MEMORANDUM CIRCULAR NO. 79

TO : ALL OWNERS/OPERATORS OF INTERISLAND VESSELS ENGAGED IN PUBLIC TRANSPORT SERVICE

SUBJECT : ACCREDITATION OF DOMESTIC SHIPPING ENTERPRISES/ENTITIES

Pursuant to Paragraph (2) section 4, Section 6 (a) and (j) of Presidential Decree No. 474 and Sec. 12 (a) of E.O. 125-A, the following guidelines are hereby adopted:

Section 1. OBJECTIVE

This Circular is intended to foster standards for domestic shipping operations in order to protect public interest, and envisons to generate vital information and data that will enable this Authority to effectively supervise, regulate and rationalize the organizational management, ownership and operation of all inter-island water transport utilities, and consequently, to prevent the proliferation of incompetent, inefficient, unreliable and fly-by-night vessel operators.

Accreditation under this Circular shall serve as a prerequisite to the grant of permits, licenses, authorities, financial assistance and incentives presently administered, or to be administered, by this Authority.

Section 2. COVERAGE

This Coverage shall apply to all persons, corporations, firms and entities engaged in the use of vessels for the carriage of passengers and/or cargoes between various ports and places in the Philippines. Domestic shipping entities already registered/accredited under MARINA Memorandum Circular No. 9 and No. 51 shall likewise be required to be accredited under this Circular after a period of one(1) year from its effectivity.

Section 3 QUALIFICATION REQUIREMENTS

A. Citizenship/Equity Participation:

The applicant must be a citizen and permanent resident of the Philippines, or a corporation or co-partnership, association or joint-stock company constituted and organized under the laws of the Philippines, with at least sixty(60) per centum of the subscribed capital belonging entirely to citizens of the Philippines.
B. Nature of Business Undertaking

For corporations and partnerships, the primary purpose of the entity, as reflected in the Articles of Incorporation or Articles of Partnership, shall be to engage primarily in domestic shipping business/operation. For single proprietorships, it shall have domestic shipping business/operations as a major activity or concern and duly registered with the Bureau of Domestic Trade/department of Trade & Industry.

C. Management Competence

1. For corporations and partnerships, at least two (2) of the company’s principal officers (e.g., President, Vice-President for Operations, or General Manager or their equivalents) shall have at least two (2) years experience in ship management, shipping operations and/or chartering. In the case of corporations moreover, the Chief Executive Officers (CEO) and the Chief Operating Officer (COO), or their equivalents, shall be citizens and permanent residents of the Philippines.

2. For single proprietorships, the owner/operator or a principal officer shall have at least two (2) years experience in ship management, shipping operations and/or chartering.

D. Capitalization

1. In the case of a corporation, the company shall have a minimum paid-up capital dependent on the total GRT of its owned/operated vessels, as follows;

<table>
<thead>
<tr>
<th>GRT Range</th>
<th>Paid-up Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 500</td>
<td>P 500,000</td>
</tr>
<tr>
<td>501-1000</td>
<td>P 750,000</td>
</tr>
<tr>
<td>1001-2000</td>
<td>P 1,000,000</td>
</tr>
<tr>
<td>2001-3000</td>
<td>P 1,500,000</td>
</tr>
<tr>
<td>3001-4000</td>
<td>P 2,000,000</td>
</tr>
<tr>
<td>4001-5000</td>
<td>P 4,000,000</td>
</tr>
<tr>
<td>Above 5000</td>
<td>P 6,000,000</td>
</tr>
</tbody>
</table>

For companies still without any vessel owned/operated at the time of filing of application for accreditation, a minimum paid-up capital of P500,000 shall be required.

For new companies, proof of the company’s paid-up capital shall be that reflected in the Articles of Incorporation. For existing
companies, that reflected in the Certification issued by the SEC Examiners and Appraisers Department and the latest audited financial statement shall serve as proof of its paid-up capitalization.

2. In the case of a partnership, it shall have a minimum capitalization dependent on the total GRT of its owned/operated vessels, as follows, the proof of which shall either be that reflected in the Articles of Partnership or a Certification issued by the SEC for new and existing companies, respectively.

<table>
<thead>
<tr>
<th>GRT Range</th>
<th>Minimum Capitalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 GRT and below</td>
<td>P 50,000</td>
</tr>
<tr>
<td>21-500</td>
<td>P 200,000</td>
</tr>
<tr>
<td>Above 500</td>
<td>P 500,000</td>
</tr>
</tbody>
</table>

If the applicant, at the time of filing, is still without any vessel owned/operated, the minimum capitalization required shall be P50,000.00.

3. If the applicant is a single proprietorship, the proprietor/owner shall have a minimum capitalization dependent on the total GRT of vessels owned/operated, as specified hereunder, proof of which shall be reflected in the applicant’s duly audited financial statement;

<table>
<thead>
<tr>
<th>GRT Range</th>
<th>Minimum Capitalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 GRT and below</td>
<td>P 15,000</td>
</tr>
<tr>
<td>21-500</td>
<td>P 50,000</td>
</tr>
<tr>
<td>Above 500</td>
<td>P 200,000</td>
</tr>
</tbody>
</table>

If the applicant at the time of filing, is still without any vessel owned/operated, the minimum capitalization required shall be P15,000.00.

