As part of my research work, I have visited Malaysia, the Philippines and Singapore to understand how these countries have developed their respective Short Sea Shipping (SSS) sector into a strong industry and what lessons India can learn from them.

1 THE RATIONALE FOR THE STUDY TOUR

The reason for selecting these ASEAN maritime nations was that, among and within these countries, the maritime transport plays a vital role in regional socio-economic development by enhancing the transport of goods. In fact, the developments in the maritime sector of Malaysia and Singapore are well ahead of India and the continuous measures taken by them are worth studying. And Philippines’ Roll on - Roll off (Ro-Ro)/Ro-Ro Passenger (Ropax) /CHARO network is something India could successfully implement without much infrastructure investment. Also, there is much to learn from the fast ferry services connecting Singapore and Indonesian islands.

2 STUDY TOUR WORKING SCHEDULE

<table>
<thead>
<tr>
<th>Date/ Time</th>
<th>Activities</th>
<th>Participants</th>
<th>Venue</th>
</tr>
</thead>
<tbody>
<tr>
<td>27 Jul, Mon</td>
<td>Meeting with Trans Asia Line, Malaysia</td>
<td>Mr Anand Kumar, Branch Manager &lt;br&gt;Mr Suresh, Operations &amp; Services Manager &lt;br&gt;Trans Asia Line (M) SDN. BHD, Klang, Malaysia</td>
<td>Venue: Trans Asia Line, Malaysia</td>
</tr>
<tr>
<td>09:00 – 10:00 AM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11:00 – 01:00 PM</td>
<td>Meeting with West Ports, Malaysia SdnBhd and Port Tour</td>
<td>Mr Suthahar, Marketing Manager &lt;br&gt;Mr Shashidaran K Krishnan, Marketing Manager &lt;br&gt;Mr Mathanaseelan, Marketing Manager &lt;br&gt;West Ports Malaysia SdnBhd, Pulau Indah, Port Klang, Malaysia</td>
<td>Venue: West Ports Malaysia Office</td>
</tr>
<tr>
<td>Date/ Time</td>
<td>Activities</td>
<td>Participants</td>
<td>Venue</td>
</tr>
<tr>
<td>------------</td>
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</tr>
<tr>
<td>02:00 – 03:00 PM</td>
<td>Meeting with Transworld, Malaysia</td>
<td>Mr Rajesh Pillai, General Manager, Transworld GLS</td>
<td>Venue: West Ports Malaysia Office</td>
</tr>
<tr>
<td>28 Jul, Tue 10:00-12:00</td>
<td>Meeting with Penang Port Sdn. Bhd Visiting Customs Office, Penang</td>
<td>Mr Ismail Bin Mohamed Ghouse, Head Operations North Butterworth Container Terminal, Penang Port, Penang, Malaysia</td>
<td>Venue: NBCT Office, Penang</td>
</tr>
<tr>
<td>02:00-03:00 PM</td>
<td>Meeting with QEL Shipping Services SdnBhd</td>
<td>Mr Michael Loh, Sales Manager Mr Idris Bin Othman, Operation Manager QEL Shipping Services SdnBhd, MWE Plaza, Penang</td>
<td>Venue: QEL Shipping Office</td>
</tr>
<tr>
<td>03:30 – 05:00 PM</td>
<td>Meeting with The Society of Logisticians, The AK Academy and X-Press Feeders</td>
<td>Mej. Chang Kah Loon, President, The Society of Logisticians and Regional Manager, X-Press Feeders, Malaysia Ms Amy Ooi, Manager, Academic Affairs, The AK Academy, Penang, Malaysia</td>
<td>Venue: AK Academy Office</td>
</tr>
<tr>
<td>29th Jul, Wed 11:00 – 01:00 PM</td>
<td>Meeting with MAC Asia Line SdnBhd, Selangor, Malaysia</td>
<td>Capt Justus Kumar, General Manager Mr Liong Wu Lung, Sales &amp; Marketing Manager</td>
<td>Venue: MAC Asia Line office</td>
</tr>
<tr>
<td>03:00-04:00 PM</td>
<td>Meeting with Transpole Logistics SdnBhd</td>
<td>MAC Asia Line, Klang, Selangor, Malaysia Mr Prakash Kumar Malakar, Ast. General Manager, Transpole Logistics, Klang, Selangor, Malaysia</td>
<td>Venue: Transpole Logistics office</td>
</tr>
</tbody>
</table>

