

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

17th CONGRESS
First Regular Session

House Bill No. 1288



Introduced by
REP. TEODORO BRAWNER BAGUILAT

***"An Act Providing For
The Registration of Ships and Incentives Therefor
And for Other Purposes"***

EXPLANATORY NOTE

This bill seeks to update and restructure our law on ship registration and strengthen the powers of the Maritime Industry Authority (MARINA) as a maritime administration. The existing law on ship registration is found in the Tariff and Customs Code of the Philippines, Republic Act No. 1937. The Act came into effect in 1957 and limits its scope to the registration of domestic vessels. Presidential Decree No. 474 and Executive Order No. 125/125-A, s.1987 grants authority to the MARINA to register ships but does not set forth the conditions for the grant of nationality to ships and the establishment of the "genuine link" as required by the 1982 United Nations Convention on the Law of the Sea to which the Philippines is a party. The Philippines has also been placed on the Gray List of the Tokyo Port State Control Memorandum of Understanding (Tokyo MoU) which bases such classification on the performance and detention rate of ships in our registry during port State control inspections. This reflects our inability to exercise control over our registered ships and establish that "genuine link".

Presidential Decree No. 760 as amended by Presidential Decrees Nos. 866 and 1711 instituted the scheme for bareboat chartering ocean-going ships and their registration under the Philippine flag. The law and its implementing regulations required that these ships should be bareboat chartered by Philippine nationals and should employ Filipino crew. The scheme was intended to allow Filipino ship owners to have an avenue to eventually own ships. To support the scheme, incentives were given to the overseas sector through Republic Act No. 7471. The incentives were available for a period of ten years and expired in 2002. In 2004, Republic Act No. 9301 was passed and incentives were again granted to the sector for a similar period of ten years. The incentives expired in 2014. Instead of increasing the number of ships in the registry and encouraging ship ownership, the number of registered ships has declined to 116 from a total of 400 ships when the bareboat charter scheme was first implemented in 1989. Today, many ship registries do not provide for incentives. Instead, most ship registries provide for a tonnage tax system to simplify the taxation scheme applicable to ocean-going ships.

The proposed bill restructures our ship registry to support the constitutional provision on ownership of our ships operating in coastwise routes, encourages the entry of foreign investments in seagoing vessels, seeks to build an employment base for our Filipino seafarers who have built themselves up as the seafarer of choice for the world's fleet, and aims to develop our capacity to provide technical-nautical


management to encourage new areas of business like ship management. The bill also strengthens the powers of MARINA by clearly giving it authority to establish the "genuine link" between the ship and its flag State and ensure that the ship complies with all safety regulations of the flag State.

The bill, through its new structure, unifies the registration and licensing system of our overseas and domestic fleets. It strengthens the flag registry for our ships in the international trade and at the same time gives our domestic ship owners the opportunity to venture into overseas shipping and become the base of ship owners that can own their ships, operate these ships in the international trade, and service the transport requirements of our import and export trade.

Since international practices provide for the collection of a tonnage tax in lieu of the corporate income tax it would be best if the tax structure for Philippine flagged ships in international trade could be aligned with international practices to make the Philippine flag an attractive flag registry to foreign ship owners, particularly those who employ our seafarers to work on their ships. The proposed bill restructures the taxation scheme for ships in the Philippine registry by imposing a tonnage tax in lieu of tax on income earned from shipping activities. The option to use the tonnage tax system is also made available to our ship owners operating in coastwise routes to simplify the assessment of tax should these ship owners seek to venture into overseas shipping, starting with the ASEAN routes. Unlike previous proposals where tax exemption is sought, in the present measure, it is proposed that the taxing structure be changed so that it is aligned with international practices and ensures that our ship owners contribute a fair share to the income tax revenue of the country.

RECOMMENDATION

In order to make the Philippine flag an attractive registry to ship owners, the existing legal framework for the registration of ships and the powers of the maritime administration must be reformed. The passage of the attached measure is urgently requested. A strong and competitive merchant marine fleet, owned and controlled by Filipinos or corporate entities established in the Philippines, manned by qualified Filipino officers and crew, and serving as a springboard for other maritime-related economic activities, is essential to the growth of our economy. Our vested interest in seafaring demands that we have a fleet for our seafarers. We can only expand our fleet if we can provide a legal framework that will encourage and allow ship owners to enter into long term vessel acquisition, development, modernization and expansion programs, and provide avenues for foreign ship owners hiring Filipino crew to consider the Philippine registry as a competitive registry for their ships. The bill, if passed, will update our maritime laws and achieve a degree of uniformity with international maritime convention and practices.



REP. TEODORO BAWNER BAGULAT, JR.
Lone District Ifugao

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

Chapter I

General Provisions

Section 1. **Short Title of the Act.** – This Act shall be known as "The Philippine Ship Registry Act of 2016".

Section 2. **Declaration of Policies.** - It is the policy of the State to establish the Philippines as a leading maritime nation and respected flag State. This policy shall be guided by the following principles:

(a) The State recognizes its duties and obligations to the international community to ensure the effective exercise of its jurisdiction and control over ships flying its flag;

(b) The State recognizes the importance of improving competitiveness and fostering economic growth by attracting investments, supporting productivity and streamlining processes;

(c) The State recognizes the importance of promoting the free flow of trade and commerce regionally and internationally;

(d) The State realizes the need to unify registration and licensing requirements and establishes the Philippine ship registry as the exclusive registry for coastwise and seagoing ships seeking to operate under the Philippine flag;

(e) The State recognizes the advantages of promoting the entry of foreign investments in the

shipping industry in order to spur the development and growth of an overseas shipping fleet which can carry our import and export trade and serve as an employment base for our growing community of highly skilled and qualified Filipino seafarers;

(f) The State acknowledges the need to align the tax structure for its domestic and overseas shipping fleet to make it competitive;

(g) The State recognizes the need to provide a mechanism for the early adoption and implementation of international maritime regulations and conventions.

The State shall promote such other necessary administrative and executive policies that will ensure the continued growth of the Philippine merchant fleet in consonance with international maritime conventions, regulations and practices.

