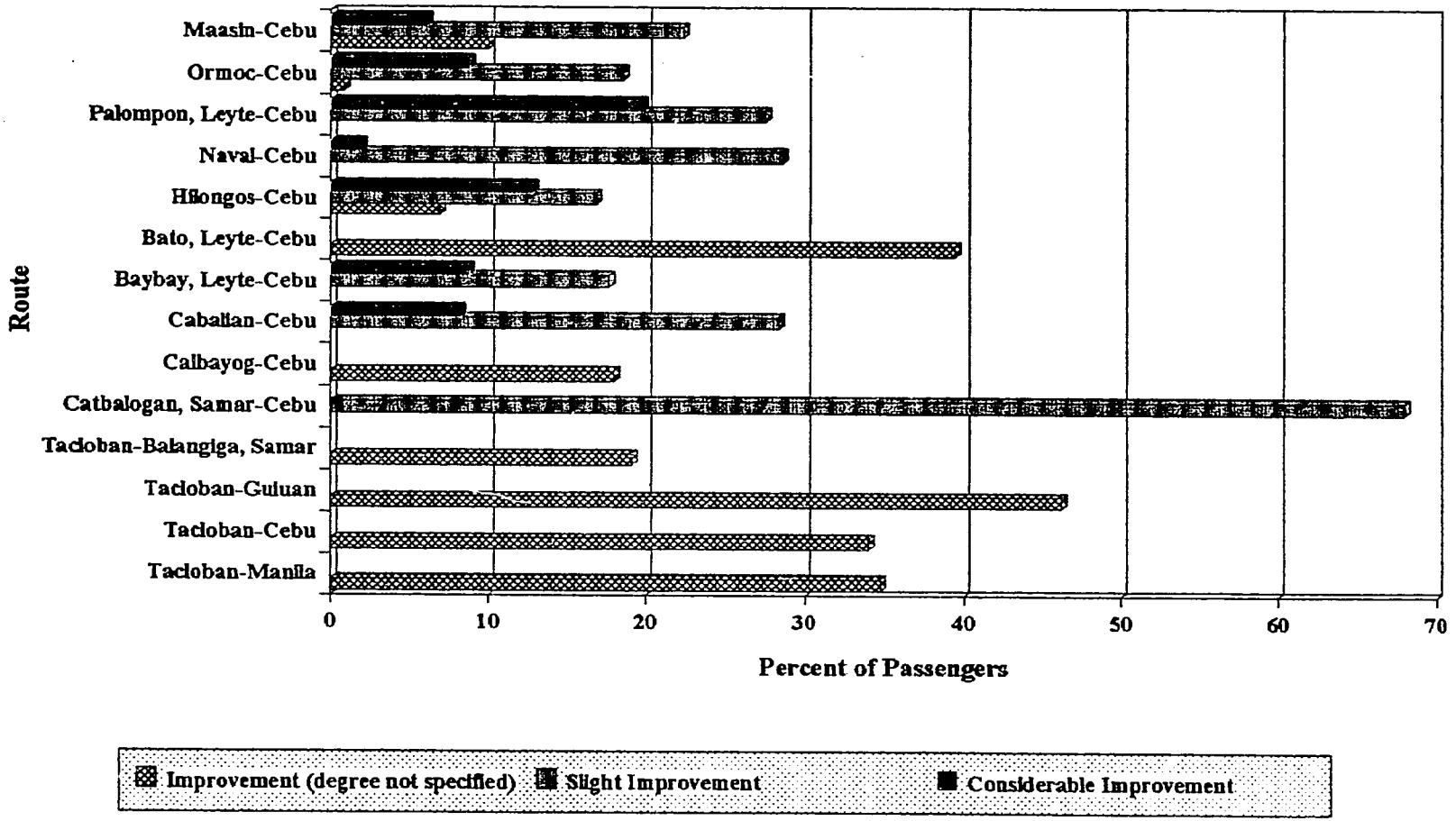


FIGURE 3

Passengers on Central Visayan Routes Indicating that Passenger Services Have Improved Over Past Two Years

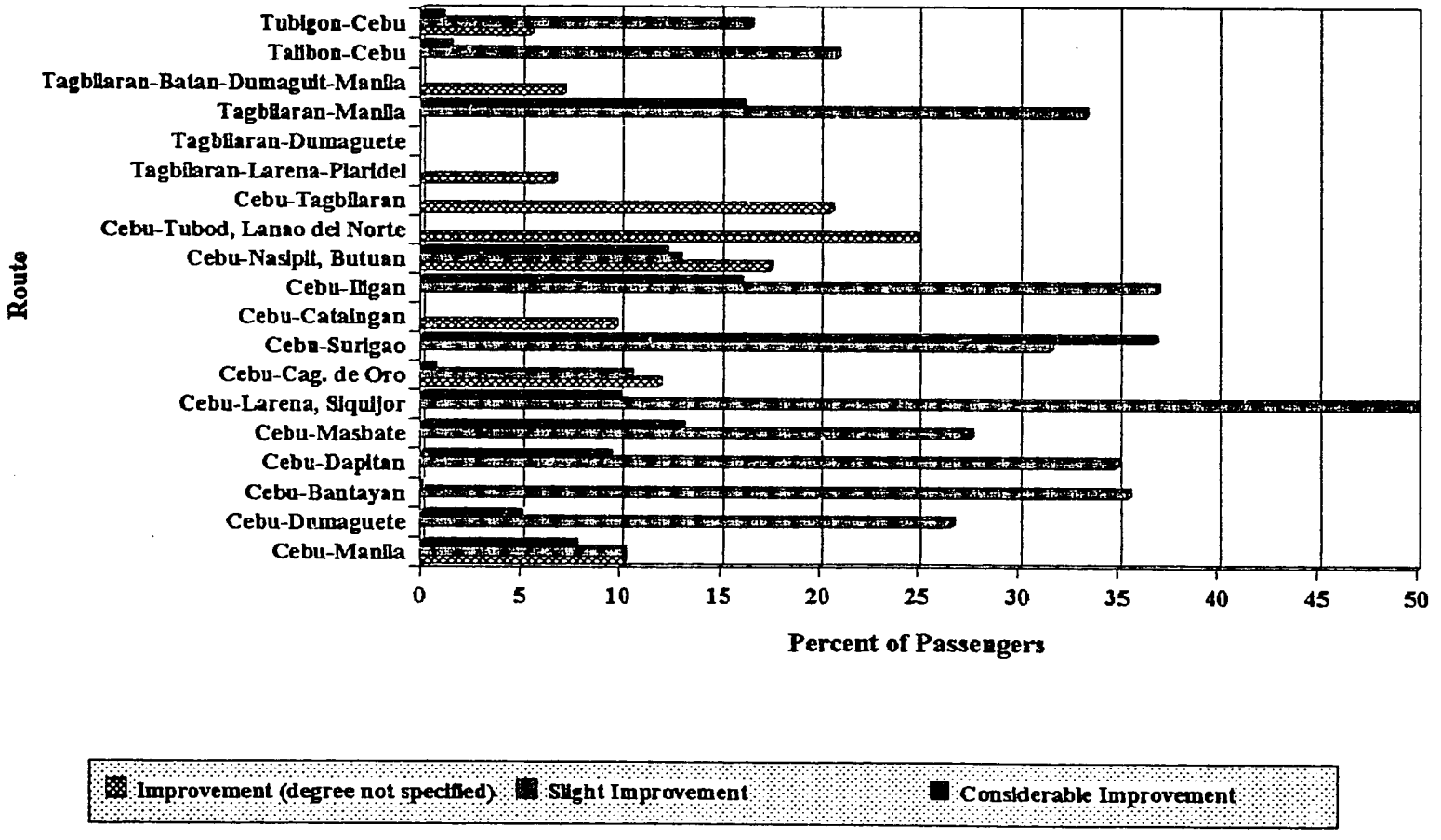
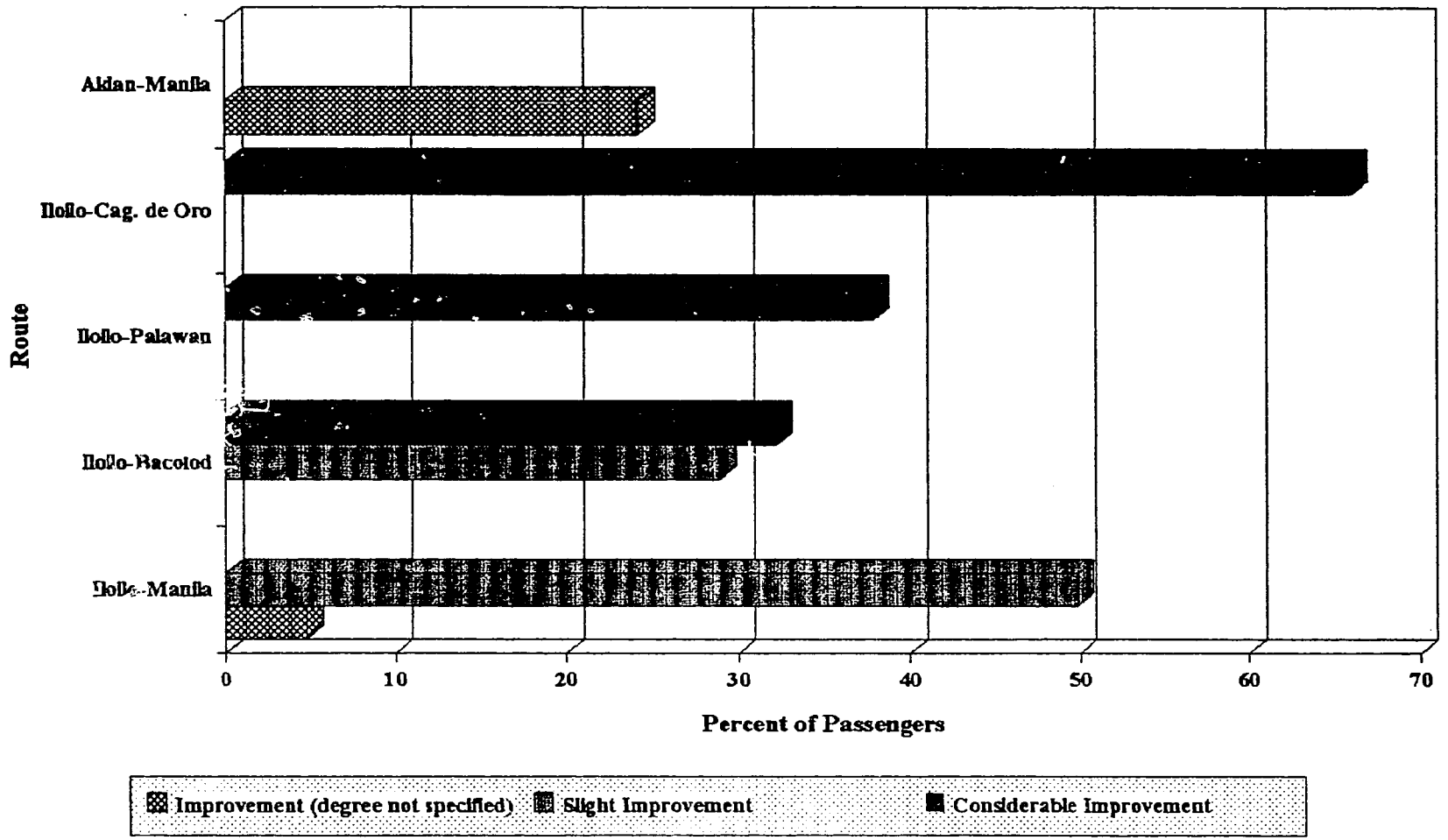


FIGURE 4

Passengers on Western Visayan Routes Indicating that Passenger Services Have Improved Over Past Two Years



- Most liner shipping and ferry vessels serving the Eastern, Central and/or Western Visayas adhere fairly closely to posted schedules, and this fact is not only appreciated by passengers, but is responsible for the generally strong preference shown by shippers and consignees to have their cargoes accommodated by passenger/cargo vessels.

The adequacy of existing passenger services on individual routes is discussed below, by principal Visayan island.

Cebu

The port of Cebu accommodates more than 4 million passengers per annum, and services to the port are largely considered by passengers to be adequate, although the port itself has not been satisfactorily developed to accommodate such volumes. The Manila-Cebu route was already well served at the time of LSRS surveys (August-October 1993) by the three largest liner shipping operators in the Philippines, and two of these operators upgraded their services on the route late in the year. Cebu passenger service connections to northern Mindanao are also adequate in terms of both capacity and standards of services being performed, on the basis of LSRS survey results on the routes connecting Cebu with the Mindanao ports of Cagayan de Oro, Iligan, Dipolog, Butuan, Surigao, and Tubod.

There is a surprisingly limited amount of passenger services offered between the principal Visayan islands of Cebu and Panay - one vessel only serving the Cebu-Iloilo route twice a week - and Cebu does not have adequate passenger service connections to the far southern and northern portions of Samar Island. Otherwise, Cebu has a variety of mostly well-operated, good-standard services to the Visayan Islands of Leyte, Bohol, Negros, and Siquijor.

There is a need to reestablish passenger (and cargo) services between Cebu and Palawan, and a direct and more frequent service connection to Camiguin is needed. The institution of fast ferry services on the Cebu-Tagbilaran-Camiguin route would complement existing services between Cebu and the other two ports, and would permit the establishment of linkages between two prime areas for tourism development - Camiguin and the island of Panglao, opposite Tagbilaran.

Bohol

The island of Bohol has a number of passenger service connections to Cebu, and these are mostly satisfactory. Except for these service connections to Cebu, Bohol has very limited passenger services. In particular, Bohol passengers have only once-a-week

service to Manila, no service connection at all to Iloilo, only occasional service to northern Panay, limited services to Mindanao, and only one service connection to Leyte (through the port of Ubay, a service the LSRS was unable to survey due to time constraints).

Panay

The Manila-Iloilo route is one of the heaviest travelled liner routes in the Philippines, and slightly exceeded the passenger volumes on the Manila-Cebu route in 1992. The LSRS surveyed five vessels serving this route and found that passengers were largely satisfied with all aspects of service. Three vessels serve the Manila-northern Panay routes, and the only vessel surveyed by the LSRS was found to be performing reliably and otherwise providing services of satisfactory standards. The only problem identified by the LSRS in regard to Manila-Panay connections for passenger services was that "scalping" occurs in Aklan Province during the peak season of travel. Whereas the normal fare for third class passage is P266, prices can rise as high as P500 when scalpers act as the "middlemen" for ticket sales.

The Iloilo-Cagayan de Oro route was dominated by a single vessel for the accommodation of passenger traffic, in 1992, but by the time of the LSRS surveys in Panay (September 1993), two other passenger/cargo vessels were also regularly serving the route. This probably accounts for the fact that two-thirds of the passengers interviewed on the route indicated that services had "considerably" improved over the past two years (see Figure 4). The LSRS did not survey the Iloilo-Zamboanga route, but an operator serving the route volunteered information that there had been "excess" passenger demand on the route before the operator added a second vessel to serve it in 1993, thereby permitting all demand to be met.

Panay's highest volume passenger route is Iloilo-Bacolod, with passenger volumes reaching nearly 1.4 million in 1992. Passengers interviewed on this route by the LSRS indicated that services were largely satisfactory in September 1993, and had improved over the past two years (Figure 4). Passenger capacity to other Visayan locations is severely limited, however, with one vessel only providing services between Iloilo and Cebu, and no liner shipping passenger services between Iloilo and Tagbilaran, Iloilo and the Eastern Visayas, and northern Panay and Cebu.

Negros

An operator serving the Manila-Dumaguete route indicates that the company would like to increase its capacity on the route and provide more frequent services for the increasing numbers of passengers, except that the port of Dumaguete is not now adequate

to serve large vessels such as those that ply the route to Manila. With the franchising of a second operator on the route connecting Dumaguete to Cebu and Dapitan/Dipolog, services to these locations were made adequate, in 1993, and good service standards were being operated.

The island of Siquijor is satisfactorily served on a route connecting it to Cebu, according to passengers interviewed by the LSRS, but the operator serving that route is not also performing well in providing services (with another vessel) on the Siquijor-Tagbilaran route.

Leyte

The island of Leyte is well-connected to Cebu by a number of ferry and liner shipping services being performed to the Leyte ports of Tacloban, Palompon, Isabel, Ormoc, Baybay, Bato, Hilongos, and Maasin. The LSRS surveyed the passenger services being provided on all of these routes, and found general satisfaction on the part of the passengers with most aspects of the services being performed.

Road transport/RORO ferry services compete with liner passenger services between Leyte and both Luzon and Mindanao, and the loss of passenger traffic to bus travel (coupled with the large imbalance of Tacloban-Manila cargo flows in two directions) may cause one of the liner operators to decide to discontinue services on the Manila-Tacloban route (as indicated by the operator in an LSRS interview). Passengers wishing to travel between Leyte and the other principal Visayan islands of Panay and Negros must travel via Cebu.

Samar

Liner shipping services between the Samar port of Catbalogan and Manila are irregular, and this shortcoming may constitute part of the reason why travellers are converting from liner shipping to bus travel. Direct services from Samar ports to Cebu are limited, but, here too, travellers to and from Samar have the travel options of using Leyte-Cebu ferry and liner shipping connections. The LSRS surveyed the Tacloban-Guiuan route and found services to be adequate to meet demand and reliably operated, but sizable proportions of the interviewed passengers had some complaints regarding various aspects of physical accommodation. Service on the Cebu-Catbalogan route was rated highly by passengers, and passengers on the Cebu-Calbayog route generally found services to be satisfactory.

Palawan Province

Whereas cargo services being provided to ports of Palawan Province are generally insufficient, Palawenos interviewed by the LSRS stressed that their major concern was their lack of mobility. The following is true:

- Cuyunos have no satisfactory travel connection to anywhere. From interviews at Cuyo, it appears that Cuyunos are mostly desirous of having a good and frequent service connection to Panay Island.

- Palawan Island has minimal interprovincial passenger service connections. Interprovincial services are to Manila and Iloilo only, and these just once a week and three times a month, respectively. There are no service connections to Cebu or to any port of Mindanao.

- Intraprovincial services are limited, and some that do exist are unsafe. The Coron-Taytay service is not franchised, and does not meet official standards for safety and passenger accommodation. Moreover, the Taytay-Puerto Princesa road transport leg, which is essential to complete travel between Busuanga Island and its provincial capital of Puerto Princesa, is dangerous (largely because passengers ride atop the small vehicles used in this service, as well as within the vehicles).

