

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

SIXTEENTH CONGRESS
First Regular Session

HOUSE BILL No. 2563



Introduced by: HON. FELIX WILLIAM B. FUENTEBELLA

EXPLANATORY NOTE

The right of domestic vessels to exclusively engage in coastwise transportation was first embodied in the Merchant Marine Act of 1920 popularly known as the Jones Act passed by the United States Congress dating back to the time when our country was still a colony of the United States. This protectionist policy was adopted when the first cabotage law, Republic Act No. 1937 otherwise known as the Tariff and Customs Code of the Philippines was passed in 1957. This law specifically provides that "The right to engage in the Philippines coastwise trade is limited to vessels carrying a certificate of Philippine Registry."

The exporters and the importers claimed that the restriction on foreign vessels in the movement of goods in Philippine ports increases costs as cargoes have to be loaded and unloaded to and from foreign and local vessels and vice versa. Under this situation, foreign vessels have to engage the services of domestic vessels to get their containers and this entails additional costs that they have to pass on to the businessmen or passengers.

The insufficient cargo base and berths are some of the underlying factors for the lack of direct shipment between the Philippines and United States or Europe. Most foreign shipping vessels use Singapore, Malaysia, Hong Kong and Taiwan as transshipment hubs. This situation certainly deprived our exporters and importers to increase profits that may trickle down to the government coffers by way of taxes.

In his State of the Nation Address last July 22, 2013, President Benigno S. Aquino III urged Congress "xxx 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." Several businessmen viewed that the liberalization of the coastwise trade will greatly benefit local importers and exporters and the country's economy in general. According to them, the objective and scope of the Cabotage Law may be likened to the Retail Trade Nationalization Act of 1951, which gave Filipino citizens the exclusive right to engage in retail trade. After realizing that the protectionist policy was no longer practical in the midst of trade globalization, Congress repealed this law by virtue of Republic Act No. 8762 otherwise known as the "Retail Trade Liberalization Act of 2000".

With the challenges in the global economic stage, the law must be dynamic to meet the demands of the modern times.

In view of the foregoing reasons, the approval of this bill is earnestly sought.


ATTY. FELIX WILLIAM B. FUENTEBELLA
Representative
Fourth District, Camarines Sur

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AN ACT
LIBERALIZING THE COASTWISE TRADE IN THE PHILIPPINES

*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 Liberalization Act of 2013”.

SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State to promote and encourage productive investments that will make the coastwise trade globally competitive.

Pursuant to this policy, the coastwise trade is hereby liberalized to foster greater competition with the end in view of lowering the cost of transportation for import and export industries, improving the efficiency and higher quality of passenger and cargo handling services and enhance the viability of domestic trading.

SEC. 3. *Definition of Terms.* – As used in this Act, the following terms shall mean:

1. ***Coastwise Trade Liberalization*** – refers to the removal or reduction of restrictions or barriers on coastwise trade as mandated under 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”;
2. ***Foreign Vessel*** – refers to a vessel of foreign registry or a vessel operated under the authority of a country, except the Philippines, that is engaged in commerce;
3. ***Domestic Vessel*** – refers to a vessel duly registered and documented in the Philippine registry.

SEC. 4. *Coastwise Trade Liberalization.* – The right to engage in coastwise trade is open to both domestic and foreign vessels, even when domestic vessels are available or suitable to provide the needed shipping service. For this purpose, passengers or articles arriving from abroad upon a foreign vessel may be carried by the same vessel through any port of entry to the port of destination in the Philippines and passengers departing from the Philippines or articles intended for export may be carried in a foreign vessel through a Philippine port.

SEC. 5. *Certificate of Public Convenience.* – The Maritime Industry Authority (MARINA) shall have the power and authority to issue certificates of public convenience to qualified domestic and foreign ship operators, taking into consideration the economic and beneficial effect which the proposed services shall have to the port, province or region which it proposes to serve, and the financial capacity of the domestic and foreign ship operators to provide and sustain safe, reliable, adequate, efficient and economic service in accordance with the standards set by the government regulation.

SEC. 6. *Rules and Regulations.* – The Maritime Industry Authority (MARINA) shall, in coordination with the Bureau of Customs, Philippine Shippers Bureau and the Philippine Coast Guard, shall issue the necessary rules and regulations to implement this Act within sixty (60) from its approval.

SEC. 7. *Repealing Clause.* – Sections 902 and 1009 of Republic Act No. 1937 otherwise known as the Tariff and Customs Code of the Philippines, Sections 5, 6 and 8 of Republic Act No. 9295 otherwise known as “Domestic Shipping Development Act of 2004” and all laws, executive orders, rules and regulations which are inconsistent with this Act are hereby amended, repealed or modified accordingly.

SEC. 8. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its publication in any newspaper of general application.

Approved,