Section 3. Scope of the Act. – Unless otherwise indicated, this Act shall apply to:

(a) All ships, whether seagoing or coastwise which are registered under the Philippine flag;
and

(b) All persons, partnerships, corporations, firms or other entities duly registered and franchised to engage in the business of shipping as ship owners, ship operators, bareboat charterers, or ship managers, or those acting on their behalf.

The provisions of this Act, however, shall not apply to any war ship, naval auxiliary ship or other ship owned or operated by the Philippine government or any foreign government for non-commercial service.

Chapter 2

Definitions

Section 4. Definition of Terms. – The following terms shall have the meanings hereinafter set forth:

a. “Bareboat charter” shall mean a contract for the lease of a ship, for a stipulated period of time, by virtue of which the bareboat charterer has complete possession and control of the ship, including the right to appoint the master and the crew of the ship, for the duration of the lease;

b. “Bareboat charterer” or “charterer” may be used interchangeably and shall refer to any person, commercial partnership or corporation which bareboat charters a Philippine flag vessel from another Philippine national, or a vessel of foreign ownership registered in a compatible registry, for its own use;

c. “Board of Marine Inquiry” shall refer to the Board of Marine Inquiry created in accordance with section 7 of Presidential Decree No. 601;

d. “Certificate of Philippine Registry” (CPR) shall mean the document of registration of a vessel registered in accordance with section 19 of this Act;

e. "Certificate of Ownership" (CO) shall mean to a document being issued for the permanent registration of a vessel.

f. "Classification society" shall refer to any government-accredited organization authorized to implement published rules and regulations governing the structural strength, safety and reliability of a ship in order to maintain basic conditions on board and enables the ship to operate in its intended service;

g. "Coastwise vessel" shall refer to any Philippine flag vessel operating between two domestic ports, in the coastal, inter-island or internal waters of the Philippines;

h. "Compatible registry" shall mean a foreign registry which has entered into an agreement with the MARINA in order to determine and establish the requirements for the transfer of registration of ships from one registry to the other;

i. "De-registration" shall refer to the act of deleting a ship from the Registry of Ships of the Philippines and the cancellation of the (CPR) in accordance with Chapter 8 of this Act;

j. "Foreign flag vessel" shall refer to a ship which is registered under the laws of a country other than the Philippines and which is authorized to fly the flag of that country;

k. "Foreign registry" shall mean the registry of ships of a country other than the Philippines;

l. "Franchise" shall mean an authorization granted by MARINA to the company and vessel to carry out specified commercial activity

m. "Gross tonnage" (GT) shall refer to the measure of the overall size of a ship determined in accordance with the tonnage measurement rules provided in the applicable international convention on the tonnage measurement of ships;

n. "International maritime convention" or "international convention" may be used interchangeably and shall refer to any written treaty or agreement, or any protocol or amendment thereto, affecting the maritime industry which has been agreed to and approved by States as members of the International Maritime Organization or other inter-governmental organization, which the Philippines has ratified and which is in force;

o. "International Maritime Organization" (IMO) shall refer to a specialized agency of the United Nations that is responsible for measures to improve the safety and security of international shipping and to prevent marine pollution from ships;

p. "MARINA Board" shall refer to the Board created in accordance with Presidential Decree No. 474;

q. "MARINA" or MARINA shall refer to the government agency created in accordance with Presidential Decree No. 474 as amended;

r. "Net tonnage" (NT) shall refer to the measure of the useful capacity of a ship determined in accordance with the applicable international convention on the tonnage measurement of ships;

s. "Non-Philippine national" shall refer to a commercial entity established under Batas Pambansa Bilang 68 as a branch office or representative office of a foreign shipping corporation and represented in the Philippines by a resident agent who shall be a Philippine national domiciled in the

Philippines, or as a subsidiary corporation which is incorporated as a subsidiary of a foreign shipping corporation and whose corporate secretary is a citizen of the Philippines;

t. "Philippine flag vessel" shall mean any vessel duly registered under Philippine laws and authorized to fly the Philippine flag;

u. "Philippine national" shall refer to any individual who is a citizen of the Philippines, or a commercial partnership, cooperative or corporation organized under the laws of the Philippines, at least 60% of the capital of which is owned by citizens of the Philippines;

v. "Provisional Certificate of Philippine Registry" (PCPR) shall mean the document of provisional registration of a vessel which is valid for a period of ninety (90) days subject to a single renewal of another ninety (90) days in accordance with Section 22 of this Act

w. "Recognized organization" (RO) shall refer to any government-accredited person, organization or classification society authorized to conduct safety inspections and examine the general condition of a ship;

x. "Registration" shall refer to the act of entering a ship in the Registry of Ships of the Philippines in accordance with Chapter 4 of this Act;

y. "Registry of Ships of the Philippines" shall refer to the official public register maintained by the MARINA in accordance with section 14 hereof which shall hold the record of all vessels and its encumbrances registered under Philippine laws and shall hereafter be referred to as the "Registry";

z. "Seagoing vessel" shall refer to any Philippine flag vessel of 500 gross tons or more, authorized to operate in trade between a Philippine port and a foreign port, or between two foreign ports;

aa. "Ship manager" shall mean any person, commercial partnership or corporation to which the technical or commercial management, or both such technical and commercial management, of a ship has been entrusted by the ship owner and for that purpose is in charge of the operation of the ship which may include, but shall not be limited to, vessel maintenance and upkeep, crewing, and passenger and cargo solicitation;

bb. "Ship owner" shall refer to any person, commercial partnership or corporation authorized to own, operate, manage, control, lease or charter out, or otherwise engage in the business of shipping;

cc. "Ship operator" shall refer to any person, commercial partnership or corporation authorized to operate, manage or control a ship owned by another;

dd. *"Temporary Certificate of Philippine Registry" (TCPR) shall mean the document of temporary registration of a vessel in accordance with section 23 of this Act;* "Vessel" or "ship" may be used interchangeably and shall refer to any boat, craft or artificial contrivance capable of floating in water, designed to be used, or capable of being used, as a means of water transport utilizing its own motive power or that of another, and shall include a ship under construction and for purposes of this Act shall continue to be considered as personal property;

ee. "Vessel certificate" shall refer to the official document issued by the MARINA attesting to the fact that the vessel complies with the requirements imposed by international conventions or government regulations on safety and the protection of the marine environment.

