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REPUBLIC OF THE PHILIPPINES)
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Senate
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**SENATE
S. B. No. 1247**

REC'D

BY: 

Introduced by Senator JUAN MIGUEL F. ZUBIRI

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

Explanatory Note

It is said that the Cabotage Laws in the country are one of the reasons that constraints our economic growth. High domestic shipping cost and Cabotage policies are closely linked. The protection enjoyed by the domestic shipping industry through Cabotage restrictions result in the lack of meaningful competition in the industry and weak incentives for operators to modernize and become competitive. Such situation calls for the liberalization of the shipping industry and the relaxing of the Cabotage Laws.

Allowing foreign vessels to participate in domestic coastwise trade of goods will not only increase the number of players and enhance competition but will also improve the country's logistics, which may lead to the opening of our sea transportation to agricultural sector and other industries. A meaningful competition is not only synonymous to the lowering of shipping cost but may also cause the improvement of our port facilities, inefficient port practices and even the modernization of domestic shipping lines. All will be for the greater advantage and benefit of our citizens.

In that regard, this proposal aims to repeal the pertinent provisions of the Tariff and Customs Code of the Philippines and the Domestic Shipping Development Act of 2004 and thereby allowing foreign vessels to engage in coastwise trade subject to certain condition and regulations.

Thus, the passage of this bill is earnestly sought.


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THE COUNTRY AND FOR OTHER PURPOSES

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

SECTION 1. *Short Title.* – This act shall be known as the "**Coastwise Trade Act of 2016.**"

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 filling 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 to cargo that is of the Philippine origin intended for local consumption, or those which have not been duty 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 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 customhouse 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.

1 **SEC. 7. *Regulatory Body.*** - The Maritime Industry Authority (MARINA) shall have
2 the power and authority to issue certificate of public convenience to qualified foreign
3 and domestic ship operators, taking into consideration the economic and beneficial
4 effect which the proposeservice shall have to the port, province or region which it
5 proposes to serve, and the financial capacity of the domestic ship operator to provide
6 and sustain safe, reliable, adequate, efficient and economic service in accordance with
7 the standards set by the government regulation.

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

13 **SEC. 9. *Repealing Clause.*** - Sections 902 and 1099 of Republic Act No. 1937,
14 otherwise known as the "Tariff and Customs Law of the Philippines," Section 5, 6, and 7
15 of Republic Act No. 9295, otherwise known as "Domestic Shipping Development Act of
16 2004," and all laws, decrees, executive orders, rules and regulations or other issuances,
17 or parts thereof, inconsistent with this Act are hereby repealed or modified accordingly.

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

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 Approved,