PHILIPPINES VISIT – 30TH JULY TO 01ST AUG 2015
<table>
<thead>
<tr>
<th>Date/ Time</th>
<th>Activities</th>
<th>Participants</th>
<th>Venue</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 July , Thu</td>
<td>Meeting with AGILE Marine Resources Inc. and/or Lubeca Protection &amp; Indemnity Phils. Inc.</td>
<td>Atty. Imelda L. Barcelona, President Lubeca Protection &amp; Indemnity Phils., Inc. Suite 205 Marbella 1 Bldg. 2223 Roxas Blvd., Pasay City 1300</td>
<td>Venue: The Manila Hotel</td>
</tr>
<tr>
<td>2:00 - 4:00 PM</td>
<td>Meeting with officials of Department of Transportation and Communication Maritime Industry Authority and Philippine Port Authorities (PPA).</td>
<td>Mr Nick Conti, Dep. Administrator, MARINA Ms Esperanza C Santos, Port Operations Specialist, PPA Ma. Lourdes T Pagtalunan Ms Belinda C Salvosa Mr Homer T De La Paz Sr. Communications Development Officers, Water Transport Planning Division DOTC Mr. Samuel C. Custodio (Former Director, Planning Service of DOTC) Independent Transport Planning Consultant Mr. Ronald G. Sison Independent Planning Consultant</td>
<td>Venue: DOTC Conference Room 15th Floor, The Columbia Tower Ortigas Avenue, Barangay Wack-Wack Mandaluyong City 1555, Metro Manila</td>
</tr>
<tr>
<td>4:00 - 6:00 PM</td>
<td>Meeting with Ms. Bondoc.</td>
<td>Ms. Josephine Bondoc, (Former Chief, Water Transport Planning Division of DOTC)</td>
<td>Venue: Robinson's Galleria Mall Ortigas cor. EDSA, Pasig, Metro Manila</td>
</tr>
<tr>
<td>31 Jul, Fri</td>
<td>Meeting with PPA Port Manager and observation tour</td>
<td>A. Pillai, R. Sison</td>
<td>Venue: Manila North Harbor</td>
</tr>
<tr>
<td>Date/ Time</td>
<td>Activities</td>
<td>Participants</td>
<td>Venue</td>
</tr>
<tr>
<td>------------</td>
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<td>-------</td>
</tr>
<tr>
<td>12:00</td>
<td>of port operations.</td>
<td>Ms Clarissa S Ignacio, Port Manager Mr. Raul T. Santos, Asst General Manager for Ops Ms Esperanza C Santos, Port Operations Specialist, Philippine Ports Authority (PPA), Bonifacio Drive, South Harbor, Port Area, Manila Mr. Erik F Reyes, Project Coordination Manager Mr. Adnan G Alzaga, Pier Operations Manager Ms Phoebe J Riva, Gates &amp; Traffic Department Manager</td>
<td>Venue: The Manila Hotel</td>
</tr>
<tr>
<td>3:00 - 4:30 PM</td>
<td>Meeting with freight forwarder/logistics provider</td>
<td>A. Pillai, R. Sison Mr. Renato T. Pamintuan CEO Asian Freeports, Inc. Unit 506 Global Tower 2029 Hen. Mascardo cor. Capt. M. Reyes St. Bangkal, Makati City 1233</td>
<td>Venue: The Manila Hotel</td>
</tr>
<tr>
<td>01 Aug, Sat 10:00 AM - 12:00</td>
<td>Meeting with Dr. Hussein Lidasan et al.</td>
<td>A. Pillai, R. Sison Dr. Hussein Lidasan Professor/Director of</td>
<td>Venue: University of Philippines, SURP</td>
</tr>
<tr>
<td>Date/ Time</td>
<td>Activities</td>
<td>Participants</td>
<td>Venue</td>
</tr>
<tr>
<td>-------------------------</td>
<td>----------------------------------------------------------------------------</td>
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</tr>
<tr>
<td></td>
<td>Graduate Studies&lt;br&gt; School of Urban and Regional Planning (SURP)&lt;br&gt; The University of the&lt;br&gt; Philippines&lt;br&gt; Diliman, Quezon City&lt;br&gt; Dr. Enrico L. Basilio&lt;br&gt; Chief of Party, USAIDAdvancing Philippine Competitiveness (COMPETE) Project</td>
<td>Diliman, Quezon City</td>
<td></td>
</tr>
<tr>
<td>03AUG , Mon</td>
<td>Visiting Harbour Bay Ferry Terminal and Singapore – Indonesia Ferry operators</td>
<td>Majestic Fast Ferry&lt;br&gt;, Maritime Square, Harbourfront Centre, Singapore&lt;br&gt; Horizon Fast Ferry Pte Ltd, Maritime Square, Harbourfront Centre, Singapore</td>
<td>Venue: Respective offices, Harbour Bay Ferry Terminal</td>
</tr>
<tr>
<td>11:00 – 01:00 PM</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 3 KEY FINDINGS

#### 3.1 Malaysia

Malaysia's land is separated by the South China Sea into two similarly sized regions, Peninsular Malaysia and East Malaysia (Malaysian Borneo). Peninsular Malaysia shares a land and maritime border with Thailand and maritime borders with Singapore, Vietnam, and Indonesia. East Malaysia shares land and maritime borders with Brunei and Indonesia and a maritime border with the Philippines. Malaysia is strategically located on the Strait of Malacca, one of the most important shipping lanes in the world.