Chapter 3

Regulatory Agency

Section 5. **Implementing agency.** – The implementation of this Act shall be vested in the MARINA.

Section 6. **Powers and functions of the MARINA.** – For the purposes of this Act, the MARINA shall have the following powers and functions:

- a. Maintain the Registry of Ships of the Philippines;
- b. Record all registrations, de-registrations, deletions, transfers, sales, purchases, bareboat charters, and mortgages of Philippine flag vessels;
- c. Issue CPR, PCPR, TCPR and such other authorizations, clearances and documents required to give effect to any registration or de-registration of any vessel;
- d. Issue certificates of ownership to vessels which are not eligible for the issuance of a CPR;
- e. Issue franchises to vessels and accredit ship owners and operators qualified to operate coastwise vessels;
- f. Issue franchises and other authorizations to coastwise vessels;
- g. Accredite non-Philippine nationals after a verification of their eligibility to register seagoing vessels in the Registry of Ships of the Philippines, a determination of their sound financial standing, and the suitability of their resident agent or the corporate officers of their Philippine subsidiary to meet the responsibilities to represent the interests of such non-Philippine nationals before government agencies and courts of the Philippines, to transact on its behalf and to accept legal summons, legal processes and other legal notices;
- h. Conduct an inquiry on any application for the issuance of a CPR;
- i. Enter into agreements with foreign registries to determine and establish the requirements for registration, de-registration and enforcement in order to ensure the compatibility of requirements of the Philippine registry with that of other foreign registries;
- j. Investigate on its own or on any complaint made in writing, and after notice and hearing, revoke any registration, certificate, franchise, accreditation or document issued to any seagoing or coastwise vessel, ship owner, ship operator, bareboat charterer, or ship manager;
- k. Determine, and with the approval of the MARINA Board, adjust from time to time but not more often than once every five years, the applicable rates for processing, registration and other fees provided in Sections 29, 30 and 32 of this Act, taking into account the rate of fees imposed by other shipping registries of the world;
- l. Approve plans for the construction, repair, modification or alteration of vessels, and the materials, equipment and appliances of vessels in accordance with international conventions and domestic regulations giving effect to such conventions on the safety of life at sea and the protection of the marine pollution and other related conventions;

- m. Conduct the initial and periodic inspections of vessels as well as their equipment and appliances either by itself or through the RO or classification society;
- n. Approve the classification of vessels, either by itself or through ROs;
- o. Accredite and franchise ROs, including marine surveyors and classification societies, and deputize them to perform such functions necessary to give effect to the requirements of international maritime conventions and government regulations;
- p. Issue vessel certificates, certificates of inspection and statutory certificates;
- q. Determine the safe manning requirements of vessels and the certificates of competency which each crew member should possess considering the type, tonnage, power, means of propulsion and trading limitations of particular ships and, for this purpose, issue safe manning certificates to ships;
- r. Determine the safety, life-saving, pollution prevention and communication equipment to be installed on board every vessel considering its type, tonnage and trading limitations;
- s. Investigate on its own or through the Board of Marine Inquiry (BMI) marine casualties, accidents, incidents, disasters and marine protests in order to determine the liability of vessels, ship owners, ship operators, bareboat charterers, ship managers, ship officers and crew;
- t. Following any marine casualty, accident or incident involving a ship in the Philippine registry, undertake, on its own or through a duly constituted independent group of suitably qualified safety inspectors, a marine safety investigation which is independent from any other form of investigation and is not intended to apportion blame or determine liability but is conducted to determine the cause of the accident and the identification of measures to prevent the occurrence of similar marine casualties, accidents or incidents in the future;
- u. Amend its regulations to enhance the safety and security of ships, persons and property and the protection of the marine environment following receipt of any recommendation in a marine safety inspection report;
- v. Impose fines or otherwise penalize any vessel, ship owner, ship operator, bareboat charterer, ship manager or classification society found violating the provisions of this Act;
- w. Exercise such other functions necessary for or incidental to the implementation of this Act.

Section 7. Issuance of implementing rules and regulations. – The MARINA shall issue rules and regulations to implement the provisions of this Act; Provided, that such rules and regulations shall not change or in any way amend or be contrary to the intent and purposes of this Act.

Section 8. Power to adopt regulations to conform to international maritime conventions. – The MARINA with the concurrence of the Department of Transportation, through its Secretary, shall recommend to the Department of Foreign Affairs the adoption of international maritime conventions which the Philippines is not yet a party to so that the appropriate recommendation can be made, and the relevant instrument of ratification may be issued by the President and the concurrence of the Senate of the Philippines may be obtained; Provided that in the case of any subsequent amendment to any technical annex of any existing international convention or treaty to which the Philippines is already a party and which is deemed accepted by the State Parties to the Convention after the lapse of the specified

time, the MARINA is hereby empowered and authorized to amend and revise its rules and regulations to conform with the amendments to the relevant convention or treaty without need of further legislative or executive authorization.

Chapter 4

Registration of Vessels

Section 9. Registry of Ships of the Philippines. – The Registry of Ships of the Philippines shall be the official public registry of ships and shall contain all records of registrations, deletions, transfers, bareboat charters, and mortgages of Philippine flag vessels.

The Registry shall be headed by the Registrar General who shall exercise the powers and functions set forth in section 6 (a) to (j) of this Act relative to the registration of ships. The Registrar General shall have the authority to appoint such Deputy Registrars as necessary.

The Registry shall be open to public inspection during regular business hours. Any person wishing to inspect the Registry, or obtain extracts or copies of instruments deposited with the Registry, may do so upon prior written application to and approval of the Registrar General.

Section 10. Vessel eligibility. – Vessels of any size, age or type that are classed by a classification society, whether owned or bareboat chartered by Philippine nationals, may be registered under the Philippine flag.

Vessels that are more than twenty (20) years old on their first application for registration shall be subject to a safety inspection as a pre-condition to the issuance of a CPR.

