

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Sixteenth Congress
First Regular Session

HOUSE BILL NO. 2146



Introduced by Honorable Joaquin M. Chipeco, Jr.

EXPLANATORY NOTE

In his Fourth (4th) State-of-the-Nation Address (SONA), President Aquino expressed as part of the legislative agenda of his administration during the second half of his term the amendment or repeal of the so-called Cabotage Law, to wit:

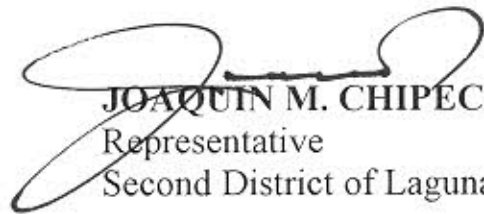
"Ilalapit ko na rin po sa ating Kongreso ang ilang batas na makakatulong sa pagpapatuloy ng nasimulan nating pagbabago. Maamyendahan na po sana ang Cabotage Law, upang mas mapalakas ang kumpetisyon, at mapababa ang gastos sa transportasyon ng ating mga sakahan at industriya."

In essence, the Cabotage Law allows a country to reserve coastwise trade to national flag carriers to the exclusion of foreign vessels. In the Philippines, this rule is found in our Tariff and Customs Code, specifically Section 902. The main intent of the law is to protect the domestic shipping industry.

However, certain sectors of our society have called for the amendment or even repeal of the cabotage principle. For one, it has been observed that at present shipping goods from Mindanao to Taiwan, Malaysia or Hong Kong is even cheaper compared with transporting the same from Mindanao to Manila. The amendment of the cabotage law is envisioned to foster competition in the shipping industry and thus lower the cost of transporting goods and passengers, at least in so far as cargoes intended for export and import are concerned. The resulting competition is also expected to address the various inefficiencies of the domestic shipping industry by forcing the same to adjust to the more open business climate. Incidents of maritime disasters, hopefully, would also be lessened by a more competitive environment in the shipping industry.

Without allowing foreign vessels to outrightly engage in coastwise trade in the Philippines, which might run afoul of the nationalistic provisions of our Constitution, this bill nonetheless aims to spur international trade by removing archaic, unfair and costly policies and practices in the shipping industry.

In view of the foregoing, the early approval of this bill is earnestly requested.



JOAQUIN M. CHIPECO, JR.
Representative
Second District of Laguna

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AN ACT
ALLOWING VESSELS OF FOREIGN REGISTRY ENGAGED IN
THE SHIPPING OF CARGOES AND PASSENGERS TO AND
FROM THE COUNTRY TO CONVEY THE SAME TO AND
FROM PRINCIPAL PORTS OF ENTRY/SUB-PORTS IN THE
COUNTRY

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

SECTION. 1. The provisions of any law to the contrary notwithstanding, vessels of foreign registry engaged in the shipping of cargoes for export and import, as well as passengers, to and from the country are hereby allowed to convey said cargoes and passengers to and from principal ports of entry/sub-ports in the country. Such act of transshipment of cargoes and passengers between ports in the country shall not be deemed coastwise trade prohibited or restricted under the cabotage law.

SEC. 2. In order for any foreign vessel to avail of the benefits under this Act, proof of full compliance with the country's customs, immigration and other pertinent laws must duly presented.

SEC. 3. The Secretary of Finance shall, in coordination with the Bureau of Customs, Maritime Industry Authority, and the Philippine Coast Guard, issue the necessary rules and regulations to implement the provisions of this Act.

SEC. 4. The pertinent provisions of Republic Act No. 1937, otherwise known as the Tariff and Customs Code of the Philippines, and Republic Act No. 9295, otherwise known as the Domestic Shipping Development Act of 2004, and all laws, decrees, executive orders, rules and regulations and other issuances or parts thereof inconsistent with the provisions of this Act are hereby repealed, modified or amended accordingly.

SEC. 5. This Act shall take effect fifteen (15) days after its publication either in the Official Gazette or in two (2) newspapers of general circulation.

Approved,