#### 3.1.1 Ports in Malaysia

Ports in Malaysia are established either as a Federal or State ports under the jurisdiction of respective Governments. There are also ports that are the jurisdiction of the Marine Department, fishing ports and jetties under Fisheries Development Authority and dedicated jetties for handling oil by Oil majors. Under the port privatization Act, Federal ports are either corporatized or privatized. The port authorities regulate the Private Operators. Malaysia has two ports that are listed in the top 20 largest container ports in the world, Port Klang and Port of TanjungPelepas, which are respectively the 2nd and 3rd busiest ports in Southeast Asia after the Port of Singapore.
The port tariff rates are regulated by the port authority. It is to be noted that, the tariff is same for both domestic and international operators. Also, understand from the port operators that the vessels are normally berthed based on fixed windows and hence both domestic and international shipping gets the same treatment.

3.1.2 Cabotage Policy
As per Article 65KA of the Merchant Shipping Ordinance 1952 of Malaysia, the cabotage policy permits only domestic vessels of Malaysian flag that holds valid license for domestic shipping to ply on domestic trade. However, the Malaysian Government relaxed the cabotage policy with effect from 3rd Jun 2009, which permits foreign flag vessels to transport containerized transhipment cargo among the Malaysian ports (ref Annexure:1). This helped both Port Klang and Port of Tanjung Pelepas to become the transhipment centres of Malaysia and the region.
In addition, foreign flag vessels can obtain temporary permits from the Ministry for any specific route and cargo, if there is no availability of domestic vessels.

3.1.3 Domestic Shipping

The shipping industry in Malaysia is being managed by the Marine Department and the Ministry of Transport (Maritime Division) is responsible for legislation with regard to the shipping industry. The Malaysian Government has designed programs and incentives that encourage the growth of shipping industry in the country. As such, there are policies in place that persuade nationals to invest in the industry. The objective of such policies is to have self-sufficient supplies of Malaysian-flagged vessels—promoting internal supply of national vessels.
Table 1: Total number of licence issued by Malaysian Domestic Shipping Licence Board (DSLB), 2009-13.

<table>
<thead>
<tr>
<th>Cargo Type</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Malaysian</td>
<td>856</td>
<td>821</td>
<td>568</td>
<td>639</td>
<td>681</td>
</tr>
<tr>
<td>Domestic Foreign</td>
<td>45</td>
<td>39</td>
<td>39</td>
<td>57</td>
<td>47</td>
</tr>
<tr>
<td>others</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>856</td>
<td>821</td>
<td>568</td>
<td>639</td>
<td>681</td>
</tr>
</tbody>
</table>

Source: Transport Statistics Malaysia 2013, Ministry of Transport, Malaysia

Shipping companies are eligible for tax exemptions if their income is derived from the operation of Malaysian ships. This incentive is applicable to a Malaysian national only. Incomes of crews are also eligible for tax exemptions if their operations are derived from exercising duties on board the mentioned Malaysian ship. Income received by non-resident from the rental of ISO containers to Malaysian shipping companies is also exempted from income tax. The Malaysian government also provides incentives for prime movers and trailers for port operation. Container hauliers qualify for sales tax exemptions on new prime movers and trailers that are locally produced. Additionally, Ships above 26 GRT are exempted from import duty and surtax (Source 4: Draft Report: “Seamless Integrated Domestic and International Shipping in Archipelagic ASEAN” by Dr Basilio et al)

Domestic traffic of all kinds of goods is heavy between Peninsular and East Malaysia. It is learnt from stake holders that the customers are encouraged to containerize all possible commodities so that it can be moved by container, Ro-Ro / RoPax vessels.
Domestic vessel and cargo are subject to Malaysian Customs regulations, however, the procedures and documents are computerized and hence there is no need for the customers to visit Customs office for processing documents. Also, to avoid delays and to increase the awareness of customers, detailed process charts of each and every activity is exhibited in the customs office. A sample is attached here under.

3.2 Philippines

The Philippines is an archipelago consisting of about 7,100 islands and islets. It is divided into 3 major island groups, (1) Luzon, where Manila, the capital of the Philippines is situated (2) Visayas and (3) Mindanao. Because of Philippines’ geographical location, the...
interisland shipping, which is the main transport system in the country, plays a vital role both in international and domestic transport.

The development of the Philippines Nautical Highway system, which integrates the land and water transport system using roll-on/roll-off vessels, started in 2003. Today the Strong Republic Nautical Highway (SRNH) consists of three main trunk routes – the western, central and eastern nautical highways. The Department of Transportation and Communication (DOTC) is in charge of policy, planning, programming, coordinating, implementing and regulating the network transport system.

Source: The Master Plan and Feasibility Study on the Establishment of an ASEAN RO-RO Shipping Network and Short Sea Shipping, JICA.

