

SIXTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



Senate
Office of the Secretary

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SENATE

S. No. 1359

RECEIVED BY: ji

Introduced by Senator Antonio "Sonny" F. Trillanes IV

EXPLANATORY NOTE

During his 2013 State of the Nation Address (SONA), President Benigno S. Aquino III called on Congress to amend the country's policy on Cabotage which means "navigation or trade along the coast".

To heed the call of the President, and in response to the long-standing clamor of stakeholders, this measure seeks to repeal the pertinent provisions of the Tariff and Customs Code of the Philippines and the Domestic Shipping Development Act of 2004 which embody the Cabotage principle.

The present Cabotage policy of the country as provided for by the aforementioned laws, which is a remnant of the Jones Law of 1920 when the country was still a colony of the United States of America, prohibits foreign carriers from engaging in domestic trade. Albeit said policy was initially adopted to protect and boost the local shipping industry, "like many other industries that are controlled by a few, the industry remains inefficient"¹ and has yet to significantly grow and improve. The high cost of operating and maintaining fleets of mostly old vessels is shifted to consumers which include our farmers, fisherfolks, traders, buyers, and tourism operators, among others, in the form of exorbitant inter-island transport fees. In fact, our domestic shipping carriers charge almost three times more than what international shipping lines charge and for a ludicrously shorter distance.

It is hoped that with the President at the forefront of championing this cause which is envisioned to "foster greater competition and to lower the cost of transportation for our agricultural sector and other industries"², this Congress will finally usher the passage of this measure.

In view of the foregoing, immediate enactment of this bill is earnestly sought.

ANTONIO "SONNY" F. TRILLANES IV
Senator

¹ Fidel O. Abalos. *Cabotage Law: "Exclusive growth" for local ship-owners*. Information retrieved from <http://www.philstar.com/cebu-business/2013/07/29/1026861/cabotage-law-exclusive-growth-local-ship-owners> on 8/8/2013.

²State of the Nation Address of His Excellency Benigno S. Aquino III President of the Philippines to the Congress of the Philippines. Session Hall of the House of Representatives, Batasang Pambansa Complex, Quezon City, on July 22, 2013.



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SENATE

S.B. No. 1359

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Introduced By Sen. Antonio "Sonny" F. Trillanes IV

AN ACT
ALLOWING FOREIGN VESSELS TO ENGAGE IN COASTWISE TRADE IN THE
COUNTRY AND FOR OTHER PURPOSES

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

SECTION 1. Short Title. – This act shall be known as the **"Coastwise Trade Act of 2013"**.

SEC. 2. Declaration of Policy. – It is the policy of the state to:

1. Allow the entry of foreign vessels to assist importers and exporters in enhancing their competitiveness in the light of intensifying international trade;
2. Lower the cost of shipping export cargoes from Philippine ports to the international ports and vice versa; and
3. Ensure the continued viability of domestic and foreign shipping operations.

SEC. 3. Definition of Terms. – For purposes of this Act, the following terms are hereby defined as follows:

- a) **"Clearance"** refers to the compliance with the requirements of the Bureau of Customs for the release of import cargoes which include but not limited to the filing of import entry and payment of duties and taxes unless otherwise exempt therefrom;
- b) **"Coastwise Trade"** refers to the sale or exchange of goods, articles, commodities or merchandise which are neither designated nor classified as export cargo nor import cargo;
- c) **"Container"** refers to a ship's cargo that is of the Philippine origin intended for local consumption, or those which have not been duly declared for exportation to the Bureau of Customs at the port of origin, or those of foreign origin but which have been entered and cleared by the Bureau of Customs;
- d) **"Export Cargo"** refers to the goods, articles, commodities, or merchandise duly declared to the Bureau of Customs at the port of origin as cargoes for foreign shipment to a foreign country;
- e) **"Foreign Cargo"** refers to export or import cargo;
- f) **"Foreign Port"** refers to a port or place outside the jurisdiction of the Philippines;
- g) **"Foreign Trade"** refers to the sale or exchange of goods, articles, commodities or merchandise which are either designated or classified as export or import cargo;
- h) **"Foreign Vessels"** refers to vessels registered and documented in registries other than that of the Philippines;