Vessels of a foreign registry that are covered by a bareboat charter may be registered under the Philippine flag; Provided, that its registration under the foreign flag of primary registration shall not be abandoned, but shall be deemed suspended, for the duration of the ship's registration under the Philippine flag.

Section 11. Vessel Ownership. – Every coastwise vessel registered in accordance with this Act shall be owned or chartered by one or more Philippine nationals and, in the case of corporations, cooperatives, or commercial partnerships, the president, general manager and corporate or partnership secretary thereof, as the case may be, shall be citizens and residents of the Philippines.

Every seagoing vessel registered in accordance with this Act shall be owned or chartered by a Philippine national, or by a branch office, representative office, or subsidiary of a non-Philippine national. The corporate secretary of such subsidiary, and the resident agent of such branch office or representative office shall be a Philippine citizen, domiciled in the Philippines who shall act as its agent and representative with full authority to represent the interests of such non-Philippine national before any government agency or court of the Philippines, to transact on its behalf and to accept legal summons, legal processes and other legal notices.

Section 12. Vessels required to be registered. – Every coastwise vessel and seagoing vessel five hundred (500) gross tons or more shall be registered in accordance with the provisions of this Act.

To this end, it shall be the duty of the ship owner, ship operator, bareboat charterer, or any person acting on behalf of every vessel to apply with the MARINA for the registration of the vessel.

Section 13. Where the registration is to be made. – The registration of a coastwise vessel which is less than 500 gross tons shall be made at its home port or at the port where the nearest regional office of the MARINA is located.

The registration of all seagoing vessels and all coastwise vessels 500 GT or more shall be made in the principal office of the MARINA in the port of Manila.

Section 14. The Sub-Registries. – The Registry shall have the following sub-registries:

a. “The Principal Registry of Philippine Vessels” in which the record of all registrations, deletions, transfers, leases, bareboat charters out, suspensions of registry, mortgages, encumbrances and other commercial transactions of seagoing and coastwise ships 500 gross tons or more owned by Philippine nationals or non-Philippine nationals shall be made;

b. “The Bareboat Charter Registry of Vessels” in which all records of registrations and deletions of ships which are bareboat chartered into the Philippines by Philippine nationals or non-Philippine nationals shall be made. This sub-registry shall also note down the following details:

- (i) the name and address of the registered owner in the primary registry;
- (ii) the registered name of the vessel as it appears in the primary registry;
- (iii) a reference that encumbrances on the vessel appear in the primary registry;

c. “The Registry of Fishing Vessels” in which all records of registrations and deletions of fishing vessels owned by Philippine nationals shall be made;

d. “The Registry of Yachts and other Recreational Vessels” in which all records of registrations and deletions of yachts and other recreational vessels owned by Philippine nationals shall be made.

Provided that non-Philippine nationals shall not be eligible to register any fishing vessel in the Registry whether for personal or commercial purposes.

Section 15. Documents required for the registration of vessels. – Every ship owner or bareboat charterer wishing to enroll a vessel in the Registry shall be required to submit the following documents to the Registrar General:

- a. A written application for registration;
- b. A notarized copy of the declaration of ownership;
- c. A certified copy of the Certificate of Sole Proprietorship, or Articles of Partnership, branch or resident office registration, or Articles of Incorporation of the ship owner or bareboat charterer, as the case may be;
- d. The power of attorney, partnership resolution or secretary’s certificate authorizing the enrollment of the ship in the Registry;

- e. The tonnage measurement certificate;
- f. The certificate issued by a classification society showing that the ship is in class;
- g. The vessel certificates required by international conventions and domestic regulations;
- h. The application for a provisional radio franchise;
- i. The application for vessel name;
- j. A certified copy of the cover note or certificate of entry in the name of the ship owner or bareboat charterer showing the current hull and machinery, and protection and indemnity insurance coverage.

Section 16. **Additional documents required.** – In addition to the documents listed in the immediately preceding section, every ship owner or bareboat charterer shall be required to submit the following documents:

- a. For new buildings:
 - (i) A notarized copy of the original builder's certificate;
- b. For second hand tonnage:
 - (i) A notarized copy of the bill of sale or other document of title evidencing the transfer;
 - (ii) The certificate of deletion from the previous registry or an undertaking that the registration in the previous registry shall be deleted simultaneously with the issuance of the CPR;
 - (iii) The certificate of non-encumbrance issued by the previous registry;
 - (iv) A safety inspection certificate if the vessel is more than twenty (20) years old;
- c. For bareboat chartered or leased ships:
 - (i) The proof of ownership and consent of the registered owner to the vessel's enrollment in the Registry;
 - (ii) A certified true copy of the bareboat charter;
 - (iii) If the bareboat charterer wishes to change the vessel's name, a letter requesting the change of name of the vessel from that appearing in its primary registry and the reason for the request;
 - (iv) The written consent to the transfer of registry of the holders of all mortgages, hypothecations or similar charges against the vessel registered in the foreign registry;

- (v) Certified true copies of all mortgages, hypothecations, and charges, with an English translation of such documents;
- (vi) The written consent to the bareboat charter registration of the appropriate authority of the country of primary registration of the vessel, or satisfactory evidence that such consent is not required;
- (vii) A transcript of the register or other document from the appropriate authority of the country of primary registration showing all recorded mortgages and encumbrances on the vessel appearing in that registry;
- (viii) A safety inspection certificate if the vessel is more than twenty (20) years old.

Such other documents necessary to support the application for the enrollment of ships in the Registry as may be required by regulation.

Section 17. Data to be listed in the Registry. — The following data shall be listed, in such form and detail for all ships entered in the Registry of Ships:

- a. Name of vessel;
- b. Keel number;
- c. Hull material;
- d. Principal dimensions;
- e. Gross tonnage;
- f. Net tonnage;
- g. IMO number;
- h. Official number;
- i. Place of build;
- j. Year of build;
- k. Name and address of registered owner, ship operator, bareboat charterer, manager or other person responsible for the ship;
- l. Date of issuance of CPR;
- m. Class of vessel;
- n. A reference that encumbrances on the vessel appear in the primary registry.