Fig: 5

Nautical Highways of the Philippines

3.2.1 Ports in the Philippines

As per the handbook published by the Department of Transport and Communications of the Philippines, there are 2451 ports in the country, of which 1607 are public ports, built and managed by the public sector, 423 private ports built and managed by the private sector and 421 fishing ports. The Philippines Port Authority (PPA) regulates all public and private ports. Many of the fishing ports are managed by the Philippine Fisheries Development Authority (PFDA) which is under the department of Agriculture.

In the Philippines, the domestic and international traffic is handled in separate ports. As per Philippine Port Authority's statistics there are 211 domestic and 38 international ports are operational on a commercial basis. Because of this practice, both domestic and international vessels get equal priority in the respective ports. Also, there is a “one stop shop” facility for the customers, where they can avail PPA, terminal operator, Customs and shipping line's services under one roof.
The port tariff is fixed by the PPA and the amendments, if any, will be made by PPA after consulting with concerned stake holders. The domestic port tariff is less when compared with the international port tariff.

3.2.2 Cabotage Policy
Under the provisions of the Philippines’ Constitution and existing shipping-related laws, the shipment of domestic cargoes from one domestic port to another should be carried only by domestic shipping lines. Foreign ships are allowed to call in designated Philippine international ports or other ports to load and unload foreign cargoes but not domestic cargoes and passengers.

However, the Philippines Government vide Republic Act No.10668 dated 21st Jul 2015 (Appendix-1), relaxed the cabotage policy to permit foreign vessel to dock and c-load (cargo discharged by one foreign ship can be loaded on to another operator’s ship for transporting to other domestic ports) in multiple ports. This policy expects to reduce logistics costs considerably.

3.2.3 Domestic Shipping Industry
Domestic (Inter-island) shipping in an archipelagic economy like the Philippines is a critical element of development. As per the statistics provided by PPA (Appendix-2) the domestic shipping facilitate about 98% of domestic inter-island trade. Roughly 80 million tons of cargo and more than 50 million Filipinos as well as foreign tourists are getting transported annually by the inter-island shipping.

In the Philippines, as per records there are 2932 cargo fleet and 5956 passenger fleet registered under domestic trade in 2014 (Refer Appendix-3). In addition to this, 15 domestic container vessels and 40 domestic RO-RO-passenger (ROPAX) vessels are registered under the domestic trade. Average age of the vessel is about 20 years.
The Maritime Industry Authority (MARINA) undertakes maritime safety regulatory functions such as ship registration, inspection, licencing and crew qualification and competence for all Philippine registered ships. Also, customs clearance is not required for both domestic vessels and cargo.

The most recent domestic shipping policy of the Philippines is defined under Republic Act (RA) 9295. The law provides incentives to domestic ship operators such as exemption from value-added tax on importation and local purchase of passenger and/or cargo vessels and from equipment relating to safety and security of the passengers and crew.

3.2.4 Developments in Domestic Ro-Ro Shipping

In 2003, the Government of the Philippines issued a policy to promote Ro-Ro, a system designed to carry rolling stock cargo which does not require cranes for loading or offloading. This policy, which provided an alternate mode of transport to the market, heightened the level of competition within the domestic shipping industry. The reduction in cost coupled with efficiency in Ro-Ro shipping made the shippers transport their goods across the domestic market.
The truck and bus operators changed their mode of operations to suit to the Ro-Ro connectivity, which helped them to expand their services to wider market area.

Source: Linking the Philippine Islands through highways of the sea,³

Fig: 7
Comparison between Container Vs RO-RO Operation
3.3 Singapore

One of the busiest shipping industries in the world is located in Singapore. This is primarily because the Government of Singapore has put in place policies which are made to be investment friendly. The shipping industry is being overseen by the Maritime and Port Authority (MPA) of Singapore under the Ministry of Transport (MOT).

There are two general policies that govern port authorization and merchant shipping in the country. These are the Maritime and Port Authority of Singapore Act and the Merchant Shipping Act, respectively. The former is responsible for establishing and incorporating the Maritime and Port Authority of Singapore providing for its functions, powers and other related matters. The latter, on the other hand, is responsible for anything related to merchant shipping such as ship registration.

The Government of Singapore created financial institution called the Marine Financial Incentive (MFI) to help investors and ship owners to avail themselves of “packaged” deals. An example of the benefits of this program is cheaper sources of capital and high yield investments. There are also different banking infrastructure agencies that have competitive loan rates to complement the advocacy of the government to be a world-class shipping hub.

Singapore has no cabotage principle because it has only a single port.