Mindanao

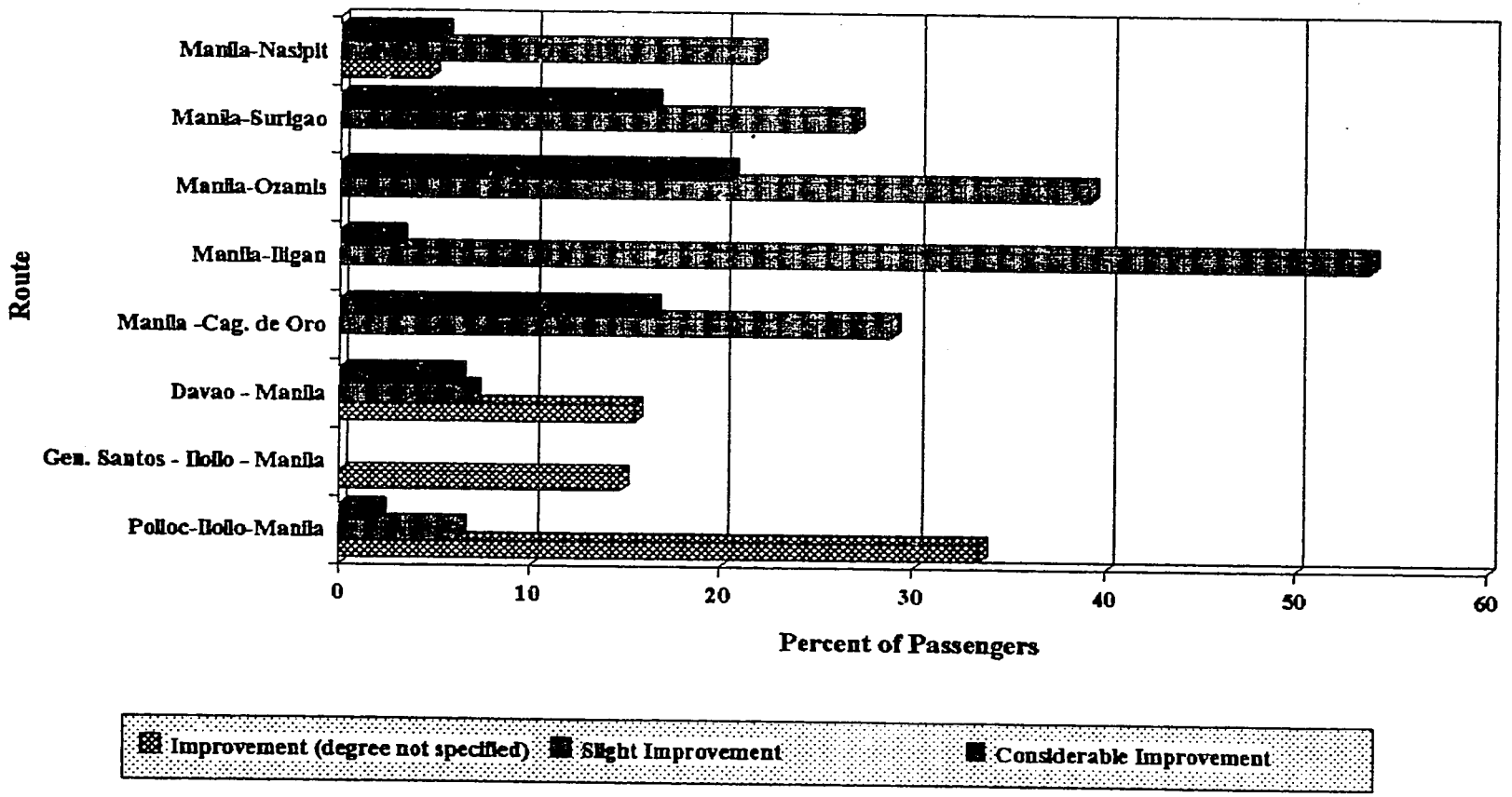
The discussion of passenger services provided to Mindanao ports is divided below into three geographic areas, viz., the Mindanao north coast, Southern Mindanao, and Zamboanga and the Sulu Archipelago.

Mindanao North Coast

In LSRS surveys of routes between Manila and Mindanao north coast ports, passengers were mostly approving of the services being provided. The surveyed routes included the connections between MNH and the Mindanao north coast ports of Surigao, Nasipit, Cagayan de Oro, Iligan and Ozamis. Especially high approval ratings were earned by the newest entrant on the Manila-Ozamis route, with 100 percent of the interviewed passengers expressing favorable views in response to several survey questions. Figure 5 indicates that approximately 60 percent of the passengers surveyed on this route considered that services had improved over the two years preceding the interviews.

FIGURE 5

Passengers on Manila - Mindanao Routes Indicating that Passenger Services Have Improved Over Past Two Years



Southern Mindanao

The LSRS principal findings in regard to liner shipping passenger services provided to ports of Southern Mindanao are:

- At Davao, passengers expressed themselves as being largely satisfied with services, noting that both operators serving the Davao-Manila route had introduced larger and better vessels on the route than those serving the route two years earlier. Passengers indicated that the operators closely adhered to schedule and showed adequate concern for safety, as well as having good space reservation procedures and boarding procedures.

- Shipping operators at Davao are not only competing with each other for passenger traffic, but the bus/ferry travel option between Manila and Davao is highly competitive with sea transport, in terms of both time and cost.

- At General Santos, passengers expressed satisfaction with several aspects of services on one vessel but were much less pleased with the quality of service of the other surveyed vessel. Passengers complained of lack of adherence to schedule, of lack of concern for safety, and of poor baggage accommodation.

- At Cotabato/Polloc, passengers were satisfied with most aspects of services being offered, but a large majority complained of the unreliability of the service.

- Despite the general adequacy of capacity for passenger accommodation at all three ports of Southern Mindanao, congestion reportedly still occurs during the peak season of travel. Table 1 shows that approximately one-quarter of annual passenger traffic at both Davao and Cotabato/Polloc is squeezed into the 2-month period of April-May in the average year, and General Santos has even slightly higher peaking of traffic, with 27 percent of annual passenger traffic normally being accommodated during April-May.

Zamboanga & Sulu Archipelago

LSRS principal findings from passenger surveys conducted at Zamboanga and Jolo are:

- Services being provided between Zamboanga and Manila are sufficient and well-operated, and passengers are mostly approving of all aspects of vessel physical accommodation.

- Passenger services between Zamboanga and ports of the Sulu Archipelago are adequate in terms of sufficiency, frequency of service, and service reliability (the exception being to the port of Siasi), but there is a range of accommodation standards from quite good to decidedly poor. Large majorities of passengers view shipping operator staff (afloat and ashore) as having satisfactory attitudes toward passengers and being efficient, regardless of any shortcomings some of the vessels are seen to have.

- Passengers traveling from Zamboanga to Cagayan de Tawi Tawi expressed themselves as being largely satisfied with services. The fare, however, is considerably higher than the MARINA-specified fork tariff for the route. As shown on Figure 6, approximately 40 percent of the passengers interviewed on this route expressed the view that services had improved over the past two years, although most characterized this improvement as "slight".

- Passengers on the Zamboanga-Pagadian coastal route were generally approving of operator afloat and ashore staff and of the operator's adherence to schedule, but otherwise considered that the services being provided were of very low standards. As shown on Figure 6, very few of the passengers interviewed on the Zamboanga-Pagadian route considered that services had improved over the past period of two years. Perhaps because coastal services are competing with road transport services, some of the coastal services are charging less than the lower limit of MARINA-specified fork tariffs for these same services.

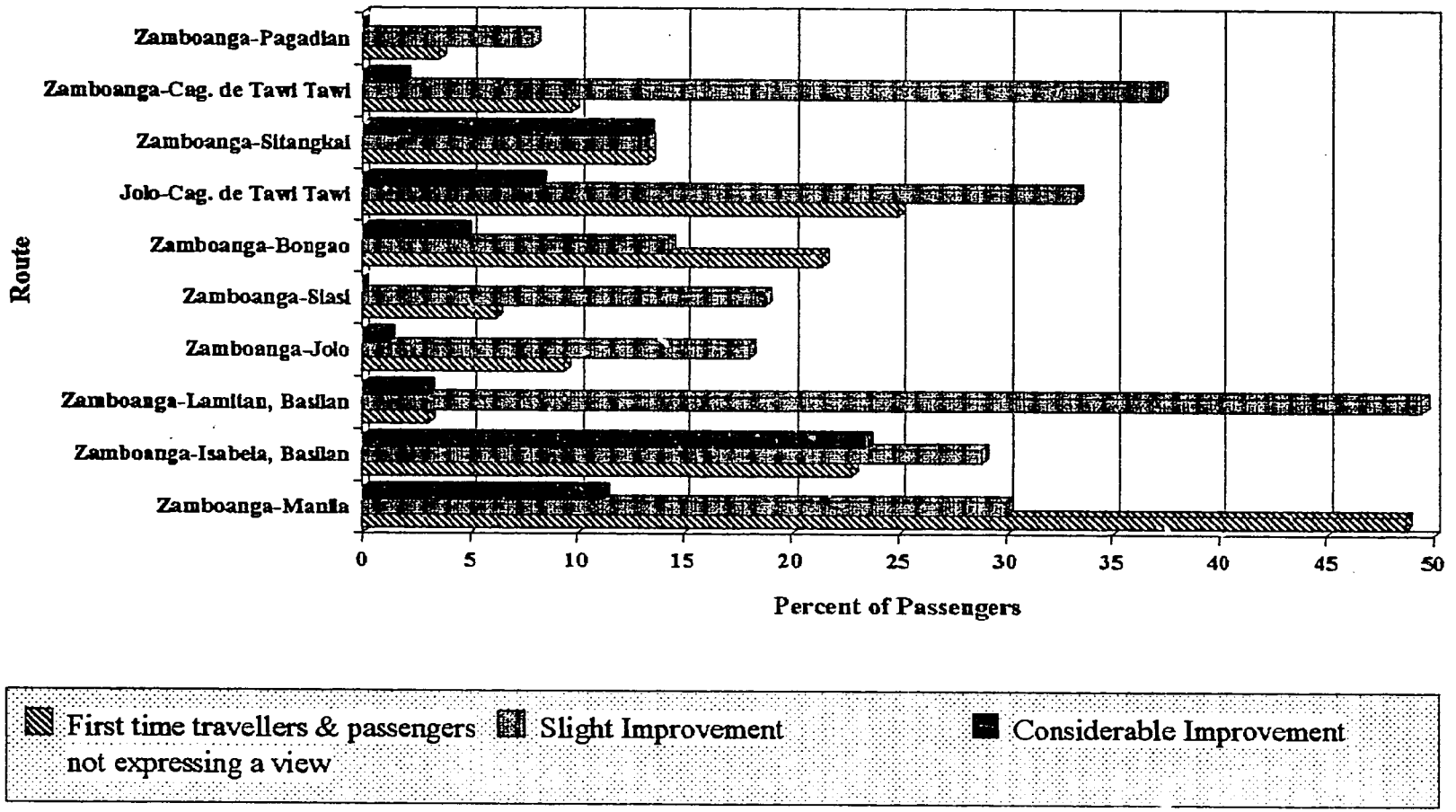
Port Development & Operation

The LSRS is a shipping study, and the study's TOR do not require that evaluations of port facilities and operations be carried out by the study. Where shipping service deficiencies were identified, however, the LSRS also attempted to identify the underlying causes of these deficiencies. To a considerable extent, the deficiencies of interisland shipping services are due to inadequacies of ports and their approaches, and to problems in the operations of ports. Vessel and truck clearance requirements at ports also constitute a continuing adverse influence on the standards and efficiency of interisland shipping services.

General findings of the LSRS in regard to port development and operations are first presented below, and the discussion is then organized geographically.

FIGURE 6

Passengers on Zamboanga & Sulu Archipelago Routes Indicating that Passenger Services Have Improved Over Past Two Years



General Findings

The LSRS identified, through interviews with shippers, shipping operators and port officials, a number of problems which are common to several, or even many, PPA ports:

- Capital and maintenance dredging activities have not kept pace with the increasing sizes of domestic vessels, and, as a result, water depths of port approaches and alongside the quays are inadequate at many ports.

- Although PPA has been making efforts to improve the quality of cargo-handling services at its ports, there are still many ports where these services leave a great deal to be desired. Inadequate cargo-handling equipment continues to be a common problem, and there are also numerous shipping operator and shipper complaints regarding untrained and inexpert cargo-handling labor. One problem appears to be the extent of cargo-handling sub-contracting which is permitted.

- Cargo-handling contractors also frequently do not work appropriate hours at ports, such as round-the-clock operations at all major ports.

- Lighting is another reason for limitations on nighttime port operations, since it is inadequate at a number of ports where operations could usefully continue throughout the night.

- Security generally ranges from poor to terrible at ports, and armed robbery even sometimes occurs within port areas.

- Congestion within ports is partly due to the willingness of PPA and shipping operators to permit long-term storage at the port, without penalties. In this same regard, PPA permits barges to occupy berths for extended periods, while undergoing glacial-speed loading/unloading, and effectively providing the shipper or consignee with free storage during the process. The Bureau of Customs contributes to this cause of congestion by retaining confiscated goods within the port areas for very long periods.

- Although vessel clearance requirements are less onerous, in 1994, than they were a few years ago, they still adversely affect the efficiency of shipping, and this is especially true at those ports where PPA does not exercise sole authority over vessel departures from ports.

- RORO berths, which are highly desirable facilities at many ports, are generally unavailable and their availability is long overdue.

- Avoidance of port cargo-handling problems is one of the chief potential advantages of RORO ferry services, but arrastre service charges are imposed at some RORO ferry locations even though no significant services are required or performed.

- Continuing needs for trucks to obtain "clearances" to move from one island to another is yet another restraint to development of potentially desirable RORO ferry services.

- Preferential treatment given to individual shipping operators or groups of operators at some ports reduces the potential of those ports to satisfactorily accommodate other vessels. PPA also permits ship repair activities to occupy commercial shipping berths at some ports.

- Serious congestion is occurring at some major ports, and there is a general need to accelerate PPA's port planning and development efforts.

- Passenger movements are not well channeled at many ports, leading to interference with cargo-handling activities, and risk to embarking and disembarking passengers.

Northern Islands

There is both land-side and sea-side congestion at Batangas Port, and implementation of the planned Batangas Port development project is therefore urgently required, even if just for the adequate accommodation of existing service traffic growth. There are many new services, also, which should be franchised as soon as the port is made adequate for their accommodation. Provided only that Batangas Port is made adequate for the accommodation of new services, a very large diversion of both cargo and passengers from MNH to Batangas is likely to occur. By diverting to Batangas, most passengers will be shortening the length of their sea voyages by about six hours. Total travel time reduction (sea and road travel) will range between 4 and 8 hours, depending on where passenger ultimate trip origins and destinations are. The LSRS anticipates that a minimum of one-half of MNH passengers will divert to services calling at Batangas as soon as this becomes possible. During the typhoon season, nearly all MNH passengers may prefer passing through Batangas, in order to avoid six additional hours of sailing on possibly rough seas.

Problems that need to be addressed at other northern island ports or in regard to port access are:

- Odiongan Port requires some dredging, if heavy trucks are to be satisfactorily accommodated aboard RORO vessels at that port.

- Where Mindoro ports are concerned, infrastructure and access problems are causing some difficulties for both ferry operators and users of ferry services. Specifically: the land-side access at Calapan is poor; the RORO ramp at Abra de Ilog requires rebuilding; and upgrading of the San Jose-Mamburao-Abra de Ilog road is needed, to provide good access for the entire province of Occidental Mindoro to the Batangas-Abra de Ilog ferry service (even with current poor, unpaved road condition, the ferry service attracts passengers from all of the province, including its southern extremity).

- There is a lack of a suitable RORO ferry terminal on the southeast coast of Mindoro, to establish Tablas-Mindoro RORO ferry operations.

- Although a port upgrading project was implemented at Masbate in 1993, the project did not include construction of a RORO berth. Even without such a berth at either Masbate Port or the Sorsogon port of Bulan, however, RORO ferry services between the two ports were initiated in 1994. The RORO services were inaugurated too late for the LSRS to review and evaluate them, but Masbate should benefit from the institution of such services just as Mindoro has benefited. This type of service might be especially valuable for Masbate, since fish constitute the most important of the island's trading commodities, and RORO services should permit reliable and fast delivery of Masbate fish to Luzon markets and to Manila transport terminals for export.

- Legaspi Port has limited berthing space, a lack of storage area, and water depth constraints, and shippers maintain that these problems of the port are causing long waiting times at anchorage for cargo vessels and slow cargo handling.

- Shippers using Tabaco-Virac ferry services complain about the arrastre contractors at both ports. Especially at Tabaco, according to shippers, pilferage has become rampant.

Visayan Islands

The most important cause of shipping service inadequacies in the Visayan Islands is the inadequacy of Visayan seaports, including especially the largest and most important ports, Cebu and Iloilo. The ports of Cebu and Iloilo should be adequate to accommodate both international and domestic shipping, but they are not adequate to accommodate either. Common problems of Visayan ports are inadequate water depths, facilities, and lighting, lack of storage areas, security problems, passenger traffic interference with cargo handling operations, and insufficient cargo-handling equipment in working order. These problems are discussed, by principal island, in the following paragraphs.

Cebu

The port itself is the principal problem for domestic shipping services being provided to the port of Cebu. The trend toward deployment of larger vessels in domestic shipping has resulted in the domestic port at Cebu becoming wholly inadequate for the accommodation of many domestic vessels, and has necessitated their accommodation at the Cebu international port terminal. Because many of the domestic vessels are passenger/cargo vessels, and are accommodating large numbers of passengers, they are given docking priority at the international terminal, and this situation tends to discourage calls by international shipping. Domestic vessels that are required to dock at the domestic port may need to lie at anchor for periods of several hours, to enable them to enter the port at high tide.

Both the domestic and international port facilities at Cebu are said by cargo-handlers and others to have inadequate back-up areas, thereby hindering the efficiency of cargo handling operations; shippers tell of potholes sufficient in size to knock cargo off trucks; and the domestic port area is lacking the lighting essential for efficient nighttime operations. Cargo-handlers indicate that there is a need for separation of cargo-handling from passengers embarking and disembarking at the port, because the large numbers of passengers interfere considerably with cargo handling. In regard to passenger accommodation, PPA at Cebu indicated to the LSRS that a passenger terminal is badly needed at the port, but might desirably be constructed outside of the port itself, to preclude vendors, make-shift booking offices, and send-off and meeting parties from invading the port area.

Problems at the port of Cebu are by no means limited to the inadequacy of infrastructure, and a number of shippers informed the LSRS that thievery is rampant at the port, including the presence even of armed gangs.

Congested conditions at the port are made worse by ship repair and conversion activities that can extend even to the commercial wharf, but mainly constitute a continuous interference along the port's entrance channel.

Besides the inadequacies of the port of Cebu, Cebu interisland cargo movements are hindered by the lack of high-capacity RORO ferry service between the island and its neighbor to the west, the island of Negros. Such a service might be initiated at the ferry port of Toledo, since the Negros ferry terminus, the port of San Carlos, is already largely developed for the satisfactory accommodation of RORO ferry vessels.

Panay

In 1993, the PPA was implementing a port upgrading project at the Antique port of San Jose de Buenavista (San Jose), but Panay's principal port of Iloilo badly requires upgrading, and the ports along the northern coast have shallow water depths and are otherwise severely limited.

At Iloilo, neither the domestic pier nor the international pier have sufficient length for current traffic, and capacity limitations place a restraint on expanding services at Iloilo. Negros Navigation, which is homeported at Iloilo, indicated to the LSRS that the company would like to initiate new services on new routes out of Iloilo, employing new vessels, but is constrained from doing so because the port requires expansion and improvement, to enable it to effectively accommodate any additional vessels. Besides the length limitation of the domestic quay, it has no RORO berth, and such berths are needed to improve the efficiency of both port and vessel operations. (PPA and other interviewees indicated to the LSRS that there are plans for extending the quay length at both the domestic and international piers, and otherwise improving the domestic and international port areas at Iloilo, with financing from the World Bank. The LSRS was unable to learn the project implementation schedule, however.)

The north coast ports of Dumaguit, Batan, New Washington, and Culasi are all ports of relatively shallow water depths, and have limited port infrastructure. Shippers and government officials in the provinces of Aklan and Capiz consider that these port limitations constitute the primary reason why the provinces are provided with only a few liner shipping services, principally connections to Manila, with low service frequencies and significant degrees of unreliability. Provincial officials consider that shipping service limitations, in turn, are restraining the provinces from achieving the more rapid economic growth which would otherwise be possible.

Negros

As in the case of Panay, the Negros Island problems of shipping service inadequacies are due mainly to the inadequacies of ports. In the case of Negros-Panay ferry services, neither island has a suitable facility for the accommodation of RORO ferries, so that RORO services cannot currently be operated between these two neighboring islands. Where liner shipping services are concerned, the Negros Island ports are mostly inadequate for effective and efficient accommodation of cargo traffic.

At Dumaguete Port, facilities may be more-or-less satisfactory to accommodate the size of vessels that serve Visayan routes and a connection to Dapitan, but they are not satisfactory for the William Lines and Sulpicio vessels which are providing longer-distance services, including the connections to Manila and Cagayan de Oro. Shallow water depth at the port and infrastructure limitations, including inadequate pier length and lack of storage area, make it difficult or even impossible to appropriately and effectively accommodate the larger vessels at the port. Because of limited storage area at the port, the shippers and shipping operators have agreed on a modus operandus of "just-in-time" delivery of cargoes to the port. Shipping lines indicate that, in addition to problems of port water depth, land area, and infrastructure limitations, the arrastre contractor is inadequately equipped and slow, and prolonged cargo loading/unloading activities sometimes result in a day's delay in vessel sailing. Another serious problem at the port is the invasion of the port area by vendors, which apparently cannot be controlled by the PPA.

