

14 MAY -5 P3:08

SENATE
P.S. Res 625

Introduced by Senator Poe

RESOLUTION

DIRECTING THE SENATE COMMITTEES ON TRADE, COMMERCE AND ENTREPRENEURSHIP AND ON ECONOMIC AFFAIRS TO CONDUCT A COMPREHENSIVE REVIEW, IN AID OF LEGISLATION, ON THE CABOTAGE LAW AS EMBODIED IN CERTAIN PROVISIONS OF REPUBLIC ACT NO. 1937 OR THE TARIFF AND CUSTOMS CODE OF THE PHILIPPINES AND REPUBLIC ACT NO. 9295 OR THE DOMESTIC SHIPPING DEVELOPMENT ACT, WITH THE OBJECTIVE OF HAVING A MORE ROBUST AND SAFER SHIPPING INDUSTRY AND CHEAPER TRANSPORTATION COSTS TO THE GENERAL PUBLIC

Whereas, the Philippines is an archipelago of 7,107 islands and boasts of having long coastline with a length of 235,937 square kilometers. Its 36,289 kilometers of coastline makes it the country with the 5th longest coastline in the world. Out of its 76 provinces, the Philippines has 55 coastal provinces;

Whereas, industry data show that there are over 9,137 registered ships in the domestic trade in 2013, most of which operate as passenger-cargo liner;

Whereas, inter-island trade is largely facilitated by maritime transport given that the Philippines is an archipelago, with P15.453 million gross value added of the maritime transport industry in 2012 or 0.24 percent of the country's gross domestic product;

Whereas, cabotage is traditionally a shipping term which refers to the transport of goods or passengers between two points in the same country via sea, air or land. The etymology is derived from the French word "caboter" or to sail along the coast;

Whereas, Philippine regulation of cabotage—also called coastwise trade—stems from certain provisions of Republic Act No. 1937 or the Tariff and Customs Code of the Philippines of 1957 derived from the American-era Jones Act of 1920 and RA 9295 or the Domestic Shipping Development Act of 2004;

Whereas, the right to engage in the Philippine coastwise trade is limited only to vessels carrying certificates of Philippine registry, under sections 810, 902 903 and 1009 of RA 1937;

Whereas, this protectionist policy is also spelled out in Chapter III, Section 5 of RA 9295 which provides that "No franchise, certificate or any other form of authorization for the carriage of cargo or passenger, or both, in the domestic trade, shall be granted except to domestic shipowners or operators and Section 6 of RA 9295 which states that "No foreign vessel shall be allowed to transport passengers or cargo between ports or place within the Philippine territorial waters, except upon the grant Special Permit by the MARINA [Maritime Industry Authority] when no domestic vessels is available or suitable to provide the needed shipping service and public interest warrants the same";

Whereas, President Benigno Simeon C. Aquino III, in his fourth State of the Nation Address last July 22, 2013, urged Congress to amend the Cabotage Law "in order to foster greater competition and to lower the cost of transportation for our agricultural sector and other industries";

Whereas, in a policy note by the Philippine Institute for Development Studies (PIDS) in February this year titled "*Toward Relaxing the Cabotage Restrictions in Maritime Transport*," the government think tank noted that the high cost of domestic shipping services has been attributed to the "lack of meaningful competition in the industry, which is in turn exacerbated by the country's cabotage policy as more cost competitive foreign vessels are restricted from engaging in coastwise transport";

Whereas, the PIDS study stated that while the MARINA reported last year that the Philippines is considered as the world's 5th largest shipbuilding country after China, Japan, Korea and Brazil as more local shipyards are building more ships of larger tonnage capacities like bulk carriers, container ships and passenger ferries, it is ironic that the country has a moribund domestic maritime industry in that shipping lines continue to use smaller and even older vessels in transporting cargo, which are uncompetitive compared with those used by their foreign counterparts;

Whereas, despite the issuance of Executive Order No. 170 dated January 22, 2003, as amended by EO 170-A and EO 170-B, which promotes the participation of the private sector in Road Roll-On/Roll-Off (RORO) Terminal System and mandates simplified documentary requirements and reduction of transport costs, still, domestic shipping is costlier compared with foreign transshipment;

Whereas, exporters and importers argue that the restriction on foreign vessels in coastwise transportation increases their maintenance and operating costs as cargoes have to be loaded and unloaded to and from foreign and local vessels and vice versa, and the additional operating costs will be passed on to the consumers;

Whereas, another area that can be looked into is the quality of road networks and port infrastructure which includes container cargo handling equipment and draft (depth of the ports), as infrastructure lack discourages large ships to call at local ports;

Whereas, in line with reforming the cabotage policy is reviewing the bureaucratic processes to eliminate inefficient port practices and creating a one stop shop for all maritime affairs, instead of seeking clearances from various state agencies;

Whereas, taking a cue from President Aquino's call to review the Cabotage Law, it is high time that legislators consider an appropriate and immediate action in the face of globalization, but must ensure a balancing act to protect the interests of not only of local industry players that may be unable to muster enough financial muscle to continue operations but also of consumers, traders and the labor sector;

RESOLVED, that the Senate Committees on Trade, Commerce and Entrepreneurship and on Economic Affairs conduct a comprehensive review of the Cabotage Law as embodied in certain provisions of Republic Act No. 1937 or the Tariff and Customs Code of the Philippines and Republic Act No. 9295 or the Domestic Shipping Development Act, with the objective of having a more robust shipping industry and cheaper transportation costs to the general public.

Adopted,


GRACE POE