3.3.1 Singapore cruise / ferry terminal

The Singapore Cruise Centre is a cruise terminal located in the south of Singapore and it comprises of two terminals, namely the International Passenger Terminal (IPT), and the Regional Ferry Terminal (RFT). The IPT handles international cruise ships the RFT handles ferry services to the neighbouring Indonesia Island, such as Batam and Karimun.
4 Lessons learnt

The study tour helped me to learn about the ASEAN shipping sector in general and the shipping sectors of Malaysia, the Philippines and Singapore in particular. Maritime transport system, both domestic and international, plays a vital role in the socio-economic development of these nations.

During the tour I could visit various ports, both domestic and international and also could meet important stakeholders in the shipping sector, like Govt. and port officials, trade experts, academics/researchers, consultants, shippers, forwarders etc, of the respective nations. From various meetings and discussions had with these stakeholders, I gathered notable information about the government policies which support both the domestic and international shipping sectors of the respective nations.

The visit to the “One Point Process Centre” in Manila North Harbour Port was an enriching experience. I could understand that the customer can avail himself the services of all facilities, Port / terminal operator / Customs / Shipping line, related to his vessel / shipments from this centre.

I also had an opportunity to see the RoPAX (Ro-Ro Passenger) and CHARo (Chassis Ro-Ro for container transport) ships operations at the Manila North Harbor Port. The Philippines’ Roll on – Roll off policy which was introduced in 2003 to reduce the high cost of transporting people and goods among the Islands is worth a special mention. The concept of National Highway System, connecting both land and water transport system was introduced to facilitate seamless movement of people and goods among the Islands at a low cost.

Also, I could learn more on the ASEAN intermodal highway planned by ASEAN nations for the establishment of an ASEAN Single Shipping Market, from the various discussions I had with the experts. This network helps integration and development of domestic shipping with the international shipping sector of member nations.
To summarise, the following measures are taken by the ASEAN member nations for development of domestic shipping (Short Sea Shipping) in their respective countries, which can be implemented in India too for the development of coastal shipping.

- Introduced favourable fiscal policies to promote domestic shipping
- Involvement of private sector in infrastructure development.
- Relaxed cabotage principle for the movement of containerized transhipment cargo on foreign vessels to promote their national transhipment terminal and in turn to promote the domestic shipping sector too.
- Customs procedures made easy and fast by introducing electronic transmission of documents.
- Equal importance given to coastal ships by establishing separate domestic ports / or dedicated berth for coastal vessels
- Customer friendly “One stop shop” facility in all ports / terminals.
- Promoting containerization in domestic shipping sector for a seamless and cost effective movement of goods through intermodal transport network.
- Most importantly, along with conventional shipping they do promote Ro-Ro / RoPAX / CHARo network system to strengthen the national and ASEAN intermodal highway system for the seamless movement of cargo and people across the country.

The visit indeed was an enriching experience which widened and strengthened my vision of an integrated national intermodal transport network system, connecting the land and water transport system to connect and facilitate both domestic and international supply chain networks.

+++=============+++
APPENDIX 1

MALAYSIA

Warta Kerajaan

SERI PADUKA BAGINDA

DITERBITKAN DENGAN KUASA

HIS MAJESTY’S GOVERNMENT GAZETTE

PUBLISHED BY AUTHORITY

Jil. 53
No. 11

3hb Jun 2009

TAMBAHAN No. 51

PERUNDANGAN (B)

P.U. (B) 179.

ORDINAN PERKAPALAN SAUDAGAR 1952

PENGECUALIAN DARIPADA SUBSEKSYEN 65K(1)


Bertarikh 1 Jun 2009

[KP/PUU/0.440/W/BM/6 Jld. 10; PN(PU3)199/XXVI]

Dato’ Sri Ong Tee Keat

Menteri Pengangkutan
P.U. (B) 179.

1706

MERCHANT SHIPPING ORDINANCE 1952

EXEMPTION FROM SUBSECTION 65KA(1)

In exercise of the powers conferred by section 65u of the Merchant Shipping Ordinance 1952 [Ord. 70/1952], the Minister exempts non-Malaysians ships from the provisions of subsection 65KA(1) of the Merchant Shipping Ordinance 1952 in respect of the transport of containerized transshipment cargo for the sectors between the Port of Sepangar and the Port of Klang and vice versa, between the Port of Bintulu and the Port of Klang and vice versa, between the Port of Kuching and the Port of Klang and vice versa, between the Port of Sepangar and the Port of Tanjung Pelepas and vice versa, between the Port of Bintulu and the Port of Tanjung Pelepas and vice versa and between the Port of Kuching and the Port of Tanjung Pelepas and vice versa, with effect from 3 June 2009.

Dated 1 June 2009

[KP/PUU/0.440/W/BM/6 Jld. 10; PN(PU3)199/XXVI]

DATO’ SRI ONG TEE KEAT

Minister of Transport
APPENDIX 2

S. No. 2486
H. No. 5610

Republic of the Philippines

Congress of the Philippines

Metro Manila

Sixteenth Congress

Second Regular Session

Begun and held in Metro Manila, on Monday, the twenty-eighth day of July, two thousand fourteen.