Cargo is accommodated at Bacolod by Negros Navigation at Banago Wharf, the only facility at Bacolod that is suitable for the accommodation of large liner vessels. Aboitiz Shipping accommodates some cargo at Bacolod by ferrying it by barge to Iloilo, where it can be loaded on board the company's interisland liner vessels. Otherwise, cargoes of Negros Occidental are accommodated mainly at the port of Pulupandan, to the south of Bacolod. At both ports, there are severe water depth limitations, and at Pulupandan there is a problem of strong current. PPA has dredged Pulupandan, to increase water depth alongside the quay to 4.5-5.5 meters. Nevertheless, the long-distance liner vessels calling at the port cannot dock at low tide. The liner operators providing Pulupandan with a connection to Manila consider that there is no purpose in planning to initiate additional services there unless a major improvement would be implemented to enable vessels to dock alongside a quay in deeper water.

Leyte

Tacloban Port has a long (32-kilometer) approach channel from the north that is shallow and not currently navigable at nighttime, due to lack of suitable navigational aids; even in the daytime,

pilots are required to assist navigation for the full length of the channel, and some vessels require the assistance also of tugs. The port itself has inadequate facilities, and lighting is not satisfactory for nighttime operations. PPA personnel are reportedly absent from the port for up to 14 hours a day, and vessels cannot dock or depart the port while PPA personnel are absent. The port's limited period of operations per day makes calling at the port inefficient for the majority of vessels. Shippers at Tacloban are also unhappy with expensive arrastre services, with charges that are sometimes three times the charges for similar services at Cebu Port. According to the shippers, the services are not only high-priced, but also poorly performed. Shippers and consignees at Tacloban sometimes provide their own labor for cargo-handling at the port, despite still needing to pay the arrastre charges.

Samar

Although Catbalogan is the principal liner shipping port of Samar, the port was, reportedly, never formally turned over to the PPA, bacause PPA had found the port's pier to be substandard in construction and structurally weak. The port, in 1993 (at the time of LSRS investigation), had no capability to handle 20-ft. containers, so shippers wishing to use anything larger than a 10-ft. container had to have their cargoes trucked to Manila or Tacloban. Shippers indicated that PPA exercised no effective control over entrance to the port area, and that, as a result, pilferage was rampant.

The port of Guiuan requires some dredging and other improvement, in order to induce either of the services shippers in southeastern Samar are seeking, i.e., RORO ferry service connecting to Tacloban and/or a direct liner shipping connection to Cebu.

Mindanao

The ports of the Mindanao north coast, Southern Mindanao, and Zamboanga and the Sulu Archipelago are discussed in the following paragraphs.

Mindanao North Coast

Although no serious problem of congestion yet exists at Cagayan de Oro, all four of the operators interviewed by the LSRS indicated that congestion is beginning to be felt, and could rapidly worsen as traffic continues to grow. In addition to extending the pier, the port needs concreted flooring for its container stacking areas, an expanded passenger terminal, and improved shore-based cargo-handling capability. Both shipping

operators and shippers, however, consider that the competitive cargo-handling services at the port are mostly satisfactory.

The port of Iligan is open to the sea, and the sharp slope of the seabed away from the shore would make the cost of constructing a breakwater for the port at its current location prohibitive. Iligan shippers are shifting to greater use of Cagayan de Oro Port, in any case, and it is possible that that port could be made largely satisfactory for serving the Iligan area.

Southern Mindanao

The port of Davao needs to be served by domestic liner operators offering the reefer box capacity that is essential to the accommodation of fresh or frozen fish and meats, as well as some of the fruits and vegetables available for shipment at Davao. One constraint to the provision of reefer capacity has been the lack of reefer plugs at PPA's Sasa Wharf at Davao. Improvement of Sasa Wharf was underway, during 1993-1994, and PPA amended the project to include the provision of reefer plugs (by letter of 29 November, 1993, to the PSTC Project Director, PPA indicated that 10 reefer plugs had already been installed at Sasa Wharf).

Port facilities at Davao are unsatisfactory for passengers, as there is no sheltered waiting area. PPA has indicated, however, that a satisfactory site for a passenger terminal has been identified, and that actual construction of the terminal was scheduled to get underway during 1994.

Zamboanga & Sulu Archipelago

LSRS findings in regard to the ports of Zamboanga and the Sulu Archipelago are:

- Wooden-hulled coastal vessels arrive at Zamboanga early in the morning, mainly on Mondays, Wednesdays and Fridays, and are permitted to remain at berth throughout the day, for departure in the evening. The fact that they are permitted to stay at berth for all of that period causes congestion at the port, and docking difficulties for the interisland, mainly steel-hulled, vessels. There are other wooden-hulled vessels that remain docked for even weeks at a time. The operators of the steel-hulled interisland vessels have repeatedly lodged complains with the PPA, but, as of November 1993, to no avail.

- The interisland operators request that only PPA clearance be required for vessel departure from ports. Although an Executive Order to this effect was issued in December

1991, the PCG continues to assume authority for giving port departure clearance, using the checking of Safety of Life at Sea (SOLAS) certificates as an excuse for assuming this function. The LSRS was apprised of an instance when a vessel was given chase for failing to obtain PCG clearance to depart a port, and was required to return. (In this connection, the LSRS notes that SOLAS is not intended to apply to vessels of under 500 GRT, which means that it is not applicable to most of the vessels serving the ports of Basilan and the island groups of the Sulu Archipelago.)

- Although neither shippers nor shipping operators had any specific complaints (that they shared with the LSRS) regarding port cargo handling services at ports of the Sulu Archipelago, operators did note that cargo handling services are discontinued at these ports after 1700 hours, and indicated that the institution of roll-on roll-off (RORO) services might be desirable, to relieve the operators from having to rely on cargo-handlers, and to minimize the damage to cargo. They would, therefore, be inclined to acquire RORO vessels, provided only that appropriate berths for such vessels were available at ports.

3. RECOMMENDATIONS

Overview

To better ensure that interisland shipping services are everywhere adequate for both cargo and passenger interisland movements, three broad approaches are necessary:

- **A monitoring system must be established.** Problems cannot be corrected if they are not recognized. The LSRS has developed and is recommending DOSSMONS, a description of which is included in this report as Annex B. DOSSMONS is more than a monitoring system to identify problems, however, and also includes mechanisms which can lead to correction of the problems, and which extend to closely monitoring the necessary actions for problem correction. When fully developed, the monitoring aspects of DOSSMONS will be comparable to the continuous conduct of an LSRS, only much more thorough.

- **MARINA and the shipping industry must take actions to improve and expand shipping services.** Much of the groundwork for this joint effort has been laid, through MARINA's policy statements and enunciated objectives in regard to domestic shipping, and through the efforts that the shipping industry has been making, over the past few years, to upgrade liner shipping and ferry services.

- **Port system development must proceed, and actions are required to improve the operation and security of ports.** As with shipping services, much of the groundwork for improving port system operations has been laid by the PPA, including programs to develop port infrastructure, decentralize management, and upgrade cargo handling services.

DOSSMONS is not further discussed in this chapter, since Annex B represents a complete presentation of the recommended system. DOSSMONS does not extend to the working of the Shipping and Ports Advisory Council (SPAC), which includes MARINA, the PPA, SHIPPERCON, the PCG, and representatives of the private sector as members, and is chaired by an undersecretary of the DOTC. Deliberations of the SPAC are desirable on a number of issues, as identified later in this chapter. The remainder of this chapter is divided into discussions of the improvement and expansion of interisland shipping services and the development and operational improvement of the PPA port system.

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Improvement & Expansion of Interisland Shipping Services

General recommendations for the improvement of interisland shipping services are first presented below, and the discussion is then organized by geographic area.

General & Institutional Recommendations

The LSRS has identified several general or institutional actions that need to be taken by MARINA or by the shipping industry for the improvement of shipping services:

- Action plans must be developed for expanding RORO ferry services and for improving the availability of all desirable types and sizes of containers <u>in serviceable condition</u>. (The development of these two action plans is discussed in some detail below.)

- MARINA should become proactive where the unavailability of desirable services is concerned, and publicly invite operators and investors to apply to provide such services. Until now, MARINA has merely waited for applications for route franchises to be submitted, but this approach has resulted in there being a large number of underserved routes, including many routes with no franchised services (although a number of these have more-or-less regular motorized banca services). Also, some routes that are served adequately in most regards may nevertheless require the initiation of services with specialized capacity, as, for example, fast ferries, reefer vessels, and livestock carriers. MARINA should also be aware, in regard to inviting new services, that once-a-week service does not constitute service adequacy, <u>regardless of the comparison of total available capacity to total cargo and passengers to be accommodated</u>. In the cases of several routes, the vessel employed in once-a-week or three-times-a-month service is large enough to accommodate all demand with those service schedules, whereas more frequent service with smaller vessels would better serve the route. (The extreme contrast may also be undesirable, however, i.e., frequent services with small vessels, such as motor bancas, would not usually serve a route better than less frequent services employing larger, safer, and more reliable vessels.)

- All ferry route franchises should have schedule flexibility incorporated within them to permit operators

to respond quickly to changes in the level of demand. The majority of ferries in the Philippines operate to schedules which do not fully utilize the vessels, and expansion of services by 50 to 100 percent by extending the length of the operating day and by operating every day of the week can normally be done. By 1994, the only serious problem of most interisland passenger services is the pronounced peaking of demand which occurs on many routes during April-June (or just two of those three months) and during December. On most ferry routes, the required capacity to accommodate peak travel demand more-or-less satisfactorily is already present on the route, provided only that "seasonal operating schedules" are instituted.

- For the longer shipping routes, where there is less latitude for adjusting service schedule frequency to meet demand, the institution of "seasonal pricing" might be effective in moderating the peaking of demand, and the LSRS recommends that a seasonal rates pilot project be implemented in 1995 to test this possibility. The routes between Manila and the ports of Southern Mindanao would be appropriate for the pilot project, and a shorter route, such as Cebu-Nasipit, might also desirably be tested.

- The effects of reclassification of grains as Class C commodities (for the purpose of liner shipping cargo rates) on the availability of liner shipping capacity for the accommodation of grains should be monitored and analyzed. The effort is necessary in order to ascertain whether, even with reclassification, there will be some grain accommodation demand that liner operators will not care to meet because rates are not yet high enough to make accommodation profitable.

- Operations of cargo liner vessels, including containerships, are unsatisfactory, because of the unwillingness and/or inability of operators to operate to schedule. Shippers, almost universally, prefer passenger/cargo vessels because of their better adherence to schedule. The LSRS recommends that MARINA make the effort to obtain PPA information on vessel arrivals and departures at ports, analyze the extent of schedule variation of individual cargo vessels, and warn the liner shipping industry and individual operators that schedule adherence <u>will be taken into account</u> when franchise renewals are up for consideration. On the other hand, the process for amending schedules should be made easy, with the critical consideration being that schedule changes must always be conspicuously posted at least 2 or 3 days in advance of sailing (i.e., shippers must be

given sufficient time to decide not to ship by a vessel if its sailing schedule is being changed).

- Franchise application evaluation considerations and techniques should be set forth in a MARINA manual on "Design and Applications of the Philippine Domestic Shipping Database" (DSD Manual), and made available to the shipping industry. The DSD Manual should indicate just how service inadequacies are to be taken into account in the evaluation process, including the inadequacies of services on the route being applied for, and any inadequacies of applicant services being performed on other routes. Applicants should also be aware that MARINA would be inclined to franchise more than only the services they propose to provide, if their proposal would not provide all of the types of capacity needed and/or would not provide a sufficient frequency of service. Operators (and MARINA staff) should know how evaluation elements are to be defined and weighted, e.g., the importance to be given to failure to submit thorough and accurate annual reports, failure to provide standard 20-foot containers in good condition, and the occurrence of cargo losses on board vessels.

RORO Ferry Service Action Plan

The LSRS is recommending that MARINA and PPA work to develop, during 1994-1995, an action plan for the institution of RORO ferry services wherever such services would offer significant advantages in comparison with continued reliance on services employing conventional vessels. The groundwork for such an action plan has been laid by the conduct of the National Roll-on Roll-off Transport System Development Study (NRTSDS), during 1990-1992, and by the subsequent LSRS efforts to identify desirable locations for initiating such services. The two studies concur that the principal islands of the Central and Western Visayas should be connected by high-capacity, high-standard RORO ferry services, and there are a number of other locations where near-term institution of services is very desirable.

PPA has indicated, however, that they are not inclined to provide RORO berths at ports unless they can be assured that, once provided, the berths will be well utilized. Accordingly, the LSRS recommends that MARINA develop a procedure for analyzing both the potential benefits of instituting RORO services and the implementation environment of the individual RORO service possibility. MARINA would, then, be able to come to the MARINA/PPA working meetings (to be established as part of DOSSMONS) with sufficient and satisfactory evidence that proposed RORO berths would (or would not) be utilized in a manner and degree to make provision of the berths worthwhile.

The procedure might usefully include the following:

- Identification of the extent to which breakbulk cargoes are moved between the points proposed to be served.

- Quantification of the extent to which breakbulk cargo consignments suffer: (i) shut-outs; (ii) delays at ports awaiting loading/unloading; (iii) theft, spoilage and spillage at ports, and damage due to rough handling; and (iv) charges for cargo-handling services.

- Identification of the options for improving services for breakbulk cargoes, including any realistic possibility for transforming them into containerized cargo, as well as improving at least the worst elements of the current system, and the alternative of instituting RORO services.

- Consideration, also, of the potential benefits to passengers of initiation of RORO services, taking into account vehicle ownership, the adequacy of the existing sea/road transport interfacing, and the distances travelled after making the crossing by sea.

- Conduct of a financial evaluation of the proposed services using DOSOCOMO.

- Discussion of the proposed services with shippers, freight forwarders or agents, and with shipping operators and road transporters (i.e., truckers), to assess the responsiveness of the market to the initiation of RORO services, and the inclination of transporters to provide coordinated RORO shipping and trucking services.

- Discussion with the port owner/operators and the local governments involved to ensure that the environment would be conducive to maximizing the benefits of RORO operations, including especially the avoidance of unnecessary cargo-handling "services" and charges, and any interference with the operations and use of the services to be provided.

If PPA is to be requested to provide RORO ferry berths at any of its ports, then MARINA should provide advance assurance that:

- RORO services are the best means of ensuring that cargoes are adequately accommodated on the route in question, and the economics justify the expenditure from the standpoint of optimizing public sector investment.

- The proposed services appear financially viable, and shipping operators have evinced definite and continuing interest in initiating services once the necessary berths

are provided.

- Shippers, forwarders, agents, and truckers have indicated definite intentions to utilize RORO services once they have been initiated.

- Concerned local governments have indicated that they are in favor of the initiation of such services, and will ensure that the operations will not be interfered with by any organization or personnel under the control of the respective governments, nor by any "favored" private sector organization.

In return, PPA should provide assurance that any and all port and cargo-handling contractor charges imposed on RORO ferry operators and on users of RORO ferry services will be rational.

Action Plan for Improvement of Container Availability

As indicated in this report's findings, there is an almost total absence of ventilated containers in the Philippines, which constitutes a serious problem for most shippers of fruits and vegetables, and there are insufficient numbers of other types and sizes of containers in serviceable condition. MARINA has deregulated cargo rates on goods shipped in reefer and ventilated containers, and PPA has indicated a willingness to provide reefer plugs at whichever of their ports such plugs would be useful, as PPA actually did do at Davao in 1993. It may nevertheless be necessary for MARINA, PPA and shippers to take additional actions to ensure that shipping operators provide sufficient containers of all types:

- **As a group, shipping operators derive very little incremental benefit from providing containers.** The fact that containers are provided at all in interisland shipping is an indication of the competitiveness of the liner shipping industry, with individual operators trying to protect their market shares, by "matching" the competition. The same fork tariffs apply to containerized and breakbulk cargoes. Because the fork, in 1993-1994, is fairly wide (with the upper limits for each cargo class, between any pair of ports, being 29 percent higher than the lower limit), it may be that negotiated rates for containerized cargo are significantly above the agreed rates for breakbulk cargo, although the LSRS has not obtained any information to demonstrate that this is, in fact, the case. **The adoption of cost-based freight-all-kinds (f.a.k.) rates for containerized cargo, would permit operators to derive profits from the accommodation of all types of cargo. Accordingly, the adoption of**

f.a.k. rates for containerized cargo should be given consideration by MARINA, as part of an action plan for improving the very unsatisfactory container situation which existed in interisland shipping throughout 1993-1994.

- Shipping operators and shippers widely agree that the principal reason for the generally poor condition of containers is the inexpert and careless handling of containers in many ports. Whereas PPA has taken a number of steps to improve container handling at ports, it is not yet clear that the critical step of actually enforcing performance clauses in cargo-handling contracts has yet been taken (this is discussed later in the port operations recommendations of this report). Operators would certainly be more inclined to invest in new containers if they were confident that new acquisitions would not suffer the same fate as the large numbers of damaged containers in their respective inventories.

- Lack of shipping operator knowledge of future requirements of shippers for cargo movement in containers, and particularly in specialized containers (i.e., reefer, ventilated and livestock containers), is also a factor in restraining operators from investing. Accordingly, shipper organizations need to make an effort, as part of the action plan under discussion, to identify for the liner industry what their anticipated needs for reefer, ventilated, and livestock van accommodated will be in the short-to-medium term.

- Overbooking of containers by shippers tends to reduce returns on operator containers, and operators compensate for this to an extent by themselves overbooking. As part of the action plan, both shipper and shipping associations should make the effort to discourage their respective memberships from such practices. Also, the shipping industry should adopt a "cut-off time", after which any booked, but as yet unfilled, containers will become available to other shippers. CISO members might, for example, adopt a policy to reserve containers for any voyage only until 24 hours before sailing, after which any still-empty containers would be allocated to "wait-listed" shippers on a first-come-first-served basis. Such a change could not only help to ensure adequate operator returns on container investments, but would also be a boon to small shippers, many of whom experience cargo consignment shut-outs that would be unnecessary, if only operators knew for certain just how many of their "booked" containers would actually be filled.

- Slow removal of cargoes from containers by consignees

acts to reduce container utilization rates, and therefore lowers the returns that operators can realize on investments in containers. Accordingly, the liner industry needs to institute a system of penalties for late removal of cargoes. Some railways charge demurrage when there are delays in unloading their freight wagons, and the adoption of a similar approach by the liner shipping industry could help to improve returns on operator investments in containers.

- Reefer vans might only be expected to proliferate in interisland shipping if an arrangement is made to "spread the risk". The agreement on an arrangement will need to be between operator and shipper groups, but MARINA and SHIPPERCON could assist in reaching such an agreement by identifying and analyzing the risk-sharing options, and the nature and levels of risks involved, and then by orchestrating the process of reaching agreement.

- Shipper cargo overvaluation tends to increase shipping operator risk where all types of containers are concerned, and shipper weight underdeclaration tends to limit operator revenues and returns on investment. As part of an action plan to induce shipping operators to acquire large numbers of new containers, the shipper organizations might offer as a quid pro quo the assurance of policing their members, or at least remonstrating with them, to reduce instances of shipper malpractices.

- Improper packaging of cargoes by shippers sometimes results in corrosive effects on containers, thereby reducing their useful lives. Accordingly, attention to the improvement of cargo packaging might desirably be yet another element in the plan to bring about a sufficiency of appropriate, serviceable containers in interisland shipping.

Northern Islands

LSRS recommendations for improving ferry and liner shipping services of the Northern Islands are presented below, by island. Recommendations for corresponding port and port access improvements are made later in this chapter.

Luzon

The LSRS anticipates that there is going to be substantial interest in establishing new liner shipping links to the port of Batangas as soon as this becomes possible. The study recommends

the following in regard to selecting operators to perform these services:

- That MARINA and PPA reach agreement, before the end of 1994, on how liner shipping services are to be phased in at Batangas. The reason for doing this early is that the agreed scope of new domestic services could affect the optimal design and phasing of the port (as discussed later in this chapter).

- That MARINA then invite "preliminary interest", in 1995, in routes connecting to Batangas from Cebu, Tacloban, Cagayan de Oro, Davao, Iloilo, and Puerto Princesa, at a minimum, and several other possible routes could also be desirable.