In the case of second hand tonnage, the following additional data shall likewise be listed in the Registry of Ships:

- a. Place of previous registry;

- b. Name of previous owner.

In the case of bareboat chartered vessels, the following additional data shall also be listed in the Registry of Ships:

- a. Place of primary registry;
- b. Name of registered owner appearing in the primary registry;
- c. Name of the vessel as it appears in the primary registry;
- d. A reference that encumbrances on the vessel appear in the primary registry.

Any material change of condition with respect to any of the preceding items and any other fact required by regulation shall likewise be recorded in the Registry of Ships.

Section 18. Proceedings prior to the grant of a Certificate of Philippine Registry. – No application for a CPR shall be approved and issued until:

- a. An inspection of the vessel and its documents has been conducted; and
- b. It is verified that the applicant meets the ownership requirements prescribed by this Act.

The MARINA on its own or through the agency of a recognized organization, may conduct the inspection and investigation at any time in order to ascertain whether the vessel is entitled to have, or to retain, the certificate of Philippine registry.

Further inquiries may be made through a formal administrative investigation of the vessel's owner, operator, charterer, manager, master, crew or passengers to determine the ownership or title and the intention to engage in legitimate trade of any vessel seeking a CPR.

Section 19. Issuance of the CPR. – Upon the application for registration and a satisfactory determination of eligibility, a CPR shall be issued to all coastwise and seagoing vessels whether owned or bareboat chartered which are five hundred (500) gross tons or more. The MARINA shall have authority to determine particular classes of coastwise vessels five hundred (500) gross tons or more which shall not be eligible to apply for the issuance of a CPR. A CPR shall be permanent until the vessel is de-registered or deleted from the registry, provided the vessel continues to meet all the requirements to remain in the Registry.

In the case of bareboat chartered vessels, the CPR shall be valid for the period of the bareboat charter.

Section 20. Registration of vessels less than five hundred gross tons. – A vessel which is less than five hundred (500) gross tons shall be registered with the MARINA and a certificate of ownership shall be issued to it. The application for the issuance of a CPR shall be optional with the owner of such vessel and the issuance shall be made upon a determination that the ship satisfactorily meets the eligibility requirements and other conditions for the issuance of a certificate of Philippines registry.

Section 21. Issuance of franchise to coastwise vessels. – All coastwise vessels operating between ports and places in the coastal, interisland or internal waters of the Philippines shall be required

to obtain a franchise to operate, provided that such ship is owned by a Philippine national and meets the other conditions for the grant of a franchise.

Section 22. Provisional registration of vessels. — A provisional certificate of Philippine registry may be issued to ships applying for registration provided all documents listed in section 15 have been submitted and the submission of the additional documents required in section 16 is pending.

The provisional certificate of Philippine registry shall be valid for a period of ninety (90) days subject to a single renewal of another ninety (90) days.

If the ship owner or bareboat charterer fails to submit all required documents within the stipulated period, the provisional certificate of Philippine registry shall automatically expire on the date appearing on the provisional certificate.

Section 23. Temporary registration of vessels. — A temporary certificate of Philippine registry may be issued to ships applying for registration for the conduction of the vessel from a foreign port to a port in the Philippines. The temporary certificate of Philippine registry shall automatically expire upon arrival of the ship in the Philippine port and the issuance of the provisional certificate of Philippine registry or the CPR.

Section 23. Form and contents of CPR. — The CPR shall contain the following information:

- a. Name of the vessel;
- b. Name and address of the registered owner or charterer;
- c. Keel number;
- d. Hull material;
- e. Principal dimensions;
- f. Gross tonnage;
- g. Deadweight tonnage;
- h. Engine horsepower;
- i. Net tonnage;
- j. IMO number;
- k. Official number;
- l. Year of build;
- m. Date of issuance of CPR;
- n. List of registered encumbrances.

Such other information as may be determined by regulation may likewise be set forth in the CPR.

The CPR issued to every ship which is bareboat chartered in shall, in addition, contain the following information:

- a. The fact that the ship is covered by a bareboat charter and the date of such charter;
- b. The name of the ship as it appears in its primary registry, if such name has been changed upon entry in the Philippine registry;
- c. The name of the registered owner or owners as it appears in the primary registry;
- d. A reference that registered encumbrances appear in the primary registry.

Chapter 5

Vessels Under Construction

Section 24. Registration of Vessels Under Construction. — Vessels under construction contracted by a Philippine national may be registered in accordance with the provisions of this Act. In order that the vessel may be the subject of registration under this Act, it is necessary that the keel of the vessel must have been laid and a keel number assigned by the shipyard at the time of application.

Section 25. Documents required for the registration of vessels under construction. — Every ship owner wishing to enroll a vessel under construction in the Registry shall be required to submit the following documents:

- a. A written application for registration;
- b. A notarized copy of the declaration of ownership;
- c. A certified copy of the Certificate of Sole Proprietorship, or Articles of Partnership, or Articles of Incorporation of the ship owner or operator, as the case may be;
- d. The power of attorney, partnership resolution or secretary's certificate authorizing the enrollment of the ship in the Registry; and
- e. A notarized copy of the shipbuilding contract.

Section 26. Document of registration. — A provisional certificate of registration shall be issued to a vessel under construction and shall be valid for the period during which the vessel is under construction.

Section 27. Form and contents of the document of registration. — The provisional certificate of registration issued to a ship under construction shall contain the following information:

- a. Name of the vessel;
- b. Name and address of the registered owner;
- c. Keel number;
- d. Hull material;

- e. Principal dimensions of the vessel; and
- f. A list of registered encumbrances.

Chapter 6

Rights and Privileges Granted to

Vessels of Philippine Registry

Section 28. **Privileges conferred by a CPR.** – A CPR confers upon the vessel the following rights and privileges:

- a. The privilege to fly the flag of the Philippines;
- b. The privilege to engage, consistently with the limitations provided by law, in Philippine coastwise trade in accordance with the corollary permits, certificates and franchises that may be issued to the vessel;
- c. The right to invoke the diplomatic and naval protection of Philippine authorities and the protection of the flag of the Philippines; and
- d. The right to invoke the exercise of jurisdiction and control by Philippine government authorities over all persons found on board the vessel, or over any incident involving the penal or disciplinary responsibility of the master or any member of the crew whether the same arises from a crime or quasi-delict committed on board the vessel or from any collision or other incident of navigation concerning the ship.