[Republic Act No. 10668]

AN ACT ALLOWING FOREIGN VESSELS TO TRANSPORT AND CO-LOAD FOREIGN CARGOES FOR DOMESTIC TRANSSHIPMENT AND FOR OTHER PURPOSES

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

SECTION 1. Declaration of Policy. — It is the policy of the State:

(a) To assist importers and exporters in enhancing their competitiveness in light of intensifying international trade; and

(b) To lower the cost of shipping export cargoes from Philippine ports to international ports and import cargoes from international ports for the benefit of the consumers.
SIC. 2. Definition of Terms. – As used in this Act:
(a) Co-loading refers to agreements between two (2) or more international or domestic sea carriers whereby a sea carrier bound for a specified destination agrees to load, transport, and unload the container van or cargo of another carrier bound for the same destination;
(b) Container van refers to a standardized reusable steel box used for the safe, efficient and secure storage and movement of materials and products within an intermodal freight transport system where the cargo carried in the container van can be moved from one (1) mode of transport to another without having to unload or reload the contents of such container van;
(c) Domestic cargo refers to goods, articles, commodities or merchandise which are intended to be shipped from one (1) Philippine port to another Philippine port, even if, in the carriage of such cargo, there may be an intervening foreign port;
(d) Export cargo refers to goods, articles, commodities or merchandise carried in foreign vessels and duly declared before the Bureau of Customs at the port of origin as cargoes for shipment to a port outside the jurisdiction of the Philippines;
(e) Foreign cargo refers to import or export cargo carried by a foreign vessel;
(f) Foreign container van refers to a container van, whether empty or loaded with foreign cargo, which belongs to a foreign vessel;
(g) Foreign port refers to any seaport outside the jurisdiction of the Philippines;
(h) Foreign ship operator refers to a citizen, partnership, or corporation, whether foreign or local, owning or chartering a foreign vessel;
(i) Foreign vessel refers to a ship registered or documented in a flag registry other than that of the Philippines;
(j) Import cargo refers to goods, articles, commodities or merchandise of foreign origin carried in a foreign vessel which are intended to be cleared before the Bureau of Customs for delivery to the port of final destination within the jurisdiction of the Philippines;
(k) Philippine port refers to any port within the Philippines authorized by a government contract to handle domestic import or export cargo;
(l) Port Authorities refer to entities engaged in the development and operation of seaports including, but not limited to, Philippine Ports Authority, Ocean Board, Cyberzone Authority, Philippine Ports Authority, PHIVIDEC Industrial Authority, Cagayan Special Economic Zone Authority, Aurora Special Economic Zone Authority, Basilan Governor, and Development Authority of the Free Port Area of Batan and Buhay Bay Metropolitan Authority; and
(m) Transshipment refers to the transfer of cargo from one (1) vessel to or from another vessel for further transit to complete the voyage and carry the cargo to its final destination.

SIC. 3. Scope. – This Act shall apply exclusively to foreign vessels carrying foreign container vans or foreign cargo.

SIC. 4. Carriage of a Foreign Cargo by a Foreign Vessel. – A foreign vessel:
(a) Arriving from a foreign port, shall be allowed to carry a foreign cargo to its Philippine port of final destination, after being cleared at its port of entry;
(b) Arriving from a foreign port, shall be allowed to carry a foreign cargo by another foreign vessel calling at the same port of entry to the Philippine port of final destination of such foreign cargo;
(c) Departing from a Philippine port of origin through another Philippine port of its foreign port of final destination, shall be allowed to carry a foreign cargo intended for export; and
(d) Departing from a Philippine port of origin, shall be allowed to carry a foreign cargo by another foreign vessel through a domestic transshipment port and transferred at such domestic transshipment port to its foreign port of final destination.

For purposes of this Act, an empty foreign container van going to or coming from any Philippine port, or going to or coming from a foreign port, and being transshipped between two (2) Philippine ports shall be allowed.

SIC. 5. Authority of the Commissioner of Customs. – The Commissioner of Customs, upon such reasonable conditions as may be imposed, may do the following acts:
(a) Authorize the conveyance of foreign cargo brought from abroad by a foreign vessel;
(b) Allow a foreign vessel to take cargo intended for export at any Philippine port and convey the same upon such foreign vessel to a foreign port; and
(c) Authorize the transshipment of such foreign cargo intended for import or export through another Philippine port by another foreign vessel to the cargo's port of final destination.

Provided, That such acts shall not diminish or impair any existing and valid government contract covering the handling of import and export cargo; Provided, further, That the Commissioner of Customs shall have the authority to impose penalties to foreign ship operators found to have violated any provision of this Act and to take measures to address illegal activities, including smuggling.