- That MARINA give preliminary indications of franchising approvals and of the optimal timing for the initiation of each service, thereby providing the selected operators with a basis for selecting appropriate vessels and for optimizing the timing of their vessel acquisitions.

Mindoro

The RORO ferry services between the northern coast of Mindoro and Batangas permit the port of Batangas to act as the principal interisland port for the island of Mindoro, and shippers at both Tacloban and Iloilo indicated that they were desirous of having links established to Batangas in order to more effectively trade with Mindoro Island. There are, nevertheless, some short distance shipping service links that might desirably be established in order to avoid going through the port of Batangas. In 1993-1994, trade between Mindoro and the neighboring islands of Tablas and Marinduque is partly moving directly by motorized banca and partly going through Batangas Port. The banca services are unreliable, probably unsafe, and costly, and the indirect route through Batangas requires more time and cost than would be necessary with good-standard direct services. Accordingly, the LSRS is recommending that MARINA invite the shipping industry to submit applications to operate between Odiongan and southeastern Mindoro (probably Mansalay) and between Calapan and Marinduque (either Balanacan or Cawit).

The other shipping service change that is needed to better serve the island of Mindoro is the initiation of seasonal services on the ferry routes between Batangas and both Abra de Ilog and Puerto Galera. The LSRS recommends that ferry operators add another round-trip per 24-hour day (meaning that some operators would need to go to 3-round-trip-per-day service), during the months of April and May in each year, and also in the month of December. The Batangas-Calapan route does not require any such

adjustment of service schedule, since traffic peaking is only moderate on that route.

Marinduque

Although current ferry services are more-or-less adequate to meet demand, additional capacity on the Sta. Cruz-Dalahican route will soon be needed, probably both for passengers and cargo vehicles. This does not necessarily mean franchising another operator or requiring the current RORO operator to place another vessel on the route. Increasing capacity by adjusting the schedule to two round-trips daily or just on certain days (requiring an 18-hour operating day, and two crew shifts) would relieve any short-term capacity constraint.

Establishment of direct services between a Marinduque port and Calapan (as recommended above) would permit Marinduquenos to obtain their rice directly from its source. The connection would also be desirable for passenger traffic, including tourists.

Catanduanes

A second, larger RORO vessel is required to serve the Tabaco-Virac route, or the vessel might preferably be placed in the parallel Tabaco-San Andres route, provided that San Andres is equipped to accommodate such a vessel satisfactorily. The LSRS understands that the RORO vessel which had been (up to the time of the LSRS survey) unreliably performing services between Tabaco and Virac, due mainly to recurrent engine trouble, has since been re-engined. Presumably this will largely correct the past problem of service unreliability. Shippers have also argued, however, for a vessel with a higher vehicle-carrying capacity, and for an end to the RORO service monopoly, so that a second vessel on a different, yet competing, route appears to be the best new service option. This conclusion, however, is before taking into account possible port RORO vessel accommodation constraints at San Andres. MARINA and PPA should confer on the additional RORO vessel accommodation options.

Romblon Province

A second liner operator should be franchised to serve the Odiongan-Batangas route. The services of the existing operator are wholly unsatisfactory, and the operator overcharges, as well. This operator, however, responds fairly well to competition, and the franchising of a second operator would probably, therefore, have the dual effects of adding desirable capacity and, indirectly, upgrading existing services.

A direct service connection needs to be established between the two largest Romblon Province islands, Tablas and Sibuyan. Trade has not developed between these two islands essentially because cargo movement has been "priced out of the market". The Romblon airport is on Tablas Island, and access is very difficult for Sibuyanos. The LSRS recommends that MARINA franchise this service in 1995, since it is potentially of considerable importance to Sibuyan Islanders.

Romblon also requires direct service to Mindoro Island, and RORO ferry services would appear to be the best service option. This service should be included in the MARINA/PPA action plan, recommended above, for introducing new, high-standard, RORO ferry services at a number of locations in the archipelago. Of the options considered by the LSRS, a RORO connection between Odiongon and the Mindoro port of Mansalay, employing a 34-meter RORO vessel, appears immediately desirable and financially viable. The necessary improvement of Masalay Port to permit such services to be initiated was incorporated into the LSRS evaluation of this ferry service possibility.

Masbate

Shippers in Masbate identified a need to increase Masbate-Bulan ferry capacity, but did not indicate a preference for RORO ferry services. RORO services were initiated on the route after the LSRS survey, but without either port being adequately prepared for their accommodation. As part of the RORO ferry service action plan discussed above, MARINA and PPA should assess the adequacy of the new RORO services and identify needs for port improvement to satisfactorily accommodate the services.

Visayan Islands

The franchising of services in late 1992 and in 1993 significantly improved services on several Visayan Island routes, including Manila-Cebu, Manila-northern Panay, Iloilo-Cagayan de Oro, and Cebu-Dumaguete-Dipolog. The LSRS was apprised, in March 1994, that a second operator had begun serving the Cebu-Davao route, which may relieve the capacity and service frequency problem that existed on that route for more than two years. Other routes lost services during 1993, however; operators discontinued services on both the Cebu-General Santos and Catbalogan-Cebu routes. In 1994, priorities for franchising new services to ports of the Visayan Islands are:

- Toledo-San Carlos RORO Ferry Service. The service that is needed is a high-capacity RORO ferry service, capable of carrying the largest trucks that are operating on the

road networks of Cebu, Negros, and Panay islands. The service is probably at least ten years overdue, but unfortunately, even now, franchising of the service must be deferred until the port of Toledo has been developed to accommodate it. Some improvements are also needed at the Negros terminus of San Carlos, but that port at least has a satisfactory RORO ferry berth. The operator of the existing low-capacity, low-standard ferry service between Toledo and San Carlos appears to require competition in order to bring about service improvement, and the LSRS **recommends that a second operator be franchised, as quickly as port conditions permit, to serve this route.**

- **Iloilo-Pulupandan/Bacolod RORO Ferry Service.** RORO ferry vessels are already operating between Iloilo and Bacolod (Banago Wharf), but cannot yet perform actual RORO services because of the lack of appropriate berths at either port. When port improvements have been made, the minimum number of RORO ferry operators between these two islands should be two, and it would probably be preferable to have three operators on the route because of the high traffic volumes.

- **Cebu-Iloilo Liner Service.** Only one operator is serving this important route with a passenger/cargo vessel, and Iloilo shippers indicate that this is not satisfactory. The LSRS recommends that MARINA invite applications of other operators to enter the route with a passenger/cargo vessel. In anticipation of the development of the alternative road/ferry connection between Cebu and Iloilo, however, two operators of conventional liner shipping vessels should be sufficient between these two port cities.

- **Cebu-Zamboanga Container Service.** In 1994, containers moving between Cebu and Zamboanga were going via MNH, at much higher cost than would have been necessary, if direct Cebu-Zamboanga container shipping services had been established. The LSRS recommends that MARINA, during 1995, publicly invite operators to apply to introduce Cebu-Zamboanga containerized cargo services.

- **Cebu-Tabilaran-Camiguin Fast Ferry Service.** The LSRS recommends that MARINA invite operators to apply for a franchise to operate a fast ferry between Cebu, Tagbilaran and Camiguin. This service has important tourism implications, since Panglao Island, opposite Tagbilaran, and the island of Camiguin are prime areas for tourism development.

- **Cebu-General Santos Liner Shipping Service.** Discontinuance of services, in 1993, by a liner operator

that had been serving the route has left the route underserved according to Visayan buyers. It may be difficult to induce other operators to apply for route franchises to serve this route, however, if liner rates for the accommodation of grains are not further increased.

- **Cebu-Northern Samar Liner Service.** The sea transport distance between Catbalogan and Cebu is just two-thirds of the distance between Tacloban and Cebu, and it therefore is not desirable for the northwestern Samar area to need to rely on the port of Tacloban for a liner shipping connection to Cebu. Complete traffic information is not at present available at MARINA, so the optimal vessel and service schedule, to replace the services that were discontinued in 1993, cannot be readily identified. It is desirable that this information be obtained, and that MARINA subsequently identify the optimal service for the route, and issue a public invitation for applications to provide such services. An alternative to initiating service to Catbalogan would be a Cebu-Carangian Port connection; Carangian is a Samar north coast port, which has better natural characteristics than Catbalogan, and may be the preferable port for accommodating interisland liner shipping serving the northern half of Samar Island.

- **Tagbilaran-Manila Liner Service.** This route was served by a single operator, and only once a week at the time of the LSRS fieldwork, and shippers and consignees were very much in favor of having a second operator initiate services on the route. An operator not yet providing services on the route indicated to the LSRS that a new service would be initiated soon, but no new services had yet been introduced as of April 1994. In any case, it is clearly desirable that this important route have more than once-a-week service.

- **Manila-Catbalogan-Tacloban Liner Service.** One of the existing operators on this route indicated, in an LSRS interview, that services might need to be discontinued if the trend toward greater reliance by passengers on travel by road and RORO ferry (Samar-Sorsogon) were to continue. Should the operator, in fact, discontinue serving the route, it would be desirable to replace the vessel being taken out of service on the route with one that would more nearly meet market conditions. Another possibility would be to shift the vessel currently employed to a new Tacloban-Catbalogan-Batangas route. Rather than wait until a time when the existing operator may already have discontinued service, **the LSRS recommends that MARINA examine with that operator the desirability of adjusting**

the route and service, or replacing the vessel in the existing service with a more suitable substitute.

- **Batangas-Tacloban Liner Service.** This route would eliminate the current needs for Eastern Visayan buyers to charter tramper vessels to accommodate rice and salt from Mindoro, doing so only when their cumulative needs reach the threshold level that makes it worthwhile to hire the vessels. The route would also supplement the service being provided on the Manila-Catbalogan-Tacloban route, discussed above, and would probably be preferable to the latter route for some significant portions of passengers and shippers otherwise using the existing service, i.e., passengers and cargo consignments having their ultimate trip ends in the provinces of Batangas, Cavite, and Laguna. The LSRS recommends that, whether or not one of the current operators between Manila and Tacloban discontinues services on that route, a public invitation be issued for submission of applications to initiate services on the Batangas-Tacloban route; however, PPA concurrence on the timing of such an invitation by MARINA would be essential, since the Batangas Port development project is not yet underway (in late 1994), and traffic congestion at the port is mounting.

- **Guiuan-Cebu and Guiuan-Tacloban Services.** The LSRS agrees with the options proposed by shippers of southeastern Samar for shipping service improvement: either a direct liner shipping service should be franchised between Guiuan and Cebu or RORO ferry services should be instituted between Guiuan and Tacloban. The latter would permit cargo vehicles to deliver directly to Cebu by continuing from Tacloban across Leyte to the Isabel-Carmen ferry and travelling by that ferry to Cebu Island.

Palawan Province

Although Palawan might usefully have new services franchised to supplement services on the existing Puerto Princesa-Manila route, the principal shipping service needs of the province are for the establishment of services where there are none currently. The LSRS recommends that MARINA publicly invite route franchise applications for five new routes:

- **Puerto Princesa-Batangas Liner Service.** The route would offer competition to the currently monopolized Puerto Princesa-Manila service, yet would offer Palawan shippers the advantage of access to the CALABARZON and Mindoro markets as well. The LSRS recommends that MARINA and PPA

confer on the desirability of instituting this new service prior to implementation of PPA's Batangas Port development plan. If institution is not immediately desirable from the standpoint of avoiding Batangas Port congestion, then franchising of a second operator on the Manila-Puerto Princesa route would be desirable.

- Coron-Puerto Princesa Liner Service. This service is needed to replace the current low-standard and dangerous means of travel (Coron to Taytay by sea and Taytay to Puerto Princesa by land) between these two Palawan port cities.

- Puerto Princesa-Cebu Liner Service. This route should prove to be financially viable, although the LSRS has concluded that the appropriate size of vessel for the existing market would be too small to sail directly across the Sulu Sea.

- Brookes Point-Cagayan de Tawi Tawi-Zamboanga Liner Service. As in the case of the Puerto Princesa-Cebu route, the appropriate vessel for the market would be too small to serve a direct Palawan-Zamboanga connection, and Cagayan de Tawi Tawi would be an appropriate intermediate port-of-call.

- Cuyo-San Jose de Buenavista Liner Service. This is one of the most urgently required routes being recommended by the LSRS because it is needed to effectively end the isolation of the Cuyo Island Group. Eventually the route should become a ferry route, but the current size of the market argues for just two or three round-trips per week.

Mindanao

Recommendations are presented in the following paragraphs for shipping services at ports along the Mindanao north coast, at the ports of Southern Mindanao, and at Zamboanga Port and the ports of the Sulu Archipelago.

Mindanao North Coast

The introduction of second operators of large passenger/cargo vessels on the Manila-Iligan and Manila-Nasipit routes would be desirable, if it is not yet possible to franchise alternative (and probably preferable) new services connecting Nasipit and Iligan to the port of Batangas. The highest priority connection between the Mindanao north coast and Batangas Port, however, is a Cagayan de Oro service, since there is already substantial trade between Batangas and Cagayan de Oro. The LSRS recommends that, in inviting

applications for franchising routes between the Mindanao north coast and the Luzon ports of MNH and Batangas, the provision of ventilated container capacity be identified as one criterion for the awarding of a franchise.

A new route between Cagayan de Oro and the Leyte port of Maasin also appears desirable for near term franchising. Considerable cargo is foreseen to move in both directions on this route.

Southern Mindanao

The LSRS recommends the following in regard to shipping services to the ports of Southern Mindanao:

- That MARINA adopt, as its highest priority effort for Southern Mindanao, the development and implementation of a strategy for the rapid introduction of greater numbers of reefer and ventilated containers on vessels serving the port of Davao. This effort will represent just a portion of the larger MARINA effort recommended above, to prepare an action plan for improving container availability throughout the Philippine Archipelago; the most important single element of that plan, however, is to ensure that the prolonged dearth of appropriate containers for Davao perishable surpluses is finally brought to an end.

- That MARINA either: (i) adopt cost-based f.a.k. rates for containerized cargo (conventional containers); or (ii) establish route-specific cargo rates for General Santos long-distance routes, particularly those connecting to MNH and Cebu. Either of these approaches will permit liner operators to charge more for the containerization of corn shipments from General Santos. That change should be sufficient to induce one or more operators to establish, or reestablish, liner service between Cebu and General Santos.

- That MARINA franchise Batangas-Davao services as soon as the port conditions at Batangas permit this to be done.

Zamboanga & Sulu Archipelago

In addition to the need for containerized cargo services between Cebu and Zamboanga, as recommended in identifying desirable new Visayan port services, above, there is a need to introduce RORO services into the Zamboanga and Sulu Archipelago area and there are needs for several actions on the part of the Zamboanga MRO. These LSRS recommendations are presented below.

Introduction of RORO Services. Several RORO services might be initiated in the Sulu Archipelago, but **the only such service which appears to the LSRS to be clearly desirable, requiring very little in the way of further study, is ferry service between Zamboanga and Basilan.** A single RORO vessel might be sufficient in this case, with other ferries continuing to be passenger ferries, carrying very limited cargo. The initiation of RORO ferry services on either of the two existing ferry routes would relieve the current constraint of cargo-handling capacity at the Basilan ports, and would better enable the ferry services to expand their hinterland to include all of Basilan Island (one of the two routes is probably preferable to the other from the standpoint of instituting RORO ferry services, but the LSRS does not have sufficient information on which to base a conclusion and make any recommendation on the preferable route).

Other Sulu Archipelago RORO service proposals may or may not be desirable, but some of the reasons giving rise to shipping operator inclination to acquire RORO vessel capacity might be eliminated through altering the terms of cargo-handler contracts at PPA ports. Once these changes are made, the incremental benefits of converting from use of conventional passenger/cargo vessels to use of RORO vessels would be considerably less, and net benefits might even be eliminated. (Cargo-handling contractor terms are discussed below, in connection with actions to be taken by the PPA.)

Actions by the Zamboanga MRO. The LSRS is recommending that the MARINA policy of decentralization of functions be extended further in the case of the Zamboanga MRO, than is currently the case. Specifically, it is desirable that the Zamboanga MRO:

- Be empowered to make decisions on all franchise and franchise renewal and amendment applications that are entirely within its geographic jurisdiction, whether or not the applications are contested, and be institutionally developed to enable it to effectively carry out this function.

- Be empowered to enter into a close working relationship with the Southwestern Mindanao Shipowners Association (SMSA), in line with the design of DOSSMONS.

- Take on the MARINA responsibility for encoding and analyzing all operator annual reports required of operators that are homeported at Zamboanga or at other ports under the jurisdiction of the MRO, and for ensuring that the reports are upgraded, as might be required, to meet all MARINA standards for reporting.

- Be instructed to work both with SMSA members and independent operators to produce an acceptable scheme and

timetable for the upgrading and renewal of the local vessel fleet, with the objective of improving the seaworthiness of vessels in the area (but not necessarily bringing vessels up to international classification standards nor requiring classification).

- Be instructed to thoroughly investigate the allegations of shipping operators, as they have been reported by the LSRS, in regard to the issuance of free passes by a number of government organizations; the MRO should identify by government organization and port the numbers of such passes that are issued, over a period of three months, or until the situation is corrected (whichever is longer), and setting up an internal procedure whereby the situation will be monitored on a from-time-to-time basis, after initial improvement has been achieved.

- Be instructed to work closely with the Zamboanga District Office of the PCG, to avoid function overlaps and to improve the effectiveness and accuracy of monitoring various aspects of maritime safety.

Port Development and Operational Improvement

General and institutional recommendations for port development and operational improvement are first presented below, and the discussion is then organized by geographic area. Not all of the recommendations can be implemented by the PPA, e.g., improved access to ports, and some matters will need to be taken up by the SPAC. Also, the Cebu Ports Authority (CPA) has been created to take charge of the public sector ports of Cebu Province.

General & Institutional Recommendations

This group of LSRS recommendations is subdivided below into several areas where performance improvement is required on the part of PPA. These areas include planning, cargo-handling, port control, maintenance, capacity utilization, ferry operations, and port expansion and development.

Port Planning

The LSRS did not conduct any investigation of PPA planning activities (which would have been beyond the scope of the TOR), but discussions with PPA officials at various ports and with members of the shipping industry suggest that planning is lagging in several

areas: system planning, individual port master plans, RORO ferry operation development, and general programs for capacity and efficiency enhancement. The Presidential Task Force on Interisland Shipping, in its April 1989 report, identified a need for greater coordination between PPA and MARINA to ensure that the port system meets the needs of the interisland shipping industry, and used as an example of this need the evident lack of coordination where RORO vessels were concerned. The improvement of coordination has not yet occurred, which means that important inputs into the PPA planning process are still unavailable.

The Interisland Liner Shipping Rate Rationalization Study (SRRS), in 1991, prepared the TORs for two ports and shipping studies which were designed to provide much of the required planning coordination for the sea transport sector. The **International Ports and Container Transport Study (IPACTS)** would have identified an optimal system for accommodating containers with shore-based equipment in the principal ports, and would have prepared master plans for a few ports, including Cebu, Iloilo, Cagayan de Oro, and Davao. The **Interisland Agro-Transport Study** (IATS) would have produced some of the planning now being recommended by the LSRS, including the identification of needs for reefer and ventilated container transport; it also would have made recommendations on the optimal systems for the accommodation of grains, fertilizer and livestock. The two studies were not conducted.

DOSSMONS is designed to, **inter alia, provide the shipping industry inputs to the PPA planning function.** It is highly desirable, therefore, that DOSSMONS be established and made effective in the shortest possible time. In addition, the conduct of IPACTS remains desirable. If funding is unavailable for the full study, then at least some of the port master planning efforts must go ahead. The needs for other planning efforts, identified during the course of conducting the LSRS, are discussed in regard to port capacity enhancement and individual ports below.

