

# MALACAÑANG

Manila

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 909

## ENCOURAGING INVESTMENTS IN NEWLY CONSTRUCTED SHIPS OR BRAND NEW VESSELS IN THE DOMESTIC SHIPPING INDUSTRY BY PROVIDING INCENTIVES THEREFOR

**WHEREAS**, Section 20, Article II of the Constitution declares that "(t)he State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments";

**WHEREAS**, Presidential Decree No. 474, otherwise known as the Maritime Industry Decree of 1974, provides that the Government, through the Maritime Industry Authority (MARINA), "shall (a) adopt and implement a practicable and coordinated Maritime Industry Development Program which shall include, among others, the early replacement of obsolescent and uneconomic vessels, modernization and expansion of the Philippine merchant fleet, enhancement of domestic capability for shipbuilding, repair, and maintenance, and the development of reservoir of trained manpower; and (b) provide and help provide the necessary (i) financial assistance to the industry through public and private financing institutions and instrumentalities; (ii) technological assistance; and (iii) in general, a favorable climate for expansion of domestic and foreign investments in shipping enterprise";

**WHEREAS**, Republic Act No. 9295, otherwise known as the "Domestic Shipping Development Act of 2004" provides that "the Philippines needs a strong and competitive domestic merchant fleet owned and controlled by Filipinos or by corporations at least sixty percent (60%) of the capital of which is owned by Filipinos and manned by qualified Filipino officers and crew, which shall: (a) bridge our islands by ensuring safe, reliable, efficient, adequate and economic passenger and cargo service; (b) encourage the dispersal of industry and the economic development of our regional communities by ensuring the availability of regular, reliable and efficient shipping services; (c) ensure the growth of exports by providing necessary, competitive and economical domestic sea linkages; (d) serve as a naval and military auxiliary in times of war and other national emergencies; and (e) function as an employment support base for our Filipino seafarers."

**WHEREAS**, Republic Act No. 9295, likewise states that "to attain the foregoing objectives, it shall be the policy of the State to: (a) promote Filipino ownership of vessels operated under the Philippine flag; (b) attract private capital to invest in the shipping industry by creating a healthy and competitive investment and operating environment; (c) provide necessary assistance and



PGMA Hologram # 58314

incentives for the continued growth of the Philippine domestic merchant marine fleet; (d) encourage the improvement and upgrading of the existing domestic merchant marine fleet and Filipino crew to meet international standards; and (e) ensure the continued viability of domestic shipping operations;

**WHEREAS**, from 2008 to 2009, the Philippine has been beset by more than ten (10) maritime tragedies and mishaps resulting in the loss of lives and properties and the unprecedented pollution of the marine environment;

**WHEREAS**, the "Water Transport Sector", which covers domestic, overseas, RORO shipping, and towing and salvaging operations, is one of the sectors identified in the Investment Priorities Plan of the Government for 2009 as a preferred area of investment;

**WHEREAS**, the growth of the national economy on a sustained basis required an efficient and modernized water transport industry to ferry passengers and cargo in the various seaports of the archipelago.

**NOW, THEREFORE, I, GLORIA M. ARROYO**, President of the Republic of the Philippines, by virtue of the powers vested in me by law, do hereby order:

1. Ship owners and operators shall be encouraged to introduce International Association of Classification Societies (IACS) classed brand new or newly constructed vessels that are appropriate and suitable to the weather and sea conditions of the archipelago for the purpose of transporting passengers, cargoes or fuel/oil products into the domestic water in order to bring about safer and more efficient sea transport and improved quality of services.

1.1. Grant of Pioneer Status:

Public interest and public convenience shall be served by granting all existing and new ship owners and operators in the domestic trade, Pioneer Status as defined in Part III, Specific Guidelines, Memorandum Order No. 299 dated March 30, 2009 (Investment Priorities Plan for 2009), with corresponding benefits and privileges appurtenant thereto, if they introduce IACS classed brand new or newly constructed vessels in their respective authorized or applied routes.

1.2 Incentives:

A domestic shipowner or operator who provides an IACS classed brand new or newly constructed ships in the domestic trade shall



PGMA Hologram # 58315





be given protection of investment for a period of six (6) years. For this purpose, the Maritime Industry Authority (MARINA) shall only charge fifty percent (50%) of the regular fees in all application and renewal of ship documents, licenses, certificates and permits during the period of protection for the ship while operating in the applied or authorized routes. If a ship is newly constructed, it can be dry docked after 5 years, not after 2 ½ years. Newly constructed ship refers to a ship that the shipowner contracted to built.

1.3 Priority in Issuance of Certificate of Public Convenience (CPC):

Shipowner or operator who is granted a Pioneer Status under this Executive Order shall likewise be given priority in the issuance of CPC by MARINA in any route it proposes to operate whether said route has an existing ship operator or not. MARINA shall promptly and without delay issue all request for issuance of ships documents, certificates, importation permits and licenses within ten (10) working days.

1.4 Route Protection:

In order for the shipowner or operator to pay its loan and to protect its investments, a moratorium on the deployment of additional bottoms should be imposed by MARINA on any routes where brand new or newly constructed IACS classed ships have been deployed.

1.5 Provision for special Ramp/Berth Facility:

The brand new or newly constructed IACS classed ships shall be given special ramp or berthing facility in any port by the Philippine Ports Authority (PPA) depending on the need of said brand new or newly constructed ships with no extra cost to the shipowner or operator.

1.6 Exemption from Value-Added-Tax (VAT) and other Import Duties and Taxes pursuant to R.A. 9295 and Memorandum Order No. 299 dated March 30, 2009:

To ensure the continued viability and to encourage investments in brand new or newly constructed ships, shipowners or operators shall be exempt from payment of VAT and other import duties and taxes on the importation of brand new or newly constructed IACS classed ships including importation of life-saving

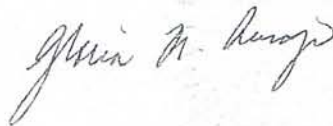


equipment, safety and rescue equipment, communication and navigational safety equipment, cargo handling equipment, and steel plates and other metal plates including marine grade aluminum plates used for transport operations.

2. All government departments, offices, agencies, or instrumentalities, including government-owned or controlled corporations, such as the Board of Investments, Bureau of Internal Revenue, Bureau of Customs, Bureau of Fisheries and Aquatic Resources, Bureau of Plant Industry, Bureau of Animal Industry, National Quarantine Office, Philippine Ports Authority, Philippine Navy, and the Philippine National Police, are hereby ordered to assist and coordinate with MARINA in the implementation of this Executive Order.
3. This Executive Order revokes or amends all other executive issuances or any provision thereof inconsistent with this Executive Order. The MARINA is hereby directed to issue the appropriate rules and regulations to implement this Executive Order within sixty (60) days from its effectivity.
4. This Executive Order shall take effect fifteen (15) days after its publication in a newspaper of general circulation.

**DONE**, in the City of Manila, this 29<sup>th</sup> day of June in the year of Our Lord, Two Thousand and Ten.

By the President:



**LEANDRO R. MENDOZA**  
Executive Secretary



12/