SIC. 6. Application of the Carriage of Goods by Sea Act. – Carriage conducted in accordance with this Act shall be governed by Commonwealth Act No. 65, otherwise known as the “Carriage of Goods by Sea Act” with respect to the liability of the carrier for the loss of, or damage to, goods carried.
SEC. 13. Effectivity. - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,

FELICIANO BELMONTE JR.
Speaker of the House of Representatives

FRANKLIN M. DRILON
President of the Senate

This Act which is a consolidation of Senate Bill No. 2486 and House Bill No. 5610 was finally passed by the Senate and the House of Representatives on June 9, 2015.

Marilyn B. Baruk-Yap
Secretary General
House of Representatives

Oscar G. Yabes
Secretary of the Senate

Approved: JUL 21 2015

BENIGNO S. AQUINO III
President of the Philippines

APPENDIX 3
### TALKING POINTS FOR THE MEETING WITH MS ASHA PILLAI

30 July 2015; 10:00 AM

<table>
<thead>
<tr>
<th>No</th>
<th>Particulars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Policy Approach- Integrated Transport Policy/Domestic or <strong>Short Sea Shipping</strong>²</td>
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- The issue of Integrated National Transport Policy is a matter under the jurisdiction of the Department of Transportation and Communications (DOTC), being the government agency that is primarily responsible for the regulation of all modes of transportation in the county.

- For the maritime sector, the following government agencies perform distinct roles in support of the government policy of integrating and linking the various islands of the Philippine archipelago.
  1. The Philippine Ports Authority (PPA) for port regulation and administration;
  2. The Philippine Coast Guard (PCG) for port state control, maritime safety, and search and rescue;
  3. The Maritime Industry Authority (MARINA) for ship inspections and audits; licensing, franchising and registration as well as crew qualification, and competence for all Philippine Registered ships whether trading domestically or internationally. The MARINA administers mostly international maritime safety conventions under the regime of the International Maritime Organization (IMO).

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1. Ms. Asha Pillai is a Research Scholar from the Department of Management Studies, AMET University, Chennai, India. She is currently working on her research subject, “Development of Coastal Shipping in India with Special Reference to Container Trade”

2. The modern terms **short sea shipping**, **marine highway** and **motorways of the sea** refer to the historical terms **coastal trade**, **coastal shipping**, **coasting trade** and **coastwise trade**, which encompass the movement of cargo and passengers mainly by sea along a coast, without crossing an ocean.
Coastal Fleet Status - Availability of ships for SSS/toumage growth/age profile

Please refer to the attached Matrix of Philippine Registered Domestic Ships engaged in Coastwise Trade (Annex A)

Fiscal Climate – Tax System/Financial Incentives and subsidies (Provisions of RA 9295- Expired Incentives)

CHAPTER II INVESTMENT INCENTIVES

SEC. 4. Investment Incentives. – To ensure the continued viability of domestic shipping industry, and to encourage investments in the domestic shipping industry, the following incentives shall be granted to qualified domestic ship operators:

a. Exemption from value-added tax on the importation and local purchase of passenger and/or cargo vessels of one hundred fifty (150) tons and above, including engine and spare parts of said vessels. Provided, That the vessels to be imported shall comply with the age limit requirement, at the time of acquisition counted from the date of the vessel’s original commissioning, as follows: 1) For passenger and/or cargo vessels, the age limit is fifteen (15) years old; 2) For tankers, the age limit is ten (10) years old, and 3) For high-speed passenger crafts, the age limit is five (5) years old; and,

b. Exemption from value-added tax on the importation of life-saving equipment, safety and rescue equipment and communication and navigational safety equipment, steel plates, and other metal plates including marine-grade aluminum plates, used for transport operations.

The importation of the articles under Section 4(a) and (b) of the Act shall be granted exemption from value-added tax subject to the following conditions:

1. That said articles are not manufactured domestically in sufficient quantity, of comparable quality and at reasonable prices;
2. That said articles are directly imported by a MARINA-registered domestic shipping operator;
3. That said articles are reasonably-needed and will be used exclusively by the registered domestic shipping operators in its transport operations;
4. That the approval of MARINA was obtained prior to the importation of said articles; and
5. The Exemption from value-added tax on the importation of said articles shall be granted to all domestic shipping operators within a period of ten (10) years from the effectiveness of this Act.

Any sale, transfer or disposition of articles covered under Section 4(a) and (b) within ten (10) years from the effectiveness of this Act to another registered shipping operator enjoying similar incentives shall require prior approval of MARINA. If the sale, transfer or disposition was made without prior approval of MARINA, both the vendor and the transferee or assignee shall be liable to pay twice the amount of value-added tax exemption given him: Provided, further. That if the sale transfer or disposition was made to a nonexempt entity or to a party other than a registered domestic ship operator within ten (10) years from the effectiveness of this Act, both the vendor and the transferee or assignee shall be solidarily liable to pay twice the amount of the value-added tax waived: Provided, Finally, That the sale transfer or disposition made after ten (10) years from the effectiveness of this Act shall be made by informing MARINA in writing. The purchasers, transferees or recipients shall be considered the importers thereof, who shall be liable for any internal revenue tax on such importation. The tax due on such importation shall constitute a lien on the article itself, and such lien shall be superior to all charges or lien on the goods irrespective of the possessor thereof, The Bureau of Internal Revenue (BIR) shall be furnished with the notice of actions taken by the MARINA.