Cargo Handling

PPA has been making efforts in recent years to bring about improvement in cargo handling. An example of success in this regard is the port of Cagayan de Oro, since both shipping operators and shippers agreed that a healthy competitive situation exists in regard to cargo handling at that port, and the LSRS heard no complaints regarding either services or service charges. In general, however, there is a "long way to go" where cargo-handling service improvement is concerned. Development of competitive situations is only possible in the larger ports, since cargo-handling contractors cannot afford much investment in handling equipment if the annual volume of the cargo they handle is less than 250,000-300,000 tons. That means that only ports with annual

throughputs of a half million tons or more of cargo can usefully have two contractors.

For all of the ports not having this minimum level of throughput for development of competitive cargo-handling environments, **the LSRS recommends that some level of competition be introduced by permitting shippers and shipping operators (with PPA-produced guidelines) to carry out cargo-handling activities with their own staff or contracted services, without incurring any arrastre charges for doing this.** (Shippers do, at present, carry out some loading/unloading of their own cargoes, but must pay the arrastre contractor anyway. The payment, of course, eliminates any possible competitive effect, and thus places no pressure on the arrastre contractors to improve the quality of their services and/or lower their prices. In fact, receiving payment for work not done may encourage contractors to perform badly. The fact that shippers are willing to incur double expense to ensure that their cargoes are properly loaded/unloaded gives ample evidence that "all is not well" in PPA ports.)

Beyond the effects of shipper cargo-handling competition at small and medium-sized ports, PPA should also rely upon the equipment acquisition, performance and service charge clauses of their cargo-handling contracts for ensuring that good-standard services are performed and service charges are reasonable. The LSRS understands that PPA contracts for cargo-handling services contain such clauses. **The problem, then, must be with enforcement.** DOSSMONS, once it is fully developed, will provide PPA with information on container damage incurred at ports, cargo damage and losses incurred, official charges paid for services, unofficial charges paid for services, charges paid for no services rendered, cargo-handler refusals to perform services, unserviceable cargo-handling equipment, and low standards of productivity. **None of this information will be of any use, however, unless PPA makes an institutional decision to strictly enforce all clauses of the cargo-handling contracts into which it enters.**

Port Control

Problems with lack of full control over port operations include: (i) poor security (port area entry by squatters, vendors, armed gangs, etc.); (ii) vessel "parking" at commercial berths; (iii) vessel repair activities in the commercial areas and their approaches; (iv) interaction of passenger movements and cargo-handling activities; (v) port area clutter; (vi) vessel clearance for port departure; (vii) cargo storage for excessive periods; (viii) slow tramper loading/unloading rates at berths; and (ix) interference with port operations by other government bodies. In regard to these, the LSRS recommends that PPA:

- **Contract all port security to the private sector.** The

performance and termination clauses of these contracts should give much better assurance than exists, in November 1994, that squatters, vendors, armed gangs and the like no longer enter into PPA port areas.

- Adjust dockage charges to discourage vessel parking and excessive periods of loading/unloading. Rather than attempt to prohibit vessel parking and excessive loading/unloading periods at commercial berths altogether, the efficient use of commercial berths could be encouraged by converting dockage charges from 24-hour charges to hourly charges, and then escalating the hourly charges at some point, say, after 72 hours of continuous berthing. Even if this approach were not fully effective at eliminating vessel parking, it would generate additional funds for PPA. The approach should extend to vessel repair activities, making the cost of occupying a commercial berth for undertaking extensive vessel repair prohibitive. (A different approach should be employed for ferry operators, however, as discussed below.)

- Develop and implement schemes for the channelization of embarking and disembarking passengers, perhaps with the aid of overhead bridges, to minimize the extent of interference of passenger streams with cargo-handling operations.

- Appoint, at each port, a person to ensure that all derelict vehicles and containers, and any form of trash are removed from the port area, and establish a system of vehicle and container parking charges outside of stacking areas.

- Prepare a position paper for delivery to the SPAC on the need to ensure that PPA, <u>and only PPA</u>, shall have the right to clear vessels for departure from ports. Traffic control should be the sole basis (save only court orders for the arrest of vessels) for granting clearance for departure from ports, and any vessel and cargo inspections for purposes of the PCG or other organizations should be taken care of by the organization concerned prior to the vessel being ready for departure.

- Prepare a position paper for delivery to the SPAC on the right of the PPA to designate which of its ports are to be considered "international". This will enable PPA to replace the existing system developed by the Bureau of Customs (BOC). By redefining the system, PPA should be able to limit BOC stations to only those ports where they are required on a regular basis.

- Establish tighter rules and high penalty charges for

excessive cargo storage periods at ports.

- **Bring to the attention of the SPAC any instances of interference with PPA port operations, by government offices at any level of government.** An example might be a government office seeking to influence the selection of cargo-handlers at a PPA port.

Port Maintenance

In transportation, the highest economic returns usually accrue to good maintenance programs, but the "glamour" attaches to capital development. The usual result is that capital projects proceed, but maintenance is underfunded and/or under attended to. There is some evidence that this is also the case in regard to PPA ports, especially where dredging is concerned. There are a few important ports, however, where both capital investment and maintenance expenditure are in arrears, in comparison with what would have been required to enable the ports to adequately serve current levels and types of traffic.

The LSRS recommends that PPA develop prioritized programs for both maintenance dredging and periodic maintenance/rehabilitation of quays and storage facilities. Later discussion in this chapter suggests that, although some PPA maintenance activities are continuing at all times, there were nevertheless some high-priority needs which had not been attended to at the times of the LSRS surveys.

Capacity Utilization

A number of the problems for which recommendations have been presented above affect the capacity of ports, so that there are sizable differentials between the theoretical capacities and the "effective" capacities of ports and their facilities. In addition to the influences identified above, the capacities of many PPA ports are limited by the avoidance of nighttime operations. The lack of adequate lighting at ports that could usefully work two or three shifts is commonly the limiting factor on hours of operation. At other ports, cargo-handlers, pilots and/or PPA staff quit work even when there is daylight remaining.

The LSRS recommends that PPA:

- **Develop a port lighting enhancement program, prioritized on the basis of need to expand the effective capacity of ports, and ease of implementing the individual enhancement projects.**

- **Require of PPA staff, cargo-handlers and pilots that**

operations continue until nightfall in small ports where lighting is not worthwhile, but vessel operators require some extension of the periods of services.

- Consider, for ports serving mainly short-distance cargo movements, the possibility of reducing cargo-handling requirements at the ports by converting to the accommodation of RORO ferries.

- Ensure that ports with adequate lighting work on a two-shift or three-shift basis, if this is desired by vessel operators.

Ferry Operations

Ferry operators should be treated as tenants of ports and not as visitors. As tenants, they should pay monthly or quarterly rentals, but should have no fees to pay in their day-to-day operations. Rentals should cover PPA's capital investment in the facilities being leased, including a return to capital, and should cover all maintenance and utility costs, as well as make contributions to the overhead of the port, such as security. PPA's privatization program has not extended to ferry operators, but the LSRS recommends that PPA examine the desirability of entering into annual and longer-term leasing arrangements with ferry operators at many PPA ports. The arrangements should be flexible, and the optimal leasing period should correspond to the amount of non-moveable investment required on the part of the operators.

Port Expansion & Development

Virtually all Philippine infrastructure suffered during the 1980s, mainly due in large part to the depth of the 1984-85 depression. In the port sector, a number of desirable, major projects could not be planned, much less implemented, and the result is that expansion and upgrading of at least three major ports must rank with the most urgently required infrastructure projects in the Philippines (i.e., the ports of Cebu, Iloilo and Batangas).

In the view of the LSRS, the PPA has not been given sufficient support by the Government of the Philippines to end the impasse which has delayed the commencement of the Batangas Port development project. The SPAC might have developed and recommended to the DOTC Secretary an action plan, specifying all appropriate actors, for removing the land clearance obstacle to project implementation. The LSRS recommends that the SPAC deliberate Batangas Port project implementation, with the objective of arriving at a general recommended approach to land acquisition and clearance impediments to port expansions. Many ports in the Philippines have constricted

land areas, and problems of land-side expansion are therefore likely to recur from time-to-time in the future.

Northern Islands

Recommended improvements to ports of the Northern Islands are presented below, by island.

Luzon

The LSRS recommends that:

- Plans for the implementation of the Batangas Port project be reviewed to ensure that they adequately take into account the potential for new interisland services there. In the view of the LSRS, a planned 230-meter "multi-purpose" wharf is likely to used on a nearly continuous basis by interisland liner shipping, and this should be taken into account when planning for the accommodation of overseas shipping.

- PPA could usefully review the cargo-handling work standards and port security at the ports of Tabaco and Legaspi.

- A RORO ferry berth needs to be constructed at Bulan Port to satisfactorily accommodate the RORO services which were introduced, in 1994, between Bulan and Masbate Port.

Mindoro

The LSRS recommends:

- **Improvement of Abra de Ilog Port Facilities.** Considering the rapid traffic growth at this port in 1992, and the potential of the port to serve most of the cargo and passenger traffic of the entire province of Occidental Mindoro, upgrading of the port should be accorded high priority. Advertising for upgrading on a build-operate-transfer (BOT) basis should be considered, if the upgrading project could not otherwise be implemented during 1995.

- **Upgrading of the San Jose-Mamburao-Abra de Ilog Road.** Even the southern extremity of Occidental Mindoro would be well-served by Abra de Ilog if the west coast highway of Mindoro Island were upgraded to good, paved condition; Batangas would then be just 6 hours away for passengers

and cargoes from the San Jose vicinity, with several-times-a-day ferry services between Batangas and Abra de Ilog.

- **Improvement of Land-Side Calapan Port Access.** Poor road access to the port is a common complaint of users, and the congestion problem will only worsen as cargo and vehicular traffic grow.

- **Construction of a RORO Port on the Southeastern Coast.** The port development is required in order to introduce new RORO services between Tablas Island and Mindoro. A suitable site would probably be Mansalay. This port development might desirably be done through a BOT arrangement.

Masbate

The LSRS recommends that MARINA and PPA confer on the construction of at least one RORO ferry berth at Masbate Port, for the improved accommodation of RORO ferries operating between this port and the Sorsogon port of Bulan.

Romblon

The port of Odiongan (Poctoy) requires maintenance dredging in order that existing RORO services can load large trucks at any time. A new RORO berth is also required at the port, to permit the institution of RORO ferry services between Odiongan and a new port on the southeastern coast of Mindoro.

Catanduanes

A second, larger RORO ferry should be placed in service between Catanduanes and Tabaco. The Catanduanes port might preferably be San Andres from the standpoint of optimally serving the market, but another berth at Virac would also be satisfactory. PPA and MARINA should investigate these options, prior to implementation of the better option.

Visayan Islands

Recommendations are presented below for the islands of Cebu, Panay, Negros, Leyte and Samar. The LSRS is unaware of any needs for improvement of the ports of Bohol.

Cebu

Preparation of a master plan for the port of Cebu is ten years overdue. In 1995, the long overdue master plan for Cebu Port deserves a top priority, almost a "drop-everything-else" priority in the national government's port system improvement program. Failure to upgrade this port by the year 2000 would certainly act to constrain economic growth and trade throughout the Visayas, and both international and domestic shipping costs would, in that case, continue to be at levels much in excess of what they would need to be, if Cebu were developed into an adequate and efficient port.

In addition to the master plan for Cebu, there is an urgent need to improve security at the port. Rather than for CPA to attempt to correct the situation with the current or new CPA security staff, the LSRS recommends that TOR be drafted for the security function, and that the private sector then be invited to bid for the port security contract.

A contributory factor in regard to the security problem at Cebu Port is the fact that passenger embarking/disembarking operations are mixed with cargo-handling operations. The passengers themselves may directly constitute a significant portion of the problem, but the passengers have an even greater indirect effect by attracting "seeing-off" and "welcoming" groups and large numbers of vendors. PPA personnel at Cebu Port indicated in an LSRS interview that a passenger terminal (there is none at present) should be constructed outside of the port area, in order that no one other than the passengers need enter the port area.

In addition to Cebu Port, development of the port of Toledo to be a high-standard, high-capacity RORO ferry terminal should be accorded high priority. At least two RORO berths should be provided at the port, to accommodate two ferry operators.

Panay

Iloilo Port development is only less important that Cebu, but on an absolute scale of need must be accorded high priority among Visayan infrastructure projects. The master plan for the port should be prepared during 1995, and implemented before the year 2000. The master plan should include an assessment of the extent to which Iloilo Port should serve the entire island of Panay, especially where import-export cargo and interisland containerized cargo are concerned. A minimum of two RORO ferry berths should be provided at the domestic pier, and the optimal number of berths may even be four (including one for a connection to Guimaras, in which case a Guimaras RORO berth would also be required).

The Aklan Government suggested to the LSRS that the port of Batan might be appropriate for medium-term upgrading, and this

possibility deserves investigation. Any such study, however, should take into consideration the potential of an upgraded Iloilo Port to serve the Panay northern coastal area.

Negros

The island of Negros must be provided with high-standard, high-capacity RORO ferry connections to both of its large neighbors, i.e., the islands of Cebu and Panay. The port of San Carlos already has one RORO ferry berth, but needs a second one, and some dredging and other improvement at the port is also required. On the Negros west coast, RORO berths appear to be desirable at both Bacolod and Pulupandan. At Bacolod, Banago Wharf would be the appropriate location for a berth, yet it is currently held by a shipping line which has not demonstrated a willingness to permit other liner shipping operators to call at the port. If PPA cannot find an alternative location for one or more RORO berths at Bacolod, and the shipping line holding Banago Wharf remains disinclined to develop and operate it for common use, then a major effort to develop Pulupandan for two or more RORO ferry operators should be made. That port also requires some capital dredging to better serve the long-distance liner shipping operators whose passenger/cargo vessels are calling there.

Dumaguete Port requires some dredging and an expansion of the port's very limited storage areas. Dredging is required mainly for the vessel plying the route to Manila.

Leyte

Tacloban Port must be improved in the short term to permit it to effectively operate 24 hours, and this will require making the navigation of the San Juanico Strait possible at nighttime (with the placement of lighted buoys), and improving lighting at the port itself. A decision must be made, on the basis of further study, as to whether Tacloban or a Leyte west coast port is to be developed in the medium to long term to be Leyte's principal interisland port and eventually its international port. Tacloban Port probably requires a RORO ferry berth, in the short term, to permit the introduction of RORO ferry services between Tacloban and the Samar port of Guiuan, but a decision on this also requires further study.

Samar

Guiuan requires some dredging, but a study should also be done to determine whether or not a RORO ferry berth should be provided at the port, and/or the port should be developed to accommodate liner vessels to serve Guiuan-Cebu and other possible routes.

Palawan Province

The port of Puerto Princesa will probably require another berth if the three new shipping services being recommended by the LSRS (i.e., service connections to Coron, Cebu and Batangas) are all to be franchised.

Arrastre services and charges therefor at Cuyo are unacceptable, and a new contract should be awarded through competitive bidding.

Mindanao

Recommendations in regard to port development and operational improvements at ports of the Mindanao north coast, Southern Mindanao, Zamboanga and the Sulu Archipelago are presented below.

Mindanao North Coast

The LSRS recommends that a master plan study be undertaken for the port of Cagayan de Oro, during 1994/1995, and that the study take into consideration the following:

- The extent to which the improvement of the Mindanao highways providing access to Cagayan de Oro, could expand the hinterland of the port for various commodities, including domestic and international shipments of grains, fruits and vegetables, and inflows of fertilizers.

- The extent to which Iligan cargoes (outward and inward) might be satisfactorily accommodated at Cagayan de Oro Port, with and without the expansion of capacity there and the provision of specialized storage/handling facilities.

- The extent to which expansion of the port's hinterland would enable export/import levels to reach the "thresholds" necessary to induce increasing numbers of direct international shipping calls at the port, and the effects of any such increases in numbers of direct calls on the overall costs of Mindanao export and import shipments, and on the levels of domestic cargo traffic between the Mindanao north coast and the ports of Manila, Batangas and Cebu.

- The potential for developing a full container terminal at the port, and the procedures required to permit joint use of the terminal by international and domestic shipping.

- The potential for developing bulk facilities at the port, such as for the accommodation of grains and fertilizers.

Southern Mindanao

There is little need for improvements at the three major ports of Southern Mindanao, other than completion of an ongoing projects at Makar Wharf, General Santos and a planned passenger terminal at Sasa Wharf, Davao. It is timely, however, for PPA to carry out a master planning effort for the port of Sasa Wharf, considering also the private commercial port facilities (TEFASCO) that serve the Davao City area.

Of immediate concern is the quality of cargo-handling services at Sasa Wharf. The LSRS was informed by shippers at Davao that overseas vessels preferred calling at TEFASCO because of the more efficient cargo-handling there, in comparison to Sasa Wharf. According to the shippers, the Sasa Wharf cargo-handlers are not adequately equipped for efficient handling of cargo.

Zamboanga & Sulu Archipelago

LSRS recommendations in regard to port development and operational improvement at Zamboanga and ports of the Sulu Archipelago are:

- That RORO berths be provided at Zamboanga and at a Basilan port. A study will first need to be done to decide on the preferable Basilan port. Based on market considerations alone, Isabela would be preferable, but there may be technical reasons for preferring the port of Lamitan.

- That consideration be given to extending the pier length at Siasi. In this case, however, it may be possible to avoid any need for a capital project through improved use of the existing facility, including eliminating wooden-hulled vessel parking at the pier and docking steel-hulled vessels in such a way that it becomes possible for two vessels to be served at the same time.

- That use of port facilities be rationalized. With the possible exception of the need for pier extension at Siasi, the port of Zamboanga and the ports of the Sulu Archipelago would be adequate for current traffic levels if they were better utilized. In particular, the LSRS recommends for Zamboanga Port that dockage charges be adjusted to reduce the high incidence and extended periods of vessel "parking" at the port.

- **That "nighttime" cargo-handling operations be instituted at ports of the Sulu Archipelago.** It probably is not necessary to institute "round-the-clock" cargo handling at any port in the Sulu Archipelago, but termination of cargo-handling operations at 1700 hours imposes a severe constraint on the efficient utilization of vessels serving these ports. Any extension of the period of cargo handling would be helpful to the industry. Investment in additional lighting at Sulu Archipelago ports might or might not be required, depending on the extent to which cargo-handling activities must be extended at the individual ports.

- **That PPA take the necessary steps to ensure that PPA <u>only</u> is responsible for giving vessel departure clearance.** Whatever the merit of the PCG SOLAS checks (the LSRS believes them not to be legitimate, considering the small sizes of vessels operating in the Sulu Archipelago), the PPA should control the schedule for vessel departure from ports. That is, the PCG should be required by the PPA to conduct whatever inspections are necessary within the period of vessel docking for loading/unloading purposes. Only in the event that a vessel "fails" an inspection (and therefore would be unable to sail) would the vessel then remain in port (at anchorage) after unloading operations have been completed.

ANNEX A

LINER SHIPPING ROUTE STUDY
TERMS OF REFERENCE

LINER SHIPPING ROUTE STUDY

Terms of Reference

Background

The Maritime Industry Authority (MARINA) has, as one of its functions, the regulation of the Philippine interisland liner shipping industry. This regulation extends to the acquisition of vessels, the franchising of services, including both routes and service schedules, and the regulation of service rates. Besides this "economic" regulation, MARINA has responsibility to the International Maritime Organization (IMO) to ensure that the Philippines remains in compliance with the international maritime safety conventions to which the Philippines is a signatory. Service rates have been regulated by MARINA and its predecessor regulatory bodies since the 1920s, and liner shipping services have required franchising since 1972.

Rate regulation was originally based on the costs of providing services, with the exception that ad valorem charging might be used for the few cargoes (in the 1920s) that were valued at 10,000 or more pesos per ton, in which case the transport charge was equivalent to 0.5 percent of the value of the cargo. From this small beginning, ad valorem charging was permitted to get out of hand, rising to 7.3 percent of the cargo value by 1989. These "regulated" cargo rates were not as a rule actually imposed, however, and discounted rates became the rule, frequently in the range of 15 to 30 percent below official rates, and sometimes even lower. MARINA identified, as early as 1980, that ad valorem charging had become seriously distorted, but no action was taken to correct the situation until, in 1989, a Presidential Task Force (PTF) on interisland shipping recommend that ad valorem charging be discontinued. As a result of the PTF recommendation, ad valorem charging was largely ended, in 1989, and the following year the last vestige of ad valorem charging, a 0.3 percent surcharge on the value of most commodities, was also abolished.