Chapter 7

Registration Fees and Tonnage Taxes

Section 29. **Processing fee.** – A processing fee shall be paid by the applicant when the application for registration is filed. The processing fee shall be collected to cover administrative costs for handling and processing the application. The processing fee shall be in such amount as may be determined by the MARINA by regulation and approved by the Secretary of the Department of Transportation.

Section 30. **Registration fee.** – A registration fee shall be payable by the ship owner or bareboat charterer when the ship is first entered in the Registry and shall be paid when the CPR is issued.

The registration fee shall be computed on the basis of the tonnage of the vessel and shall be in such amount as may be determined by regulation issued by the MARINA and approved by the Secretary of the Department of Transportation.

The registration fee shall be payable by the ship owner or charterer regardless of whether the ship is owned or bareboat chartered, or if the ship will be used commercially, or for fishing, or for recreation.

The registration fee shall be reviewed from time to time and, when deemed appropriate, the MARINA shall submit a recommendation to the Secretary of the Department of Transportation to adjust the same. Any adjustment in the registration fee shall be subject to the prior approval of the Secretary of the Department of Transportation.

Section 31. Annual tonnage taxes for Philippine flag seagoing and coastwise vessels. – A tonnage tax shall be imposed on the net tonnage of a seagoing vessel and shall be payable annually by every ship owner or bareboat charterer, for every Philippine flag seagoing vessel it owns or charters commencing the year after the entry of such ship in the Registry. The tonnage tax shall be payable no later than January 31 of each year and shall be assessed in accordance with the following schedule:

Ship owner	Tonnage	Notional income
Philippine national	500 gross tons or less	P500.00
	Over 500 gross tons	Plus P5.00 per ton
Non-Philippine national employing full Filipino crew and Philippine-based crew management and technical-nautical management	First 500 gross tons	P1,000.00
	Every ton in excess of 500 gross tons	Plus P10.00 per ton
Non-Philippine national employing full Filipino crew and Philippine-based crew management only	First 500 gross tons	P2,000.00
	Every ton in excess of 500 gross tons	P20.00 per ton

The stipulated notional income shall be multiplied by two hundred seventy-five (275) vessel working days and shall be levied a tax rate of two percent (2%) on the total notional income.

Coastwise vessels which are five hundred (500) gross tons or more and entered in the Registry shall have the option to avail of the tonnage taxation scheme provided in this section or to remain in the applicable regime provided in the National Internal Revenue Code. A ship owner or bareboat charterer operating coastwise ships entered in the Registry upon choosing to apply the tonnage tax option provided in this section must continue to remain under this regime for a period of no less than ten (10) years.

The tonnage tax paid shall be in lieu of any income, percentage or excise tax due from the ship owner or bareboat charterer from all income and revenue derived from its shipping activities, particularly income or revenue from the carriage of passengers or cargo, or both, or any time, voyage or bareboat charter, or the sale of the vessel, or the withholding tax due on the lease or bareboat charter fees earned by ship owner from the Philippine bareboat charterer, whether such income or revenue is derived from Philippine sources or from other sources at any point of origin or destination in the world.

Section 32. Other fees and charges. – The MARINA shall have the power to determine, fix, impose, and collect such other reasonable fees, dues, and charges for the processing and issuance of certificates, franchises, and other authorizations, approvals, or endorsements pursuant to the requirements of this Act.

Section 33. **Exemption from duties and taxes.** - The importation by a ship owner or bareboat charterer of a seagoing or coastwise vessel regardless of size, and the spare parts, steel plates and equipment needed for the repair and maintenance of such vessel shall be exempt from the payment of:

- a. Import duties and taxes; and
- b. Value added taxes.

Chapter 8

De-registration or Suspension of Registration

of Philippine flag vessels

Section 34. **Sale, bareboat charter or other transfer of Philippine flag vessels.** - A ship owner may freely sell, transfer, bareboat charter out or otherwise dispose of a vessel registered in his name.

Section 35. **Deletion from the Registry of Ships of the Philippines.** - A ship shall be deleted from the Registry of Ships for any of the following reasons:

- a. If it is transferred to a natural or juridical person who does not meet the ownership requirements imposed by this Act; or
- b. If it commits any act inimical to the security or interests of the Philippines; or
- c. If it is entered in a foreign registry without the prior approval of the Registrar General; or
- d. If its bareboat charter party is not extended or renewed; or
- e. If it is sold for recycling; or
- f. If it is lost.

If the vessel is sold, transferred or disposed of, the ship owner or operator shall be required to submit the following documents to effect the deletion of the ship's registration:

- a. A written request to delete the ship's registration;
- b. A notarized copy of the bill of sale;
- c. The original certificate of registry;
- d. The original radio station franchise; and
- e. A certification from the appropriate agency showing that all outstanding taxes, fees and charges due to the government have been paid.

If the bareboat charter is not extended or renewed, the documents listed in the immediately preceding paragraph shall likewise be submitted by the bareboat charterer, however, in lieu of the notarized copy of the bill of sale, a statement from the charterer shall be submitted saying that the bareboat charter has been terminated or that it has expired and the same has not been renewed.

If the vessel has been lost, the ship owner, in lieu of the notarized copy of the bill of sale, shall be required to submit a copy of the report of the incident which has resulted in the loss of the vessel issued by the Board of Marine Inquiry.

Section 36. De-registration of a ship which is subject of a mortgage. – No ship shall be deleted from the Registry unless:

- a. All mortgages are discharged; or
- b. The written consent of all mortgagees to the deletion from the Registry is obtained.

If the de-registration of the vessel is obligatory in accordance with the preceding section, all holders of registered mortgages shall be notified by the Registrar General of the pending de-registration in order to enable such holders to take appropriate action to protect their respective interests. If the consent of the holders is not obtained, de-registration shall not be implemented earlier than three (3) months after notice to such holders of registered mortgages is given.