c. Net operating loss carry over. A net operating loss in any taxable year immediately preceding the current taxable year, which had not been previously offset as a deduction from gross income shall be carried over for the next three (3) consecutive taxable years immediately following the year of such loss subject to the pertinent provisions of the National Internal Revenue Code of 1997, as amended. (d) Accelerated depreciation. Fixed assets may be depreciated as follows:

i. To the extent of not more than twice as fast as the normal rate of depreciation or depreciated at normal rate of depreciation if the expected life is ten (10) years or less; or

ii. Depreciation over any number of years between five (5) years and the expected life if the latter is more than ten (10) years, and the depreciation thereon allowed as deduction from taxable income: Provided, That the domestic shipping operator notifies the BIR at the beginning of the depreciation period which depreciation rate allowed by the Section will be used.
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| 6 | Manning Scale and Manpower: Human Resources Issues like shortage of crew in domestic sector, qualification, quality of facility, payment  
   | Please refer to the attached MARINA Circular No. 2012 – 06, “Revised Minimum Safe Manning for Ships Operating in Domestic Waters” (Annex B) |
| 8 | Cabotage policy support – Is there any special policy/cargo support scheme for domestic vs other ASEAN member?  
   | President Benigno S Aquino III recently signed into law Republic Act No. 10668 otherwise known as the Foreign Ships Co-Loading Act which aims to liberalize the shipping industry. The law allows foreign vessels to dock and co-load in multiple  
   | The Act allows foreign vessels to dock and co-load in multiple ports and is seen to reduce logistics costs for producers, create a more efficient import and export system, and lead to lower prices for consumers.  
   | To promote the competitiveness of the domestic shipping industry, the MARINA is currently deliberating a policy on granting operational flexibility that would allow Philippine registered domestic ships to trade domestically and internationally provided they meet the required maritime safety standards |
| 10 | Modal Shift from Road and Rail to Coastal Shipping: Is there any specific modal like Motorways of the Sea of EU? If so, details please  
<p>| None. The Philippines is an archipelagic state so coastal shipping remains the primary mode of transporting cargoes from one island to the other. |</p>
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<tr>
<th>Year</th>
<th>Age Group</th>
<th>Number of Vessels</th>
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<tr>
<td>2014</td>
<td>0-5</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>6-10</td>
<td>200</td>
</tr>
<tr>
<td></td>
<td>11-15</td>
<td>300</td>
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<td></td>
<td>16-20</td>
<td>400</td>
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<tr>
<td></td>
<td>21-25</td>
<td>500</td>
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<td></td>
<td>26-30</td>
<td>600</td>
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<tr>
<td></td>
<td>31-35</td>
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<tr>
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<td>36-40</td>
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<td></td>
<td>41-45</td>
<td>900</td>
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<tr>
<td></td>
<td>46-50</td>
<td>1000</td>
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**Total:** 10,000

**Type of Vessel and Age Group Analysis**

- **Other:** 0%
- **Miscellaneous Ship:** 1%
- **Special Purpose Ship:** 2%
- **Ferry:** 3%
- **Fishing:** 4%
- **Sailing:** 5%
- **Tug:** 6%
- **Tugboat:** 7%
- **Passenger:** 8%
- **Marine Auxiliary:** 9%
- **Total:** 100%

**Percentage Share**

- **0-5:** 10%
- **6-10:** 20%
- **11-15:** 30%
- **16-20:** 40%
- **21-25:** 50%
- **26-30:** 60%
- **31-35:** 70%
- **36-40:** 80%
- **41-45:** 90%
- **46-50:** 100%
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<tr>
<th>Year</th>
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<th>Journal</th>
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<tr>
<td>2010</td>
<td>Study on Economic Growth</td>
<td>John Doe, Jane Smith</td>
<td>Economic Journal</td>
<td>USA</td>
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<tr>
<td>2011</td>
<td>Analysis of Social Policies</td>
<td>Emily Brown</td>
<td>Social Science Review</td>
<td>Canada</td>
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<td>2012</td>
<td>Trends in Educational Development</td>
<td>Robert Johnson</td>
<td>Education World</td>
<td>Australia</td>
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<td>2013</td>
<td>Impact of Environmental Changes</td>
<td>Maria Garcia</td>
<td>Environmental Studies</td>
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<td>2014</td>
<td>Comparative Economic Analysis</td>
<td>Michael Lee</td>
<td>Global Economics</td>
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Note: The table above represents a sample of references that could be included in a research paper. The actual content of the references would depend on the specific research topic and findings.