Ad valorem charging was not the only problem associated with cargo rate regulation, however. The PTF identified that unrealistically low official rates for some agricultural commodities had resulted in limiting the availability of shipping services for those commodities, and recommended that the commodities be reclassified, thereby permitting liner shipping operators to impose more remunerative rates. The PTF identified, also, a need for greater flexibility in charging, and recommended the institution of official fork tariffs, whereby rates would need to be within plus or minus 15 percent of reference points for each route.

Some changes have proceeded from these PTF recommendations.

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Cargo rates for the lowest rate grouping were raised considerably in real terms, although still somewhat less than if the PTF reclassification recommendation had been fully implemented. Livestock shipments, which had been included in this lowest rate group, were entirely deregulated. Fork tariffs were also instituted, to plus and minus 5 percent of reference points, in 1990, and then to plus 10 percent and minus 15 percent of reference points, in 1992, for each of four commodity groupings. MARINA also deregulated, in November 1990, rates on transit cargoes (that is, the interisland legs of international shipments) and on the shipment of reefer (refrigerated) boxes.

Where passenger transport is concerned, the liner shipping industry provides first, second, and third class passage, and only the rates applying to third class passage are now regulated. There is a requirement that a minimum of 50 percent of liner vessel passenger capacity must be for third class passengers, but this requirement is not currently onerous for the liner industry since the interisland passenger market structure makes it necessary that the industry reserve an even higher proportion of capacity for third class passengers. Third class passenger rates also are within official fork tariffs of plus 10 percent to minus 15 percent of reference points.

The Interisland Liner Shipping Rate Rationalization Study (SRRS), conducted in the Philippines during November 1990-August 1991, made several recommendations for liner shipping cargo and third class passage rate rationalization, and for deregulation of cargo rates over the 1993-1996 period. Some of the SRRS recommendations for rate rationalization have now been implemented, but other recommendations, including full deregulation of liner cargo rates, will require further investigation in order to be effectively implemented. This latter group of recommendations includes the following:

- That MARINA discontinue computing rates on an industry-wide, or nation-wide, basis because of the inherent inaccuracy of this approach when rates must then be applied to each and every liner route. Instead, MARINA should begin, in 1994, to identify cargo rates and third class passage rates on a route-by-route basis. The identified rates will, of necessity, still be averages, but they will be averages of narrower cost ranges, and therefore applicable to larger proportions of shipping operators. Moreover, the route cost ranges will more nearly reflect differences in efficiency of operation, rather than exogenous variables such as differences among routes in the degree of imbalance of traffic in two directions, seasonality of traffic, traffic growth rates, traffic splits between cargo and passengers, splits between containerized and non-containerized cargo, commodity mixes, efficiency levels of ports, and numbers

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of annual voyages per vessel. (Of course, distance is a variable among routes, also, but this variable is already taken into account by the industry-wide formulae.)

- That the basis of cargo and third class passage rates should no longer be revenue deficiency, to obtain a 12 percent return on assets, without regard to load factors and degrees of efficiency, but should be related to target load factors and efficiency levels, that could vary from route-to-route. With the adoption of this change, operators who could surpass the target load factor and/or efficiency level would earn better than a 12 percent return on assets, whereas those not meeting the operations targets would realize lower returns or even suffer losses.

- That, to better tailor the supply of services to demand, some service schedule flexibility should be incorporated within route franchises. The permitted flexibility should be of two types: first, all operators on routes with considerable seasonal fluctuation of cargo and/or passenger transport service demand should be permitted to adjust their service schedules to meet that demand; and, secondly, operators should be permitted to translate improvements in port efficiency (as may desirably occur in the future) into improved vessel utilization, thereby lowering costs per voyage.

- That there not only should be service schedule flexibility, but also rate flexibility, with the imposition of "seasonal" rates in peak periods intended to reduce seasonal peaks, and that a pilot project should be implemented to test the desirability of seasonal rates and service schedules.

- That a passenger service rating system should be introduced, and that third class fare increments be permitted for services receiving high ratings.

- That, because of a tightness of shipping capacity as compared with requirements on some routes (as identified from SRRS surveys), cargo rate deregulation needs to proceed concomitantly with route franchise liberalization in order to avoid the upward pressure on rates of "sellers' market" conditions.

- That MARINA should no longer wait for applications to initiate new services or to expand services, but should identify desirable services and issue public invitations to submit applications, and that operators be selected from among applicants with "prior operator" being only one criterion for selection, and with a second important

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criterion being record of service standards on the route in question and on any other routes that the applicants may be operating at the time of application.

- That the Philippine Shippers' Bureau (SHIPPERCON) should establish regular lines of communications with producer and shipper organizations to identify any shipping services (and other service) shortcomings, and any new services which might desirably be initiated, and that SHIPPERCON assist MARINA in monitoring the cargo rate deregulation program.

The foregoing recommendations of the SRRS are general, and cannot be fully implemented until they are made more specific. Moreover, MARINA requires guidance not only on what new and adjusted rates and services should be, but also on the manner in which many of the desirable changes are to be implemented.

There is also a need to reexamine the liner route structure, and to clearly define route classifications. At present, there are "primary", "secondary", "tertiary" and "development" routes, but the classifications are not clearly defined. Some of these routes, perhaps, ought not to be classified as "liner" routes at all, but rather as ferry routes. There is a need to identify a useful route functional classification, with criteria for classification, and then to classify all existing and potential routes.

There are some desirable liner shipping routes that are not now provided with liner services. The SRRS examined the case of the two principal islands of Panay and Bohol, for which, as of July 1991, there were no direct liner shipping services, so that passengers and cargoes moving between the two islands had to pass through Cebu. Potential transport cost savings from the initiation of direct services are significant per unit of traffic, and there is a need to identify the prospects for new direct services, and, if promising, to induce operators to initiate the service. Not only Panay and Bohol, but also several other possible services not yet being provided deserve consideration in the near term.

In October 1992, MARINA issued its Memorandum Circular (MC) No. 71, which significantly liberalized the franchising of liner shipping services, and took steps toward the deregulation of liner shipping cargo rates. MC 71 essentially establishes a new philosophy of liner shipping route franchising by emphasizing the needs for market-responsive (adequate, appropriate, modern, and cost-efficient) services, as opposed to the former concerns to protect the "prior operator" or "prior applicant".

MC 71 and a further action plan, developed in consultations between MARINA and USAID, have set the stage for full cargo rate deregulation and considerable liberalization of third class passenger rates and liner shipping services. These steps toward

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deregulation and liberalization, however, and earlier (1989-1991) decisions in this same direction, appear to require amendment of the Public Service Act (PSA), and other changes in law might be required as well. Some articles and clauses of MC 71 require more precise language, if scope for legal interpretation is to be limited. Successor MCs to MC 71 will also be required to fully implement the action plan agreed upon by MARINA and USAID for the 1993-1996 period, and for other purposes such as route classification and development of ferry services.

MARINA has also taken steps to streamline liner shipping route franchising, and to decentralize franchising. Decisions are to be made on all applications for route franchises within 90 days of application filing and within 30 days of conclusion of hearings on the application. The Maritime Regional Offices (MRO), of which there are nine, will have the authority to take applications, affidavits (of applicants and oppositors, if any), hold uncontested and contested hearings, and to make and sign decisions, in cases of uncontested hearings. The Conference of Interisland Shipowners and Operators (CISO) reviewed and agreed to MARINA's draft MC setting forth the "Rules of Practice Instituting Summary Procedure in Applications for Certificate of Public Convenience (CPC), or Provisional Authority (PA) or Special Permit (SP), Amendments or Renewals Thereof, Substitutions/Replacements of Vessels under a Valid Certificate of Public Convenience and for Complaint Cases".

Whereas MARINA and CISO are in close communication and accord on the general policies of deregulation, liberalization, expedition, and decentralization, as well as on the specifics of MARINA MCs to implement these policies, there is some concern that other (mostly smaller) liner shipping operators may have more difficulty in adapting to new policies and procedural changes. The members of the Visayan Association of Ferryboat and Coastwise Shipping Operators (VAFCSO) and the Southwestern Mindanao Shipowners Association (SMSA) may need to develop new business strategies to thrive in an atmosphere of reduced regulation, and MARINA is desirous of assisting these operators, as well as non-conference operators, to achieve the standards of services that will benefit themselves, as well as Filipino shippers and travellers.

Objectives

The Liner Shipping Route Study (LSRS) is being commissioned to provide the information and analysis necessary to carry out liner shipping cargo and third class passage rate rationalization, subsequent full cargo rate deregulation, and the liberalization of liner cargo and passenger services, including both route franchising and service frequency flexibility. Specifically, the objectives of the LSRS are as follows:

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- To assist MARINA in the implementation of MC 71 and the action plan for rate deregulation and route franchise liberalization.

- To substantially improve the MARINA and SHIPPERCON databases.

- To design and test a passenger service rating system (PSRS), and to assist MARINA to institute the PSRS after it has been finalized.

- To survey and review the adequacy of existing liner shipping services, including ferry services, in the Philippines, and to identify priorities for new franchises and franchise amendments to provide expanded services, new types of services, and better standards of service.

- To conduct a preliminary examination of the desirability of implementing a seasonal rates pilot project, and to recommend on how such a project might be carried out in 1994 (by MARINA and CISO).

- To examine the markets and assess the desirability of seven new liner routes.

- To consider liner service route classification options, including functional and traffic volume classifications, and to identify and assess possible uses of the classification system.

- To examine the case for open entrance to routes (i.e. more-or-less automatic franchising upon application), with voluntary agreement on service schedules, and to design a pilot project whereby one or more routes are open to all prospective entrants, provided only agreements can be reached on port calling times.

- To analyze the costs of liner shipping and ferry routes operated by members of CISO, VAFCSO and SMSA, and routes operated by non-conference vessels of 250 GRT and larger.

- To compute freight-all-kinds (f.a.k) container rates and roll-on roll-off (RORO) ferry lane-meter rates for principal containership and RORO ferry routes.

- To compute route-by-route cargo and passenger rates for a few routes where there have been public complaints regarding rate levels.

- To prepare a detailed action plan for implementing any service and rate regulation changes found desirable for

near-term implementation.

Work Scope

Implementation of Liner Shipping Rate Deregulation and Route Franchising Liberalization. The LSRS will assist MARINA to implement MC 71 and the action plan for rate deregulation and route franchising liberalization by preparing a series of draft papers, and revising these drafts on the basis of comments of MARINA, USAID, and others. LSRS efforts in this area will include:

- Reexamination of MC 71 to determine the scope for legal interpretation, and preparation of an MC 71-A to reduce the scope for legal interpretation.

- Preparation of a successor MC to MC 71, which would incorporate parts of the 1993-1996 action plan, and other recommendations of the LSRS regarding the further liberalization of liner shipping rates and route franchising.

- Preparation of an MC regarding ferry services, covering both rates and service franchising.

- Preparation of a draft domestic shipping law, to replace the portions of the PSA dealing with domestic shipping.

- Review of the finalized TOR for a redesigned Interisland Agro-Transport Study (IATS), and preparation of a paper assessing that study's implications for LSRS and for other MARINA work efforts and decisions.

- Design of rate and service monitoring procedures for MARINA headquarters and MROs, and for SHIPPERCON, with specification of how MARINA and SHIPPERCON monitoring activities are to be coordinated.

- Provision of technical assistance, as might be required during the study, to guide and advise MARINA, the Visayan Association of Ferryboat and Coastwise Shipping Operators (VAFCSO), and the Southwestern Mindanao Shipowners Association (SMSA), on desirable VAFCSO and SMSA business strategies in the era of deregulated liner shipping rates and liberalized route franchising. Any direct assistance to VAFCSO and SMSA will be upon their request, and only at the association (not the individual operator) level.

- Assessment of the effects of deregulation initiatives taken in 1989 and 1990.

- Preparation of such other assessments and papers in

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connection with franchising liberalization, as the MARINA Administrator may request prior to November 1993, up to a maximum LSRS staff effort of one person/month (p/m).

- Initiation of discussions of joint Philippine Port Authority (PPA) and MARINA concerns in the area of port design, shipping service costs and efficiency, and ferry services.

Database Development. The LSRS will assist in the development of the database of MARINA's Domestic Shipping Office (DSO) and in the development of SHIPPERCON's database. The LSRS will computerize information on hand at MARINA from operator reports on 1991 and 1992 operations, and will obtain supplementary information from operators, as may be required for cost and service analysis. An effort must be made to check the accuracy of reporting, in part through the comparison of operator-reported traffic with traffic information from PPA. The objective is to leave the DSO by the end of the study with 'iner shipping route, operator,and vessel computerized files, covering the two most recently reported years. It is recognized, however, that not all operators report, and few operators report completely, so that information on some routes and operators (mainly operators of small vessels) will be limited even at the end of the study. The DSO database will also include extensive LSRS information on passenger services.

The LSRS will use its survey information from shipper and freight forwarder interviews to substantially expand SHIPPERCON's database in regard to domestic cargo shipping services and rates.

Passenger Service Rating System. The LSRS will develop a PSRS that will permit staff of MARINA's DSO and MROs to evaluate interisland liner shipping and ferry passenger services. The draft is to revised on the basis of comments of the LSRS Standing Committee, and then tested by the LSRS team, working with MARINA counterpart staff. On the basis of testing results, the PSRS is to be revised, as may be required, after which the LSRS team will design and present a PSRS training program for MARINA staff in one or two locations.

Evaluation of Existing Services. The LSRS must identify, from shipping operator reports on operations, from SHIPPERCON records, and from extensive field interviews with users of cargo and passenger liner services, the standards of services being performed on each liner shipping route, including especially the availability of appropriate services, convenience of schedule, service reliability, passenger care and comfort standards, and safety considerations (not only the accident record, but also the care that is or is not taken to adhere to maritime safety regulations). Current low service standards, as well as high load factors, annually or seasonally, are to be criteria by which the LSRS will identify needs for increasing service frequency, including just

seasonal frequency increases, and for approving new route franchises. (It is not expected that the LSRS will recommend precise adjustments to service schedules, but merely will indicate where, and the approximate extent to which, service schedule flexibility should be incorporated in existing and new route franchises, and to indicate, approximately, the new route franchises that should be approved during the cargo rate deregulation period, i.e., 1993-1996. It will subsequently be the responsibility of MARINA to invite applications for new or expanded services, and then to evaluate the applications received, and select the preferable offers, taking into account appropriateness of services offered, service records of applicants, desirable levels of competition, and the "prior operator" criterion.)

Seasonal Rates Pilot Project. The LSRS will develop passenger traffic seasonality tables for a number of liner shipping routes where passenger volumes are important, and will identify suitable routes (with pronounced peaking of traffic during the April-May or April-June periods) for conduct of a seasonal rates pilot project. The objective of the project would be to determine whether travellers with travel schedule flexibility could be induced to schedule their travel in off-peak periods, if peak-season passenger fares are 20 percent higher than off-peak fares. The LSRS will not undertake to implement the pilot project, but will recommend on how it might best be implemented by MARINA and CISO in 1994.

New Liner Routes. In examining the desirability of initiating services on seven possible new liner routes, the LSRS will conduct extensive interviews of shippers and passengers. Efforts will be made to identify three groups of passengers and cargo that might benefit from the establishment of new services: cargo and passengers that currently move by indirect shipping services; cargo and passengers that, in the absence of direct shipping services, use a different transport mode; and potential generated traffic, not existing at present because no satisfactory transport option exists to bring it into being. For each proposed new route, the LSRS will carry out both economic and financial analysis. The former will assess the desirability to the Philippines that new services be provided, and the latter will assess the prospects of liner shipping operators achieving profitability on the routes, with approximate identification of the optimal type and size of vessel(s) to be employed on each new route.

Domestic Shipping Route Classification System. The LSRS must make the distinction between liner and ferry routes, and then must identify the most useful classification system that might be adopted for these routes. In addition to arriving at a preferred system of route classification, the LSRS must identify the usefulness of the system, as, for example, to identify numbers and variety of operators to be operating on a route.

Open Entrance to Routes. The SRRS recommended route

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franchising liberalization, primarily to effect full cargo rate deregulation, but also so that gains in port efficiency could be translated into vessel utilization gains, and to better tailor services to seasonal levels of demand. It is possible that a significantly greater degree of route liberalization is desirable. Matching supply with demand might be disregarded in favor of permitting short-term excess capacity on a route or routes, with the expectation that, in the medium term, only the efficient operators would continue to operate. Shippers and travelers might, then, benefit from shipping costs and rates that would be lower than they would have been in the absence of the period of competition. This is in theory. It is up to the LSRS to assess the level of efficiency of the liner industry, within the constraints of impediments to efficiency not controlled by the industry. To the extent that the industry itself has immediate efficiency gains that could be realized, yet are not being realized, this must be identified by the LSRS, and a pilot project to test the usefulness of "open" entrance to routes, or a general policy in regard to "open routes", must be designed. Such a pilot project or policy should be given consideration by the study for one or more of the seven new routes being evaluated, or for one or more routes that the LSRS finds have only poor standard services. A pilot project would entail the franchising of all applicants to provide services on selected routes, provided only that a schedule of calling at the ports along the route could be agree upon with PPA or other port operators.

Cost and Rate Analysis. The LSRS will employ the 1991 and 1992 financial information encoded into the DSO computerized database for the computation of costs of vessel operation on routes operated by members of CISO, VAFCSO, and SMSA, and routes operated by non-conference vessels of 250 GRT or larger. The study will attempt to obtain supplemental unit cost information that will then be employed to identify the theoretical route-by-route costs of operation. These costs will then be used as a check on the accuracy of operator-reported costs. Cost computation will extend beyond the existing four cargo categories to identification of the costs of interisland movements of containers of the sizes common in interisland shipping, and the costs associated with truck and other vehicle accommodation aboard RORO ferries.

Rate computation will be limited to the computation of freight-all-kinds (f.a.k) container rates and RORO ferry cargo vehicle rates. The former will be based primarily on costs, but must give consideration also to the possible effects of f.a.k. rates on the containerization of agricultural commodities. The computation of RORO ferry rates must take into account whether a simple lane-meter rate is appropriate for all vehicle types, or whether load height needs also to be taken into consideration. Besides these container and RORO ferry rates, the LSRS will respond to MARINA and SHIPPERCON requests for rate computation for some few routes in regard to which there is some rate level controversy.

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Schedule & Submissions

The LSRS is to be conducted over a period of 30 months, through to completion of the final report (September 1992 through February 1995). The last of 13 draft reports and other draft outputs of the study is to be submitted in June 1994. Broadly, three types of documents are to be produced and submitted by the LSRS: reports to inform and advise MARINA on all aspects of the study efforts; reports evaluating liner shipping service opportunities, which MARINA might then make available to interisland operators, with the objective of inducing the operators to apply to provide the evaluated services; and documents which the LSRS team will be submitting in their role as technical advisors to MARINA. These last documents will include draft MCs, a draft law, and other documents as may be requested, and are to be revised during the course of the LSRS, upon receipt of comments from MARINA. The schedule for preparing and submitting, to both MARINA and USAID, a total of 14 LSRS reports, is as follows:

- Inception Report. This is to be produced at the end of 60 days after mobilization. It must provide a complete assessment of the status of both MARINA's database and SHIPPERCON's database from the standpoint of the study, and must identify all additional information which needs to be obtained for the purposes of the study, and indicate all necessary steps to be taken by the LSRS team and by MARINA and SHIPPERCON to meet all of the information requirements of the study. The report must also provide a detailed explanation of the analytical approaches which are to be employed to complete all aspects of the study.

- **Report on Preparations for Seasonal Rates Pilot Project.** This is to be submitted during the fifth LSRS month (January 1993). A revised version, reflecting USAID comments on the first draft, should contain recommendations for the eventual implementation of a seasonal rates pilot project. The revised version is to be submitted prior to LSRS report finalization efforts getting underway (by not later than June 1994), and will not constitute a portion of the LSRS Final Report.

- **Draft Passenger Service Rating System.** This must be submitted by the end of the seventh LSRS month (March 1993).

