

MEMORANDUM CIRCULAR NO.16

TO : ALL OWNERS / OPERATORS OF INTERISLAND VESSELS AND ALL CONCERNED

SUBJECT : POLICY GUIDELINES FOR THE DEVELOPMENT OF INTER-ISLAND SHIPPING

Quoted hereunder is the text of the MARINA Board-approved set of Policy Guidelines designed to serve and support specific objective of the Maritime Industry Authority towards the development of inter island shipping.

1. Objective To ensure that the inter island shipping development program is formulated and implemented in accordance with the overall development priorities set by the government.

Policy Statement:

The inter island shipping development program shall be dovetailed with national economic development priorities ,which program should stress the following:

- a. The industry should be made an effective development agent particularly in such priority areas as industry dispersal , creation and development of marketing channels, labor absorption and employment generation , technology transfer , and social services.
 - b. The industry should , relative to other transport modes, provide efficient , reliable and safe transportation for passenger and cargoes .
 - c. The industry development program should maximize vertical and horizontal linkages with other industry groups particularly commercial and agricultural and industrial enterprises and the shipbuilding/repair industry and related industries.
2. Objective To encourage and protect private investment and to prevent out throat competition especially in investment areas deemed already overcrowded or where the existing or potential market is thin.

Policy Statement:

The Government shall protect already established shipping companies providing adequate shipping service from undue competition from new entrants . For this purposes, no new shipping companies shall be allowed to enter the liner trade in the primary and secondary routes and only one shipping company shall be allowed to operate (unless more than one are already operating , in which case the government shall promote and/or encourage mergers or joint services) in a tertiary or development route . In significant route where no substantial competition exists, the government shall impose strict measure to upgrade operating and service standards , and whenever market condition allow encourage the entry of a competing operator to help the upgrade operating standards.

3. Objective

To accelerate fleet modernization and balance allocation of shipping services.

Policy Statement:

The Government shall induce investment in the following pioneer areas:

- a. Use of modern, specialized vessel such as container and RO-RO ships:
- b. Shipping services in routes considered developmental .

The following incentives shall be granted to operators in the above pioneer areas:

- a. Preferential treatment already existing under PUPP.
- b. Preferential treatment in government ship financing program through granting of priority in allocation of loan funds , premium rates for government lending and guarantee operations.
- c. In case of operators in developmental routes, the application of higher freight/fare schedule based on past and projected load factors and operating conditions.

4. Objective: To effect an overall maritime industry development program that balance short run and long run requirements of inter island shipping with the need to develop a local shipbuilding industry that intended to eventually become the exclusive (or at least principal) source of inter island passenger and cargo ships.

Policy Statement;

Recognizing that the developmental implications of inter island shipping on the national economy are more pronounced than those of the shipping building industry , the government shall give priority to the immediate fleet development and acquisition requirements of inter island shipping while at the same time meeting the long run objective of establishing self reliance in the supply of inter island shipping industry and the end users shall not be unduly jeopardized in the equally vital need to support , on the a phased basis the domestic ship buildings industry.

5. Objective: To ensure the technical and commercial viability of inters island shipping industry and the individual shipping companies comprising the industry.

Policy Statement:

Only shipping projects , whether involving the establishment of new shipping companies or acquisition of ships deemed technically and commercially viable and which shall enhance the overall viability of the shipping industry shall be allowed except that unprofitable operation of developmental routes may be assigned to operators in primary and secondary routes as condition for maintenance or increase of sailing frequencies and /or in the expectation of viability shall be determined on the basis of technical , market , financial and economic considerations

6. Objective To ensure that the governments direct participation in the inter island shipping business shall not unless if so required by national exigency jeopardize the overall viability of the industry.

Policy Statement:

The participation of the government , including its agents , in the business of inter island cargo shipping shall be limited to the following :

- a. Cases involving national security or national economic contingency.
 - b. As an integral part of the operations of a governed owned or controlled corporation .
 - c. Carriage of government owned cargoes.
 - d. In areas inadequately serviced by the private sectors because of low profitability , high risks and /or large capital requirements.
7. Objective: To accelerate the modernization of the inter island fleet and upgrade the quality of inter island shipping services.

Policy Statement:

Only those ships meeting the physical and services standards set by the government shall be allowed to operate in the inter island trade. For this purpose the government shall implement a continuing fleet modernization and rehabilitation program which shall include classification requirements and an incentives system for ship replacement / phase out .

For your information and guidance.

Manila, Philippines , September 18, 1978.

GENEROSO F. TANSECO
Administrator