Section 37. Suspension of a ship's registry. – The registration of a vessel which has been bareboat chartered out to a non-Philippine national shall be suspended for the duration of the bareboat charter. However, a ship which has been bareboat chartered out to a non-Philippine national shall continue to be subject to Philippine law for all transactions affecting the sale, transfer, mortgage, encumbrance or other disposition of the vessel, the enforcement of any lien or claim against the vessel, or any other transaction affecting the private rights of the owner of the vessel.

Section 38. Documents required in order to suspend registration. – The ship owner shall be required to submit the following documents to effect the suspension of such registration:

- a. A written request to suspend the ship's registration;
- b. A notarized copy of the bareboat charter;
- c. The original certificate of registry;
- d. The original radio station franchise; and
- e. A certification from the appropriate agency showing that all outstanding taxes, fees and charges due to the government have been paid.

Section 39. Effect of deregistration or suspension of registration on the obligation to pay tonnage tax. – No ship shall be deleted from the Registry or its registration suspended unless the proportionate amount of tonnage tax due for the portion of the year in which the ship has remained in the Registry prior to deregistration or suspension is paid in full.

Chapter 9

Operation of Vessels

Section 40. Ship construction. – Every new building registered under Philippine laws shall be constructed in accordance with standards for ship construction set forth in international maritime conventions and implemented through government regulations.

Ship construction shall be under the supervision of the MARINA or a recognized organization appointed for the purpose. The recognized organization shall oversee the construction of the ship and ensure that the construction regulations provided in international maritime conventions and those issued by the MARINA covering the structural strength and integrity of all parts of the ship's hull and its appendages as well as the safety and reliability of the main propulsion, steering systems and auxiliary systems of the ship are followed.

Section 41. Navigation and communication equipment. – Every Philippine flag vessel shall have on board such navigation and communication equipment and apparatus required by international maritime convention for the safe navigation of ships. Every equipment and apparatus that shall be required to be installed on board shall be suited for the type, tonnage, power, means of propulsion and trading limitations of the particular ship.

Section 42. Equipment to prevent marine pollution. – Every Philippine flag vessel shall have on board equipment and apparatus to prevent, reduce, or control pollution to the marine environment emanating from ships. Every equipment and apparatus required to be installed on board shall be suited for the type, tonnage, power, means of propulsion and trading limitations of the particular ship.

Section 43. Inspections and surveys. – To ensure the proper maintenance of the ship's hull, machinery and equipment, its through-life compliance with international conventions and government regulations, and its safe operation, every Philippine flag vessel shall be subject to periodic inspections and surveys.

Section 44. Scope of inspections and surveys. – The inspections and surveys shall be conducted in accordance with international maritime conventions and government regulations, and shall include, but shall not be limited to, an inspection and survey of the ship's:

- a. Hull structure;
- b. Machinery and equipment;
- c. Life-saving equipment;
- d. Fire-fighting equipment; and
- e. Radio and communications installations.

Section 45. Extent of authority of recognized organization. – The MARINA, in appointing a recognized organization or classification society to conduct the inspection and survey of ships, shall inform the recognized organization of the specific responsibilities and conditions of the authority delegated to it.

Section 46. Issuance of certificates. – The recognized organization, pursuant to the functions delegated to it by the MARINA, shall have the authority to issue vessel certificates to every Philippine flag vessel and for this purpose, the vessel certificates issued by such recognized organization shall be deemed to have met the requirements of this Act.

Copies of the vessel certificates shall be submitted to the MARINA which shall, upon verification of compliance, issue a certificate of inspection in favor of the complying vessel confirming the findings of the recognized organization.

Section 47. **Availability of vessel certificates.** – The vessel certificates mentioned in the immediately preceding section shall be readily available on board the vessel for examination at all times.

Chapter 10

Manning Requirements

Section 48. **Citizenship of crew.** – Every member of the crew of a coastwise or seagoing vessel shall be a citizen of the Philippines.

An exemption from this requirement on such terms and conditions and for a limited period as may be determined by the MARINA may be obtained MARINA upon written application from the ship owner or operator. This exemption shall not be granted to coastwise vessels.

Section 49. **Crew competence.** – Every member of the crew of a Philippine flag vessel shall possess the appropriate certificate of competency setting forth his competence to serve in the capacity and perform the functions involved at the level of responsibility, for the position held, for the type, tonnage, power, means of propulsion, and trading limitations of the ship concerned.

The certificate of competency, as well as any endorsements thereto and any renewals thereof, shall be issued by the MARINA. The certificate of competency shall attest to the fact that the seafarer to whom it is issued meets the requirements for service, age, medical fitness training, qualification, and examinations for the position held.

Section 50. **Crew deployment.** – Crew deployment to Philippine flagged seagoing vessels engaged in international or regional trade shall continue to be undertaken through recruitment and placement agencies licensed by the Philippine Overseas Employment Administration.

Chapter 11

Insurance and Other Indemnity Cover

Section 50. **Insurance and indemnity cover.** – Every ship owner or bareboat charterer shall be required to maintain adequate insurance coverage or protection and indemnity coverage to meet the financial responsibility for any liability which such ship owner or bareboat charterer may incur for loss of or injury to human life, damage to property and to the marine environment. In determining the limits for mandatory insurance coverage for seagoing ships, the MARINA shall take into account and be guided by the applicable limits of liability provided in relevant international conventions. In setting the limits for mandatory insurance coverage for coastwise vessels the MARINA shall consider the prevailing local social, economic and other conditions in the Philippines.

Chapter 12

Enforcement

Section 51. **Report of any incident involving a Philippine registered ship.** – When any Philippine flag vessel sustains an accident or causes any incident involving the loss of life, material loss of property, or serious injury to any person, or receives any damage affecting her seaworthiness or her efficiency, or if it should cause any pollution or damage to the marine environment, regardless of where such accident or incident may occur, the ship owner, ship operator, bareboat charterer, ship manager, agent or master of such vessel shall immediately, after the occurrence of the accident or incident, send a

report of the accident or incident to the regional office of the MARINA nearest the place of the accident or incident or, in the case of seagoing vessels, to the head office of the MARINA in the port of Manila, stating:

- a. The name of the vessel;
- b. The port to which the vessel belongs;
- c. The place where the incident occurred;
- d. The nature and probable cause of the incident;
- e. The number and names of those who perished; and
- f. The estimated amount of loss or damage to the vessel, the cargo or the marine environment.