- **Southern Mindanao Liner Shipping Service Evaluation Report.** This report is to be submitted at the end of the nineth LSRS month (May 1993). The report will provide the results of surveys conducted in southern Mindanao (Davao, General Santos, and Cotabato/Polloc), and identify how liner shipping services to these areas might

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desirably be improved.

- **Draft Domestic Shipping Route Classification System.** This report is to be submitted during the 11th LSRS month (July 1993). The report must make recommendations for a classification system, and must group all routes according to the recommended system. The report will also recommend on routes to be treated as "open", perhaps on a pilot project basis.

- **Northern Islands Shipping Service Evaluation Report.** This report is to be submitted at the end of the 12th LSRS month (early September 1993).

- **Romblon & Marinduque Developmental Routes Report.** This report is to be submitted during the 15th LSRS month (November 1993).

- **Camiguin-Cebu Liner Shipping Developmental Route Report.** This report is due during the 16th LSRS month (December 1993).

- **Visayan Islands Shipping Service Evaluation Report.** This report is due during the 17th LSRS month (January 1994).

- **Palawan Liner Shipping Developmental Routes Report.** This report is to be submitted during the 19th LSRS month (March 1994).

- **Northern Mindanao Liner Shipping Services Evaluation Report.** This report is due during the 19th LSRS month (March 1994).

- **Batangas Liner Shipping Developmental Routes Report.** This report is to be submitted during the 20th LSRS month (April 1994), and will provide assessments of possible new liner shipping routes connecting Batangas to Cagayan de Oro, Cebu, Davao, and other ports.

- **Domestic Shipping Costs & Rates Report.** This report is to be submitted during the 22th LSRS month (June 1994).

- **Final Report.** This will be due within 90 days of LSRS consultant receipt of comments (MARINA, SHIPPERCON, USAID, and other reviewers) on all draft reports, but in no case later than the end of February 1995. The Final Report will include most earlier reports, excluding only the Inception Report, the Seasonal Rates Report, the PSRS, and the Route Classification Report. The last of these will be jointly revised, during April-June 1994, by MARINA and the LSRS team. The PSRS and the Seasonal Rates Report are to be revised and resubmitted by the

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LSRS, by not later than the end of June 1994. The Final Report is to be submitted in 14 volumes:

- Summary of Findings & Recommendations
- Northern Islands Shipping Services Evaluation Report
- Eastern Visayas Shipping Services Evaluation Report
- Central & Western Visayas Shipping Services Evaluation Report
- Zamboanga & Sulu Archipelago Shipping Services Evaluation Report
- Mindanao Shipping Services Evaluation Report
- Domestic Sea Trade of the Philippines, 1991-1993 (commodity profiles & island profiles, 2 volumes)
- Romblon & Marinduque Developmental Routes Report
- Cebu-Camiguin Liner Shipping Developmental Route Report
- Palawan Liner Shipping Developmental Routes Report
- Batangas Liner Shipping Developmental Routes Report
- Domestic Shipping Operating Cost Model
- Domestic Shipping Cost & Rate Analysis

The principal documents to be prepared by the LSRS team in their roles as technical advisors to MARINA will be MC 71-A, an MC on ferry service and a draft law on ports and shipping. During the fifth LSRS month (February 1993), the LSRS must submit a paper on the proposed draft law, and the draft law itself should be submitted within two months of receipt of comments on the preliminary paper, and in any case not later than the end of April 1993. A draft of MC 71-A should be submitted during the seventh LSRS month (March 1993), and a first draft of the ferry MC should be submitted to MARINA and USAID in May 1994.

Comments on the TOR for a redesigned IATS are to be submitted during the fifth LSRS month (February 1993), and a monitoring scheme for MARINA and SHIPPERCON in regard to liner service adequacy and service rates must be prepared and submitted in draft by not later than November 1993. Other technical assistance requests of MARINA should be responded to within 30 days by the LSRS team.

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Personnel

The contractor will be responsible for conducting the LSRS and preparing all the required reports and other documents, and for the quality and thoroughness of the study. Consultant input adding to 87.2 person-months (p/m) is needed for the study. Consultant LSRS team members, and their estimated p/m inputs to the study, shall include the following:

Senior Transport Economist/Project Director	8.0 p/m
Senior Shipping and Rate Specialist/Team Leader	8.0 p/m
Cost & Rate Analyst	8.5 p/m
Transport Economist/Survey Director	13.0 p/m
Survey Assistants (4)	31.5 p/m
Computer Specialists (2)	15.2 p/m
Legal Expert	1.0 p/m
Shipping Service and Efficiency Expert	2.0 p/m
Total: LSRS consultant input	87.2 p/m

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ANNEX B

DOMESTIC SHIPPING SERVICES MONITORING SYSTEM (DOSSMONS)

1. INTRODUCTION

Measures to correct problems and inadequacies of interisland shipping services cannot be taken if the problems and inadequacies are not known to the agencies responsible for taking the actions. The Maritime Industry Authority (MARINA) is responsible for ensuring that interisland shipping services are provided where they are required and are adequate in terms of appropriateness, frequency, reliability, safety, cargo security, and passenger accommodation standards. The Philippine Ports Authority (PPA) is responsible for ensuring that the commercial port system is adequate to effectively and efficiently accommodate all interisland and international vessels calling at PPA's individual ports, and that cargo is carefully and efficiently handled, adequately stored, and secure from damage or loss at the ports, and passengers are satisfactorily accommodated. To meet these responsibilities, MARINA and PPA must obtain information from the users of shipping services (i.e., shippers and consignees and passengers) and the users of ports (shipping lines) on the extent to which shipping and port services meet their current needs satisfactorily, and on their future needs for services.

The Presidential Task Force on Interisland Shipping indicated, in its April 1989 report, that there was need to improve the coordination of development of the shipping industry and the port system. That is, PPA was not obtaining sufficient and timely inputs to its planning process on the trends of the shipping industry, and on the industry's needs for port facilities. To improve coordination of the port system development with development of the shipping industry, the Presidential Task Force recommended: (i) that a Shipping and Ports Advisory Council (SPAC) be established; and (ii) that MARINA and PPA work together to ensure that there is coordinated development in the sea transport sector. The SPAC was subsequently established, but the close working relationship between MARINA and PPA has yet to be developed.

The Liner Shipping Route Study (LSRS) was conducted for MARINA, during 1992-1994, to produce a comprehensive survey of the adequacy of interisland shipping services and to identify needs for improving existing services and for introducing new services. One conclusion of the LSRS, following completion of its surveys, was that there continued to be a need for improvement of the coordination between shipping industry and port system development.

In November 1994, MARINA has already proceeded far down the road toward deregulation of the interisland shipping industry. MARINA began deregulating cargo rates in November 1990, when the agency deregulated the rates for shipments accommodated in reefer vans, for shipments of livestock, and for any shipments of cargo in transit (i.e., the interisland legs of import-export shipments).

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The franchising of interisland shipping services was liberalized when MARINA issued its Memorandum Circular (MC) 71 in October 1992, and rates and service franchising were further deregulated or liberalized with the issuance of MARINA's MC 80, in November 1993.

MCs 71 and 80 enunciate a franchising policy wherein public welfare is to be the uppermost concern, in comparison to the greater weight given, in the past, to the protection of shipping operator markets. In line with the greater emphasis on public welfare, MC 71 specifies that evaluations of franchising applications and applications for franchise amendment and renewals are to take into account: (i) the responsiveness of existing operators on the route being applied for to market demand; (ii) the appropriateness and standards of services those operators have been offering, up to the time of the application; (iii) the type of service, technology and service standards being offered by the applicant; and (iv) the relative cost efficiency of the existing and the proposed services.

For MARINA to carry out these evaluations, it is essential that all interisland liner shipping and ferry services be monitored much more closely than in the past. The LSRS survey of liner shipping and ferry services, in 1993 and early 1994, was only a beginning, and similar, institutionalized shipping service survey and evaluation is required. Accordingly, it is necessary for MARINA to set up a more permanent system of service monitoring, during 1994-1995, which will permit MARINA to monitor services on a more-or-less continuous basis.

MARINA's Franchising Office (FO) and the nine Maritime Regional Offices (MROs) are responsible for the franchising of interisland liner shipping and ferry services, and the Domestic Shipping Office (DSO) is responsible for monitoring and evaluation of existing services and identifying needs for new services and for service schedule amendments. MARINA has decided that the FO and DSO are to be merged to form a Domestic Shipping and Franchising Office (DSAFO) at the level of the Central Office. At the MRO level, shipping and franchising staff already work together as a unit in each MRO.

In November 1994, a Domestic Shipping Database (DSD) is under development at MARINA's Central Office. The DSD is to include all of the information from annual shipping operator reports and all service monitoring information, as well as some other information, such as basic information on commercial seaports. The annual shipping operator reports are already being submitted to MARINA, although they require some improvement.

The PPA has already made great strides in the development of its statistical system, although not all of the statistical information is yet being encoded. Much of this information is potentially of use for MARINA's shipping service monitoring

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purposes, and is to be obtained by MARINA, and incorporated into its DSD. Similarly, the National Statistics Office (NSO) is compiling complete cargo origin-destination (O-D) information for both the sea and air transport modes (all of which the NSO encodes and makes available on diskettes), and the DSD (in November 1994) contains this information for the years 1991, 1992 and 1993.

The development of databases at both MARINA and the PPA means that the two organizations have now reached the institutional development stage at which it becomes useful and highly desirable for them to regularly confer on the needs of the port system and of individual ports. For such a working arrangement to be valuable through the coming years, however, an effective interisland shipping service monitoring system must be established.

This LSRS report annex is to describe and recommend the establishment of a Domestic Shipping Services Monitoring System (DOSSMONS) to provide all of the service monitoring information that is essential for MARINA liner shipping and ferry service evaluations, and to provide, as well, the shipping industry information inputs required by the PPA for its planning process.

MARINA's DSO and the nine MROs will generate most of the required information on passenger services through the employment of the Passenger Service Rating System (PSRS). The DSO and the MROs can also generate a portion of the cargo service monitoring information, and this will especially be the case if a Cargo Service Rating System (CSRS) is developed. Cargo service monitoring is more complex than passenger service monitoring, however, requiring the PPA and NSO information, mentioned above, and requiring information to be generated/collected by a number of other agencies and associations, including:

- The Department of Trade and Industry (DTI)
- The Philippine Shippers' Bureau (SHIPPERCON)
- The Distribution Management Association of the Philippines (DMAP)
- The Philippine Chamber of Commerce and Industry (PCCI)
- Regional Shipper Associations (eight of which had been formed by September 1994)
- A number of producer/shipper organizations, such as the Philippine Association of Hog Raisers Inc. (PAHRI), the Philippine Association of Feedmillers Inc. (PAFMI), the Chamber of Furniture Industries of the Philippines (CFIP), the Philippine Chamber of Handicraft Industries, the Philippine Exporters Confereration Inc. (Philexport), the Industrial Group of Zamboanga Inc. (IGZI), and the

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Association of Mindanao Industries (AMI).

DTI's participation in DOSSMONS would not be at the national level (where it is represented by SHIPPERCON), but would rather entail the participation of the Trade & Industry Regional Offices (TIROs) and Provincial Offices (TIPOs).

In addition to the annual reports (which should be improved) of individual shipping operators, it would be useful for MARINA to receive quarterly reports from the interisland shipping conferences, including the Conference of Interisland Shipowners and Operators (CISO), the Visayan Association of Ferryboat and Coastwise Shipping Operators (VAFCSO), the Iloilo Ship Owners Association (ISOA), and the Southwestern Mindanao Shipowners Association (SMSA).

Until the DSO and the FO are merged, the FO needs to provide the DSO with immediate notification of any franchising, franchise renewals, and franchise amendments, including Provisional Authority (PA) and Special Permits (SPs), as well as Certificates of Public Convenience (CPCs). DSO, or DSAFO, will need to rely on MARINA's Ship Registration and Licensing Office (SRLO) for vessel safety certification. To develop and use DOSSMONS effectively, the DSO/DSAFO would also require the assistance of MARINA's Management Information Systems Office (MISO) to assist in the improvement of operator annual report information.

The following sections of this paper discuss the design and use of DOSSMONS, and a brief final section proposes a schedule of actions to be taken to establish the system.

2. DESIGN OF DOSSMONS

DOSSMONS will include all shipping service information other than operator annual reports, and will extend to monitoring of the following aspects of interisland liner shipping and ferry services:

- Vessel adherence to franchised routes and service schedules.
- Service adequacy to accommodate all demand for cargo (including rolling cargo) and passenger interisland movements.
- Passenger accommodation standards, and other aspects of passenger services.
- Cargo security (from deterioration, damage/injury, spillage and loss/theft).

- Service charges (of all types).

- Accuracy of shipping operator reporting on traffic and (roughly) on charges and revenue.

- Port infrastructure and operational adequacy and service standards.

- Shipper performance.

- Other influences on the adequacy, standards, and costs of shipping services.

DOSSMONS is "the system by which annual operator reports are upgraded, and supplemented by other regular reporting, by MARINA staff interisland shipping service evaluations, by regular consultations between government agencies and both the providers and users of shipping and port services, and by correspondence, in order to ensure complete domestic shipping service monitoring information is available on a timely basis to MARINA, and that such information is effectively used to improve shipping and port services and shipper practices, whenever and to whatever extent may be necessary, by MARINA, by PPA, and by SHIPPERCON."

The following reports constitute portions of DOSSMONS:

(1) PPA Monthly Reports. These should be submitted to DSAFO on diskettes. Most of the information is, in 1994, already being compiled by the PPA, but is not yet available on diskettes. The information would include the following, for each PPA-administered port:

- For every domestic commercial vessel entering the port during a month, its scheduled and actual times of arrival and departure, and the time and location (berth no.) of docking.

- For every commercial vessel (domestic and international), its docked period (number of hours), and volumes of loaded and unloaded breakbulk, bulk and containerized cargo, numbers of loaded and empty containers (expressed in TEUs), numbers of vehicles by type and size, and volumes of embarking and disembarking passengers.

- Monthly summaries of passenger, cargo, container, and vehicular traffic (loaded/unloaded) by domestic route, and export/import cargo volumes, with identification of the cargo volumes that are being transshipped at the port.

These reports would contain some information which, strictly speaking, would not be required for the monitoring of domestic

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shipping services, yet would be useful for other purposes of MARINA, and therefore might desirably be incorporated into a single series of reports to be received from PPA.

(2) **Other Commercial Port Owner/Operator Monthly Reports.** These should be as similar as possible to the PPA reports, but may have to be encoded by DSD staff.

(3) **SHIPPERCON Quarterly Reports.** These should constitute nation-wide collections of shipper/producer association compendiums of shipping service adequacy, standards and rate information. That is, SHIPPERCON should collect, either directly from RSAs, PCCI chapters and other national and local producer and/or shipper associations, or indirectly through the agency of TIROs and TIPOs, comprehensive summaries prepared by the producer/shipper associations from membership responses to brief shipping service questionnaires. The associations should have these summaries for their own purposes, to quantify and prioritize the shipping service inadequacies and costs which are afflicting their respective memberships, and it should not, therefore, constitute an onerous task for these associations to prepare such summaries of member views and information. Similarly, SHIPPERCON could make use of all information collected for its own purposes, and thus, should be inclined to complete any encoding which might still be necessary when the information is received in Manila, and then submit its own quarterly reports to DSAFO on diskettes.

Each compendium produced by the individual producer/shipper associations or association chapters should contain the following information for each shipping service or shipping route used or shipped over by any of its membership:

- Quarterly shut-outs of membership shipments, and consequences of shut-outs.

- Quarterly complaints of failure to adhere to service schedule, and consequences of schedule unreliability.

- Quarterly instances of cargo accommodation in damaged containers or inappropriate capacity (such as fresh fruit stored in passenger cabins or shipped in conventional containers).

- Quarterly cargo losses due to deterioration, damage/injury, spillage and loss/theft (identified separately).

- Quarterly complaints of high ("excessive") charges for shipping services.

- Quarterly complaints regarding ports (access, infrastructure, operations, charges, etc.).

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- General assessment statement by association re service adequacy trends.

These producer/shipper reports are to be quarterly, rather than only annual or semiannual, to permit MARINA and SHIPPERCON to take actions quickly whenever problems and service inadequacies are identified. The first draft of the DOSSMONS document, in fact, called for monthly reports to permit even more timely addressing of complaints. Several organizations, which were otherwise in favor of participating in DOSSMONS, indicated that they would be unable to assure their participation, if meetings were to be on a monthly basis. Maximization of participation is of greater importance to the success of DOSSMONS than is a high frequency of reporting, so the majority of reports and meetings are now intended to be quarterly.

From the standpoint of SHIPPERCON and the TIROs, however, there will nevertheless need to be meetings with one or more shipper association each month because each association will have to be met with on a quarterly basis, and there are a number of associations. It is important that SHIPPERCON and the TIROs avoid reporting on shipper complaints that arise from experiences in past years. That is, shippers tend to rate service standards taking into account any problems they have ever had with an operator, however long ago. By specifically asking shippers each quarter about their experiences during that time period, a tendency to overstate current shipping service shortcomings should be avoided.

(4) DMAP Quarterly Reports. These reports would follow the same format as the SHIPPERCON reports, with DMAP collecting the comments of all of its members. If DMAP's membership would agree, these reports could be converted to monthly reports, thereby enabling both MARINA and PPA to react more quickly to correct any identified problems and inadequacies.

(5) NSO Annual Origin-Destination Information. As indicated above, NSO provides cargo O-D information annually, with about an eight-month time lag.

(6) Shipping Conference Quarterly Reports. These reports would be similar to the producer/shipper association reports, in that they would provide summaries of operator problems, but they would also include detailed information on member adjustment of service schedules. It should not be onerous for the shipping conferences to prepare these reports, since the conferences should know, for their own purposes, what problems are afflicting their membership, and the urgency and priority of correcting these problems, and since the conferences should welcome the opportunities of regularly airing their views, on a regional basis, with the government (MARINA).

(7) MRO Shipping Service Staff Monthly Reports. These

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reports would be submitted by each of the MROs, and would cover the following:

- All approvals of route franchises, franchise renewals & franchise amendments.

- Suspensions and terminations of franchises, if any.

- Back-up evaluations for all franchise application, and renewal and amendment application reviews.

- All PSRS and CSRS evaluations of individual vessel services.

- Any identified deviations from franchised services.

- Any identified vessel engine and other mechanical/electrical failures while in service.

- Evaluations, if any, of possible new routes and/or new types of service.

- Summaries of discussions with other organizations (port operators, local PCCI chapters, shipping conferences, TIROs and TIPOs, etc.)

The DSAFO will itself be contributing to monthly service monitoring information; other information will be obtained through MISO correspondence; and the SRLO safety certifications will constitute essential service monitoring data.

The information channel between DSAFO and each of the MROs should accommodate flows in the DSAFO to MRO direction, as well as from the MROs to DSAFO; as discussed later in this paper, the MROs will require, for franchise application evaluation purposes, the information collected by DSAFO from PPA and SHIPPERCON which is pertinent to their respective areas of jurisdiction.

With the exceptions only of the DTI/SHIPPERCON "internal" collection of reports (from TIROs and TIPOs) and MARINA collection of NSO annual O-D information, all transfers of reports are to be done at regularly scheduled consultative meetings. The intention of this approach is to create the type of working level interaction that is needed for full and complete communication on myriads of details, and to begin the process of implementing the ultimate DOSSMONS' objective of improving interisland shipping services, including reducing vessel time requirements at ports.

The consultative meetings that should be held on a regular monthly basis for the purposes of DOSSMONS, and should be considered to constitute integral parts of DOSSMONS, are:

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- **MARINA & PPA.** The working level meetings are to be between staff of DSAFO and staff of PPA's planning and operations offices. The LSRS identified a large number of topics that need to be discussed in MARINA/PPA working meetings, such as going to effective 24-hour operation at some ports, providing good RORO berths at Abra de Ilog and Masbate (and elsewhere), providing reefer plugs at ports that need them, replacing the arrastre operator at Cuyo, dredging the port of Odiongon, and other needs for the improvement of individual ports. MARINA will be providing to PPA at each meeting detailed information on the needs for each improvement under discussion, and PPA, for its part, will provide information on implementation of improvements, including options for improvement, costs, planning and implementation status, and schedules for completion.