4. The above capitalization requirements notwithstanding, shipping enterprises/entities applying for accreditation within the context indicated hereunder shall be required a capitalization as correspondingly indicated;

a. For entities availing of incentives under the Investment Priorities Plan of E.O. No. 226, the minimum paid-up capital shall not less than P 1.25M and P 1M for operators engaged in the provision of passenger-cargo and cargo services(including tankers and barges) respectively, proof of which shall appear in the public instrument which must be recorded in the Securities and Exchange Commission.
b. For owners of tankers and barges hauling oil and petroleum products and which are corporations or partnerships, a minimum paid-up capital of ₱5M shall be required.

Section 4. DOCUMENTARY REQUIREMENTS

1. A letter of intent from applicant addressed to MARINA;

2. List of vessels owned/chartered (if applicable) indicating vessel(s) specifications (as supported by corresponding certificate of ownership issued by the (PCG) and routing patterns and schedules;

3. Latest audited financial statement (if company is already in existence/operation);

4. List of incorporators, directors and principal officers and their bio-data with particular emphasis on shipping or shipping – related experience or expertise duly supported by documents acceptable to MARINA.

5. For corporations and partnerships – The latest Articles of Incorporation/Co-partnership and By-Laws approved and registered by the Securities and Exchange Commission (SEC), reflecting that the primary purpose of the corporation/partnership is to engage exclusively in domestic shipping business/operation; and SEC Examiners and Appraisers Department Certification reflecting recent amendments on paid-up capitalization (if applicable).

For single proprietorships – The Registration of Business Name/Business License with the DTI.

6. Proof of payment of the prescribed fee to be attached to the application for accreditation.

Should any of the foregoing documentary requirements been submitted in previous transactions and accordingly verified to be on file with the records of this Authority, such will no longer be required for submissions, provided that such previous submissions are indicated in the applicant’s letter of intent. Similarly, any of the above documents need no longer be submitted in future applications/transactions were such documents are also required.
Section 5. ISSUANCE AND VALIDITY OF CERTIFICATE OF ACCREDITATION

After due satisfaction and compliance with the qualification and documentary requirements, the Certificate of Accreditation shall be issued by the MARINA to the applicant. The certificate shall be valid for a period of three (3) years reckoned from the date of issuance of said certificate and may be renewed thereafter upon compliance with/submission of all relevant MARINA requirements.

Section 6. SUBMISSION OF REPORTS AND OTHER DOCUMENTS

Every MARINA-accredited enterprises shall submit to the MARINA the following reports and/or documents within the period herein prescribed:

a. Amendment of Articles of Incorporation or By-Laws within thirty (30) calendar days from the date of approval of said amendment with the Securities and Exchange Commission;

b. Replacement of any director or any principal officer within thirty (30) calendar days thereafter, together with the bio-data of the new director or officer;

c. Audited financial statements (i.e., profit and loss statements and balance sheets) to be submitted on or before 30 April from the close of each calendar year.

The foregoing reports and/or documents shall either be the original or true copies of the original duly attested by a responsible officer of the accredited enterprise, independent auditor or proper government agency.

Section 7. WITHDRAWAL FROM BUSINESS OR SUSPENSION OF OPERATIONS

Whenever a MARINA-accredited enterprise decides to withdraw from business or suspends operations, prior written notice thereof shall be submitted to the MARINA.

The authorized withdrawal from business operations and/or unauthorized suspension of operations for four (4) continuous months or more shall cause the cancellation/revocation of the Certificate of Accreditation after due notice and hearing.

The effect of withdrawals or suspension of operations shall, in each particular instance, be determined by the MARINA taking into account the reasons thereof. The MARINA, in consultation with the concerned administering government offices may, in
appropriate cases, recommend the refund of any incentives availed of, in whole or in part, with or without interest or penalties, as the case maybe.

Section 8. SANCTIONS AND PENALTIES

The MARINA shall, after notice and hearing, suspend/cancel/revoke the accreditation certificate of a MARINA-accredited enterprise for the following grounds, upon a prima facie violation of any of the following conditions:

a. Failure to maintain the qualification requirements for accreditation;

b. Failure to submit the requirements under Sec. 4 hereof; and

c. Willful or gross violation of any law, rule or regulation pertaining to domestic shipping.

Pending compliance with Section 4 hereof and the determination of liability under this section, no application for license, permit authority, financial assistance or incentives shall be acted upon/granted by this Authority.

Section 9. REPEALING/AMENDATORY CLAUSE

All provisions of Memorandum Circular Nos. 9 and 51 pertaining to domestic shipping and those of M.C. Nos. 56/56-A which are inconsistent with this Circular are hereby repealed accordingly.

Section 10. FILING/PROCESSING FEE

For corporations : P1,650.00
For partnership : P1,000.00
For single proprietorship : P350.00

Section 11. EFFECTIVITY

This Memorandum Circular shall take effect within fifteen(15) days after its publication once in a newspaper of general circulation.

08, November 1993, Manila Philippines.

PACENCIO M. BALBON, JR.
Administrator
SECRETARY’S CERTIFICATE

This is to certify that Memorandum Circular No. 79 has been approved during the 117th Regular Meeting of the Maritime Industry Board on 05 November 1993.

EMERSON M. LORENZO
Deputy Corporate Board Secretary