The ship owner, ship operator, charterer, ship manager, agent or master may be required to furnish such other information as shall be called for.

Section 52. Investigation of the accident or incident. – Immediately upon receipt of the report, the MARINA shall refer the matter to the Board of Marine Inquiry so that an investigation into the accident or incident can be conducted. The investigation of the accident or incident shall follow the rules of procedure of the Board of Marine Inquiry.

Section 53. Investigation report. – Upon completion of the investigation, the Board of Marine Inquiry shall prepare an investigation report setting forth the findings of fact gathered from the investigation and recommend the filing of appropriate administrative, civil or criminal charges against the offender.

If it should be determined by the Board of Marine Inquiry that the offender is a non-Philippine national, it may request, through proper diplomatic channels, the assistance of any other State to clarify the circumstances surrounding the accident or incident so that corresponding charges may be brought against the offender.

Section 54. Filing of charges. – Upon completion of the investigation and the preparation of the report, the Board of Marine Inquiry shall take steps to initiate administrative, civil or criminal action, as may be proper in the circumstances, against the offending parties.

Chapter 13

Casualty Investigation

Section 55. Marine Safety Investigation. – Following the occurrence of an accident or incident involving a Philippine flag coastwise or seagoing vessel resulting in the loss of life, material loss of property, or serious injury to any person, or receives any damage affecting her seaworthiness or her efficiency, or if it should cause any pollution or damage to the marine environment, regardless of where such accident or incident may occur, the MARINA on its own or through a duly constituted independent group of suitably qualified safety inspectors, shall immediately undertake a marine safety investigation. This investigation shall be separate from and independent of the investigation contemplated in Title II,

Chapter 12 of this Act and from any other form of investigation that may be undertaken by any other government agency.

Section 56. **Nature of the investigation.** – The investigation undertaken in accordance with this Chapter shall not apportion blame or determine liability but shall be conducted to determine the cause of the accident and the identification of measures to prevent the occurrence of similar marine casualties, accidents or incidents in the future.

Section 57. **Power of safety investigators to investigate.** – Maritime safety investigators appointed by the MARINA shall have full powers to board the Philippine flag ship regardless of where it may be found, and interview the master and the crew and any other person involved, and acquire such evidentiary material for purposes of undertaking and completing the marine safety investigation.

Section 58. **Amendment of safety regulations.** – Following completion of the safety investigation and upon a complete study of the safety investigation report, the MARINA shall take measures to amend its safety regulations to implement the recommendations made in the report.

Section 59. **Providing reports to the International Maritime Organization.** – The MARINA shall provide a copy of the report to the International Maritime Organization to enable a wide dissemination of information and to assist the international maritime community to address safety issues.

Chapter 14

Final Provisions

Section 60. **Requisition of Vessels.** — The President of the Philippines may, in times of war and other national emergency, when the public interest so requires, requisition, absolutely or temporarily, for any naval or military purpose, any and all vessels of Philippine registry. The Government shall pay the owner or operator of the vessel, based on normal conditions at the time of requisition:

- a. The fair market value, if the vessel is taken absolutely; or
- b. The fair charter value, if the vessel is taken temporarily, for the period commencing from the takeover by the Government to the date the vessel is returned to its owner or operator.

Section 61. **Streamlined and rationalized procedures.** – To ensure the effective implementation of this Act and the further streamlining of processes to support the country's competitiveness and promote trade facilitation, the MARINA shall coordinate with the Department of Foreign Affairs, Department of Finance, Department of Labor and Employment, Department of Health, Department of Interior and Local Government, Securities and Exchange Commission, Philippine Overseas Employment Administration, Bureau of Immigration, Board of Investments, Bureau of Customs, Bureau of Internal Revenue, Philippine Ports Authority, Philippine Coast Guard, Bureau of Fisheries and Aquatic Resources, Bureau of Quarantine and other relevant offices and agencies to further streamline policies, requirements, processes, procedures, and national and local government fees, dues, charges, tariffs, assessments, rates and other levies, on the acquisition, registration and operation of vessels; hiring, deployment, change and repatriation of crew; construction, repairs, maintenance and recycling of ships, and other government and business processes concerning vessels in the Philippine Registry.

Section 62. **Repealing clause.** – The following laws are hereby repealed:

- a. Articles 573 to 585 of the Code of Commerce of 1888;
- b. Sections 801 to 821 of Republic Act No. 1937;
- c. Republic Act No. 913;
- d. Republic Act No. 1407;
- e. Republic Act No. 6106;
- f. Republic Act No. 7471, as amended by Republic Act No. 9301;
- g. Presidential Decree No. 214;
- h. Presidential Decree No. 760, as amended.

The provisions of the following laws covering the powers and functions of MARINA are hereby amended insofar as they are inconsistent with section 6 of this Act:

- a. Presidential Decree No. 474, as amended,
- b. Executive Order No. 125 and 125-A, as amended;
- c. Section 10 of Republic Act No. 9295.

Section 14 of Republic Act No. 9295 is hereby amended insofar as it is inconsistent with Section 50 of this Act.

Such other laws, presidential decrees, executive orders, issuances, rules and regulations or parts thereof, which are otherwise inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.

Section 61. **Severability clause.** – If, for any reason, any section, subsection, clause or term of this Act is held to be illegal, invalid, or unconstitutional, such parts not affected by such declaration shall remain in full force and effect.

Section 62. **Transitory provision.** – Every ship currently registered under the laws of the Philippines and granted the privilege to fly its flag shall be deemed to be registered under this Act insofar as its registration is not inconsistent with the provisions of this Act and such registration shall continue to be valid until its expiration unless sooner revoked by the MARINA. All rights or privileges, vested or acquired under the provisions of existing laws and their relevant rules and regulations prior to the effectivity of this Act shall remain in full force and effect.

Section 63. **Effective date.** – This Act shall take effect after fifteen (15) days following its publication in a newspaper of general circulation.