- **SHIPPERCON/TIROs/TIPOs & PCCI Chapters/Other Producer and Shipper Associations.** In 1994, SHIPPERCON is expanding its contact with shipper organizations, and, in fact, is trying to achieve better organization among producer/shippers by assisting in the formation of eight RSAs. Also, discussions have been held within DTI on how to best achieve SHIPPERCON regional presence through the involvement of TIROs and TIPOs in the identification of constraints to the expansion of international and interisland trade. The LSRS is recommending that PCCI, for its part, should hold a national congress designed to strengthen producer/shipper organization and develop a strategy for better ensuring that services to shippers become everywhere satisfactory. An essential element of this strategy is the compilation of shipper complaints regarding services of all types, including interisland liner shipping and ferry services, and summarizing these compilations for government review and action. Ideally, every province and every region should be involved in the continuous national review of the adequacy of services to shippers, and discussions should be regularly held at the provincial and regional levels between the producer/shipper organizations and the government; in this way, geographically specific complaints about services will not be "lost", but will continue to be subjects for discussion until actions are taken to correct them.

- **MARINA, SHIPPERCON & DMAP.** These meetings are to be primarily to convey the collected complaints of shippers to MARINA, and to work out an approach, including prioritization of issues, for correcting all identified problems. MARINA would be responsible for presenting status reports, at these meetings, on investigative efforts and actions being made/taken in regard to matters

brought up at earlier meetings. There might also be needs for the correction of shipper-related problems, such as excessive peaking of demand for services and inadequate packaging, and SHIPPERCON would need to report on the status of correcting such problems.

- **DSAFO & CISO.** These meetings are to permit a two-way flow of information, with DSAFO indicating needs for shipping service improvement and new services, and actions being taken to correct problems of the industry, and CISO indicating the self-improvement efforts underway by its membership, and providing additional information on the problems of the industry.

- **Cebu MRO & VAFCSO.** The meetings are to be similar to the DSAFO/CISO meetings, i.e., wide-ranging discussions of both the shortcomings of the shipping industry and its services and, on the other hand, the problems of the industry, which make it difficult for shipping operators to perform to high standards and cost efficiently.

- **Iloilo MRO & ISOA.** ISOA is the youngest of the four interisland shipping conferences, and the discussions may need to extend to approaches to strengthening the shipping conference, itself, as well as covering the same subjects discussed at other regular meetings of MARINA offices with the shipping industry.

- **Zamboanga MRO & SMSA.** The meetings would be similar to the Cebu MRO/VAFCSO meetings, but would, of course, concentrate on the services and problems of SMSA members. Two of these topics, in 1994, must be: the ending of the government agency practice of giving free passes (which SMSA members are required to honor) for passage between islands; and the improvement of vessel seaworthiness in the Sulu Archipelago.

3. USE OF DOSSMONS

DOSSMONS will be used mainly for the following six purposes:

- As the basis for correspondence between MARINA and individual operators that will apprise the operators that MARINA is closely monitoring their operations and thoroughly reviewing their annual reports, and will request/require from operators explanations for diversions from franchised services and from approved rates, as well as responses regarding any other complaints about their services, including their plans for improving their service standards and better

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responding to market demand.

- As the basis for evaluation of applications for route franchises, and franchise renewals and amendments.

- As the basis for coordinating port system development and shipping industry development, and for PPA/MARINA discussions of port inadequacies and operating problems which are constraining the efficiency of shipping operations.

- As the basis for identifying and correcting shipper-related problems, such as excessive peaking of demand, inadequate packaging of cargo, late delivery and pick-up of cargo, and cargo overvaluation.

- As the basis for DSAFO and MISO preparation of two biennial reports on the adequacy of interisland shipping and ferry services.

- As a basis for launching investigations by other offices of MARINA.

Each of these six principal uses of DOSSMONS is separately discussed below.

Correspondence with Shipping Operators

There will be a time lag of 3 or 4 months, from the time most DOSSMONS information is collected at individual ports and from the memberships of local chapters of producer/shipper associations and shipping operator conferences, until the information is fully encoded and available for the use of DSAFO staff. By September of each year, after the first, development year of DOSSMONS, DSAFO should have in its DSD the following:

- All operator annual report information from the previous year.

- All port records on vessel arrival and departure times and on loading and unloading of each vessel for the previous year, and up through July of the current year.

- Nation-wide shipper complaints for each quarter of the previous year, and up through the second quarter of the current year.

- Nation-wide cargo O-D information for the preceding year (and earlier years).

- Results of MARINA's own investigations of shipper

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- Services placed on "probation" because of low service standards (as determined through employment of the PSRS and CSRS, or because of safety concerns).

This comprehensive internal report is to be produced during October each year by DSAFO, with supplementary reports being produced in other quarters, providing up-to-date information on complaints and actions, or inaction, in regard to identified problems.

Upon receipt of the DSAFO comprehensive report, MISO will send letters to every liner shipping and ferry operator. Hopefully, as the years go by, increasing numbers of these letters will be for the purpose of thanking the operator for submission of annual reports which are entirely satisfactory and on time, and identifying that MARINA finds the operator's services to be satisfactory and in accordance with franchises held by the operator. These letters are also to refer to any problems raised by the operator or, more likely, by the conference to which the operator belongs (information from SRLO will permit MISO to report on maritime safety matters, as well as the matters covered in DSAFO reports).

Regrettably, MISO will, in the early years of DOSSMONS, have the opportunity to send only a very few letters of the "thank you" type, and most letters to operators will instead need to identify any or all of the following, requesting operator actions in each case:

- Late submission of annual reports to MARINA.

- Annual report inadequacies (highly specific), with requests to send supplementary information and clarification.

- Deviations from franchised routes, and needs for correction or franchise amendment.

- Conflicts between operator-reported information on traffic and traffic information from other sources, with requests for explanations.

- Deviations from approved rates, and requests for explanations.

- Problems of operator shipping service standards, sometimes to the extent of placing them on a "probational" status, with requests to be informed of operator actions and plans to correct service problem and upgrade services, or to explain the causes of low service standards if causes are beyond the control of the operator.

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Evaluation of Route Franchise Applications

After DOSSMONS has become a fully-developed system (which should be possible in 1995, as discussed in the final section of this annex), DSAFO will be able to produce all of the following information within one working day of receiving, for DSAFO evaluation, an application for a new route franchise:

- Applicant's schedule adherence record on all routes the applicant is already franchised to operate. This record will include all voyage deviations from franchised routes, as well as minor time deviations of a few or several hours in arriving at and departing from scheduled ports-of-call.

- PSRS and CSRS evaluations of applicant's passenger services and cargo services, respectively, performed on all other routes applicant is franchised to operate.

- Applicant's rate-adherence record for both passenger and cargo services.

- Shipper complaints (if any) regarding cargo services being performed by the applicant on the applicant's franchised routes, and even on routes or port calls being served/made by the applicant's vessels, although not included among his franchised services.

- TSO/MSO safety certifications for the vessel proposed to be employed on the applied-for route (unless vessel is newly constructed, or newly imported or bare-boat chartered), together with record of engine failure and other mechanical/electrical investigations (these are discussed below).

- Records of traffic growth on the applied-for route (from PPA, NSO, and operator reports).

- PSRS and CSRS evaluations of existing services on the route.

- Shipper complaints regarding existing services on the route.

- Records of existing operators on the route in regard to both schedule and rate adherence.

- SRLO safety certifications (or lack thereof) for all vessels currently operating on the route.

- Applicant record and existing operator records of annual reporting to MARINA, including identification of all

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report shortcomings and conflicts with PPA traffic information, and the record of responses to MISO requests for supplementary information, clarification, and explanation.

- DSAFO's own estimates (and those of MRO shipping and franchising staff) of needs for additional operators and capacity (by type) to adequately serve the applied-for route in the short to medium term.

DSAFO's evaluation will be in two steps:

- **Evaluation of applicant and applicant's vessel.** From the standpoint of DSAFO, the "evaluation" of the vessel will be nothing more than ensuring that SRLO has given a recent safety certification or (if vessel is "new") that the SRLO has licensed the vessel for operation of the types of services being applied for, and that the period of any franchise considered would be within MARINA guidelines for acceptable vessel age, by type. Evaluation of the applicant, however, will utilize all of DSAFO's information on the applicant. If the applicant has a particularly bad record of deviating from scheduled services and disregard for service schedules; if there exists a deluge of shipper complaints regarding the applicant's cargo service performance; if any of the applicant's passenger and/or cargo services on franchised routes have a current "probational" rating; if the applicant is a chronic overcharger for services; if vessels being employed by the applicant have no current safety certification from SRLO; if the applicant's reporting to MARINA has been egregiously poor; or if there is some combination of all of these considerations that make it appear undesirable to franchise, in the short term, the applicant to operate any new services; then, the application is to be denied, without any need to evaluate the applied-for route. In denying the application, however, DSAFO will produce a copy of the applicant's dossier, to be enclosed with a MISO letter indicating that applicant is temporarily ineligible for new franchises, and suggesting the steps that might be taken by the applicant in regard to his vessel fleet, current franchised services, and reporting requirements, to once again become eligible for the awarding of new route franchises. Only DSAFO will have the database which is essential for carrying out this first step of the franchise application evaluation, so that MROs can only proceed with route franchise evaluation after requesting and receiving from DSAFO "applicant clearance".

- **Route evaluation.** This step is to be undertaken either

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by DSAFO or by an MRO, or by both (since the MROs must send all contested applications to the Central Office of MARINA for decision). The MROs, therefore, will need the PPA and producer/shipper information that is pertinent to the route in question, as well as copies of MISO pertinent correspondence with existing operators on the route.

In cases of franchise renewal applications, the evaluation procedure is much simpler, and a five-working-day time limitation has been adopted for ruling on all franchise renewal applications. Renewals are always to be awarded provided that:

- The vessel has a current safety certification from SRLO.
- The applicant has actually been operating the franchised services.
- The applicant's cargo and/or passenger services on the route do not have a current "probational" status (given by DSAFO or MRO, on the basis of PSRS or CSRS findings, or chronic shipper complaints).
- MISO has no important outstanding issues with the applicant, i.e., the applicant has responded satisfactorily to MISO requests for information and explanation.

Franchise amendment evaluation will consist, approximately, of a combination of the second step of new route franchise application evaluation and the information required for the evaluation of route franchise renewal applications.

Coordination of Shipping Sector Development

As indicated above, the Presidential Task Force on Interisland Shipping indicated, in its April 1989 report, that there was a need to improve coordination of port system development with interisland shipping industry development. To accomplish that, however, both PPA and MARINA had to develop effective monitoring systems and planning capability. DOSSMONS represents the final step in the institutional development that was necessary to permit both MARINA and PPA to make the information and planning contributions required for a working relationship between them to be effective.

A fully-developed DOSSMONS will permit DSAFO to bring the following information to its "working-level", coordination meetings with the PPA:

- Nation-wide complaints of shipping operators and shippers regarding port facilities, water depths, operations, and

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charges. These complaints are all to be quantified, not only in terms of their numbers, but also in regard to their effects on shipping operations, and the urgency of their correction.

- All new franchises and franchise amendments approved by MARINA.

- Franchises under consideration by MARINA.

- MARINA investigation results and planning findings in regard to new route possibilities and new types of services at some ports, and the implications of these contemplated services for required port facilities and water depths.

- Short-term and medium-term cargo and passenger traffic growth expectations.

- Short-term and medium-term vessel call expectations at ports, including vessel fleet evolution considerations, and the possible substitution of Asian regional vessel calls for some interisland vessel operations, i.e., reducing cargo transshipment volumes at Manila and Cebu, through increasing overseas shipping direct calls at other ports.

Correcting Shipper-Related Problems

DSAFO staff will bring to their monthly meetings with SHIPPERCON the nation-wide complaints of shipping operators in regard to shipper-related problems, and also DSAFO's own investigation results in regard to peaking of demand. As an example of the latter, the Camiguin producer/shippers complain of inadequate cargo capacity on the Camiguin-Maasin-Cebu route, whereas, on average, they are utilizing only one-quarter of the cargo space allotted to them. The problem would therefore appear to be one of excessive peaking of demand, and the solution would not be additional cargo services, but rather appropriate storage capacity for more evenly distributed outward shipment.

Reports on the Adequacy of Shipping Services

DSAFO and MISO are to produce two biennial reports (in alternate years): an Interisland Liner Shipping Service Adequacy Report (ILSSAR) and an Interisland Ferry Service Adequacy Report (IFSAR). DOSSMONS should permit DSAFO and MISO to prepare the first ILSSAR, in 1996, and the first IFSAR the following year. Specifically, DOSSMONS will permit DSAFO to produce from its database (i.e., the DSD) the following for every route, month-by-

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month, for the 24-month period being reported on:

- Route capacity, in terms of reefer boxes, standard and ventilated containers, expressed in twenty-foot equivalent units (TEUs), vehicles, expressed in passenger car units (PCUs) or bus equivalent units (BEUs), breakbulk cargo, dry and liquid bulk cargo, and passengers, per direction.

- Traffic volumes and capacity utilization, per direction and leg.

- Results of DSAFO and MRO service evaluations using the PSRS and a CSRS.

- Cargo shut-outs per location, and proportions accommodated by another vessel within 12, 24, and 36 hours.

- Cargo value losses due to deterioration, damage, spillage, and pilferage.

- Cargo rates and their relationships to both cargo accommodation costs and official or indicative rates.

- Passage rates and their relationships to both passenger accommodation costs and official third class passage.

- Service schedule adherence record.

- Port limitations and problems by port and type of traffic.

- Traffic growth rates, and short-term capacity utilization projections (in the absence of new capacity).

- Potentials for shifting transit cargoes from the route.

- Potentials for increasing route capacity with existing franchised vessels.

- Shipper-related problems on the route.

- Status of consideration and discussions to introduce new capacity, by type, and to improve shipping service standards.

- Status of discussions to increase port throughput capacity, by traffic type, and to accommodate new types and/or sizes of vessels, improve port efficiency, and reduce vessel delays and costs at ports.

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- Status of discussions to reduce or eliminate shipper-related problems.

Both ILSSAR and IFSAR will need to briefly discuss maritime safety on each route, identifying whether or not all vessels on the route had been given SRLO safety certification, and identifying any accidents that occurred and the record of vessel engine failures. (A separate Annual Report on Maritime Safety (ARMARS) is to be prepared by SRLO. Most of the information for that report is not anticipated to be obtained through DOSSMONS; however, DOSSMONS will aid in identifying vessel mechanical and electrical failures while in operation.) Similarly, DOSSMONS will contribute information to be included in MARINA reports on maritime manpower and shipyard services. These "side benefits" of DOSSMONS are discussed in the next section.

Investigations by Other MARINA Offices

The LSRS recommended that MARINA adopt a new operator report format designed to simplify both the preparation and the encoding of the report, but designed, also, to provide MARINA with some additional information, including information on the adequacy of operator manpower and available shiprepair services. The monthly meetings of DSAFO with CISO, the Cebu MRO with VAFCSO, the Iloilo MRO with ISOA, and the Zamboanga MRO with SMSA, however, would be the proper fora for obtaining summary information on manpower adequacy for the members of these four shipping conferences, and on the sufficiency and quality of shiprepair services in the various areas of the Philippines. Any identified manpower problems would then be investigated by the Manpower Development Office (MDO), and the MARINA office dealing with shipyards would further investigate any identified inadequacies of shiprepair services.

Leads on vessel engine failures and other mechanical and electrical problems might be in the form of PPA information on prolonged port departure delays or could come from shipper complaints or passenger interviews, in the course of using the PSRS. In any case, whenever DSAFO staff or MRO staff are apprised of such vessel failures while in operation, the SRLO at the Central Office or MRO is to be immediately notified, for undertaking an investigation, and the SRLO will subsequently notify DSAFO of the results of the investigation.

4. IMPLEMENTATION OF DOSSMONS

Many of the actions, policies and programs which are necessary for the institution of DOSSMONS have already been taken, enunciated or initiated. Specifically, the following is true:

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- The Shipping and Ports Advisory Council (SPAC), chaired by an undersecretary of the Department of Transport and Communications (DOTC), has been established, with MARINA, PPA, and SHIPPERCON as members, and with the shipping industry represented. This would be the appropriate forum to discuss the recommended DOSSMONS, revise its design, as may be necessary, and then recommend to both the DOTC and DTI the adoption of the monitoring system. Although the private sector is represented on the SPAC, it would be useful to invite CISO, DMAP, and PCCI, as associations, to join the SPAC discussion of DOSSMONS.

- MARINA has adopted policies of decentralization of functions and monitoring of shipping services so, where MARINA is concerned, there is no question of whether a nation-wide system of monitoring will be established, but only of what the design of that system will be.

- The DTI has agreed to expansion of the role of SHIPPERCON to include monitoring of interisland transport services, and to the assistance of TIROs and TIPOs to provide SHIPPERCON with the necessary regional presence.

- PPA has already accomplished a great deal in developing an effective and comprehensive statistical/monitoring system, and the modifications required and further desirable development probably could be done quickly.

- DMAP is already an effective organization and is ready for the institution of the regular dialogue with government that would enhance its effectiveness.

- PCCI and other producer/shipper associations are already well-established, although not yet fully effective, and SHIPPERCON, in 1993-1994, is encouraging small shippers in many areas to better organize themselves, and has assisted in the formation of eight RSAs.

- CISO, DMAP, MARINA, and SHIPPERCON signed a memorandum of agreement (MOA) in August 1994, to form the Domestic Shipping Industry Consultative Council (DSICC). The purpose of the DSICC is to provide a forum for direct discussion of shipping sector problems and opportunities. Were the DSICC to be geographically expanded, and its membership extended to small shipper associations and the PPA, it would very nearly constitute the DOSSMONS being recommended by the LSRS.

Despite the "good start" identified above, much needs to be done if DOSSMONS is to be adopted, developed and made effective. In November 1994, only MARINA and SHIPPERCON have made definite commitments to participate in DOSSMONS. Before any implementation

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steps can be taken, it is essential that MARINA obtain agreement from the DOTC, DTI, PPA and the private sector (shippers and shipping operators) on the DOSSMONS design, uses, and schedule for development. It would be useful from the standpoint of DSAFO, if definite agreement on DOSSMONS could be reached by March 1995, as that would give direction to DSAFO's own institutional development.

The LSRS is recommending that PCCI hold a national congress, with the objectives of: (i) expanding membership; (ii) organizing and developing nascent chapters; (iii) improving national coordination, and thereby increasing PCCI political force; (iv) enlisting the assistance of provincial governments in dealing with the national government; (v) developing closer working relationships with SHIPPERCON and local offices of the Department of Trade and Industry (DTI), but at the same time insisting upon more forceful support of shippers on the parts of these offices; and (vi) developing a strategy for creating new services to shippers, and bringing about improvements of existing services. The ideal timing for the recommended national congress would be immediately following the adoption of DOSSMONS by DOTC and DTI, as this would provide all PCCI chapters with the regular forum in which to air their complaints and discuss their problems and constraints, with the expectation that these discussions would lead to short-term action by government and the shipping industry to improve interisland shipping services.

Even before DOSSMONS is taken under consideration by the SPAC, and especially if the PCCI, DMAP and CISO are not to be invited to SPAC deliberations, it would be useful for MARINA and SHIPPERCON to jointly hold preliminary discussions with these three organizations to learn their views regarding the design of DOSSMONS and how best it might be implemented.

At the same meeting of the SPAC where a recommendation on DOSSMONS is agreed upon, an "implementation review committee" should be formed, comprised of MARINA, SHIPPERCON and PPA representatives, and one or more individuals from the private sector, to keep the SPAC apprised, perhaps on a quarterly basis, of the status of DOSSMONS implementation.

It should be possible to fully develop DOSSMONS within a year, **following its adoption by all intended participants**, because it is in everyone's interest that it be developed. Shippers have needed the forum which DOSSMONS would provide for having their views and complaints heard, with a fair to good expectation that necessary actions by government and the shipping industry will follow; the shipping industry has similarly needed a forum for their complaints and views, and has also needed a better conduit of information, than exists currently, on shipper needs for services, including especially appropriate types of capacity; and MARINA and PPA have needed a better foundation on which to base their planning and policy review functions and tasks.

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