- i) **“Import Cargo”** refers to the goods, articles, commodities or merchandise of foreign origin which are intended to be cleared at the final port of destination in the Philippines;
- j) **“Port of Entry”** refers to a place where foreign goods may be cleared through a customs house or a place where an alien may be permitted to enter a country;
- k) **“Principal Port of Entry”** refers to the chief port of entry of the collection district wherein it is situated and is the permanent station of the collector of such port;
- l) **“Philippine Vessels”** refers to vessel duly registered and documented in the Philippine registry; and
- m) **“Sub-ports of Entry”** refers to those ports granted by the Bureau of Customs allowing a foreign vessel engaged in foreign trade to load and unload, or accept and process export or import cargoes.

Sec. 4. Coastwise Trade. – The right to engage in the Philippine coastwise trade shall no longer be limited to vessels carrying a certificate of Philippine registry.

For this purpose, foreign vessels may be allowed to transport passengers or cargoes between ports or places within the Philippine territorial waters even when a domestic vessel is available or suitable to provide the needed shipping service and whenever public interest warrants.

Passengers or articles arriving from abroad on a foreign vessel may be carried by the same vessel through any port of entry to the port of destination in the Philippines. Passengers departing from the Philippines or articles intended for export may likewise be carried in a foreign vessel through a Philippine port; *Provided*, That the country where the foreign vessel is registered affords the same privileges to Philippine registered vessels.

SEC. 5. Certificate of Public Convenience. – All domestic and foreign ship owners or operators shall, upon approval of the application with the Maritime Industry Authority compliance of all requirements, be given the certificate of public convenience or any form of authorization for the carriage of cargoes or passengers, or both, in the domestic trade.

SEC. 6. Clearance. – Upon compliance with such reasonable conditions as he may impose, the Commissioner of Customs may clear foreign vessels for any port and authorize and conveyance therein of either articles or passengers brought from abroad upon such vessels. He may likewise, upon such conditions as he may impose, allow a foreign vessel to take cargo and passengers at any port and convey the same upon such vessel to a foreign port.

The clearance permitting vessels to engage in foreign trade to load or unload foreign cargoes to and from principal ports of entry or sub-ports in the country shall include the following instances:

- a) Allowing an international cargo vessel to shift empty containers of any foreign lines if said vessel regularly calls at Manila and proceeds to Philippine outports; and
- b) Allowing transshipment by an international vessel of cargo coming from or headed for a foreign port to and from any Philippine outport.

SEC. 7. Regulatory Body. – The Maritime Industry Authority (MARINA) shall have the power and authority to issue certificate of public convenience to qualified foreign and domestic ship operators, taking into consideration the economic and beneficial effect which the propose

service shall have to the port, province or region which it proposes to serve, and the financial capacity of the domestic ship operator to provide and sustain safe, reliable, adequate, efficient and economic service in accordance with the standards set by the government regulation.

SEC. 8. *Implementing Rules and Regulations.* – Within sixty (60) Days from the approval of this Act, the Secretary of Finance shall, in consultation with the Bureau of Customs (BOC), Maritime Industry Authority (MARINA), Philippine Shipper’s Bureau and Philippine Coast Guard, promulgate such rules and regulations necessary for effective implementation of this Act.

SEC. 9. *Repealing Clause.* – Sections 902 and 1099 of Republic Act No. 1937, otherwise known as the “Tariff and Customs Law of the Philippines,” Section 5, 6, and 7 of Republic Act No. 9295, otherwise known as “Domestic Shipping Development Act of 2004,” and all laws, decrees, executive orders, rules and regulations or other issuances, or parts thereof, inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 10. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its publication in two (2) national newspapers of general circulation.

Adopted,