

Modernization of the Domestic Shipping Industry

Presented by the
PHILIPPINE INTER-ISLAND SHIPPING
ASSOCIATION (PISA)

Philippine Inter-Island Shipping Association

PISA is the umbrella organization of domestic shipping and shipping-related associations. Established in 1977, PISA represents a cross-section of the Philippines' maritime industry. Its membership includes domestic shipowners, as corporate members, from the following sectors:

- a. Liners
- b. Tankers
- c. Roro
- d. Tugs, barges, lighterage
- e. Trampers

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and Associate members from marine related companies such as:

- a. Deep sea fishing
- b. Classification societies
- c. Protection and indemnity insurance
- d. Ship building and ship repair

VISION

2030

The Philippine shipping sector serving domestic trade supports national development and serves as a vital partner in the supply chain of domestic and regional trades, providing connectivity for people and goods' access to markets, operating safely, efficiently and competitively.

Main Strategies to Achieve the Vision

Mindset change: Shipping Follows Trade of Goods and Movement of People and provides access to markets

- Greater engagement with policy-makers on shipping's role in trade.
- Long Term
 - Government clear strategy on manufacturing and agricultural focus so shipping knows where and what to invest in.
 - Creation of production clusters around hub ports to develop economies of scale, the greatest contributor to lowering shipping and logistics costs.
 - Clusters and hub ports will dictate roads and housing to support domestic and import/export trade.

Main Strategies to Achieve the Vision

Mindset change: Shipping Follows Trade

- Short Term
 - Government clear strategy on addressing the port and logistics needs of domestic trade not only import and export trade. (includes dry and wet bulk, LOLO and RORO)
 - Selected high traffic domestic hub ports should be improved and modernized.
 - All domestic hub ports should be provided with state of the art and well-maintained navigational aids eventually covered by VTMS. There should be an efficient system for the swift broadcasting of navigational threats.
 - Modern and Well-Maintained Weather Forecasting Equipment: This is a necessary complement of safe shipping. Funding for these should be prioritized by government. Brain drain at PAG-ASA should be addressed. Salaries of weather staff improved.

Main Strategies to Achieve the Vision

Structural Change for modern and efficient ships

- Phase out plan for old and substandard ships
- Develop shipbuilding capacity
 - Strategically support the development of the shipbuilding industry including for smaller ships including LORO and RORO to serve both domestic and regional markets.
 - Strategically develop a shipbuilding cluster (Subic?) to attract investment by subcontractors and industry so the sector can be competitive.
- Modernize ports so gearless ships can trade in coastal waters

Main Strategies to Achieve the Vision

Structural Change for Safe Operations

- Classification of Ships
 - All domestic vessels should be classed either by a single local classification society or by an IACS member.
 - There should only be one local classification society (not 8) . The local classification society can be a Philippine Government classification society (similar to JG) and its board of trustees should be men and women of unquestionable competence, experience and integrity.
 - Training programs strategies leveraging on manning and training companies expertise and strengths.
- Strict implementation and governance/audits of ISM/NSM.

Main Strategies to Achieve the Vision

Excellent Crew as part of overall supply pipeline

- Career Promotions
 - Promote a career in shipping with domestic shipping as part of the path to a career abroad. Strategy and coordination between domestic and overseas sectors.
- Cadetships and post overseas opportunities
 - Strategy and coordination between domestic and overseas sectors with domestic cadetships as part of the overall capacity to place students and post sea careers in ship management.
- Educational System
 - Joint promotion of STEM and culture of excellence in schools.

Main Strategies to Achieve the Vision

Excellent Crew as part of overall supply pipeline

- Change in Minimum Manning Regulations
 - Number of minimum manning reduced so higher wages can be paid.
- Taxation of Seafarers
 - Special taxation regime for seafarers serving in domestic trade aligned to those serving in foreign ships.

Main Obstacles to Achieve the Vision

- On Safe Ships and Competent Crew

- Classification of Ships: There are too many local classification societies.
- Taxation of Seafarers: Exempting domestic seafarers from income tax may not be viable as other group of workers may clamor for the same privilege.
- Maritime Education: Maritime schools lack training ships. Small ships and/or high cost of cadets' boarding and lodging are disincentives for ship owners to take in cadets.

Main Obstacles to Achieve the Vision

- On Port Infrastructure
 - PPA should be regulatory. Ports are public service infrastructure- the highest quality for the lowest cost.
 - Difficulty to implement hub port strategy. Pressure from local politicians to create ports often times not economically viable.
 - Ports are not regularly dredged.
 - Some ports are designed without consideration of the draft requirements of ships.

Main Obstacles to Achieve the Vision

- On Port Operation
 - Some ports have only one cargo handling operator that practically dictate port charges.
 - Lack of focus and strategy to address berth congestion in Manila and major growth ports of Cebu, Zamboanga, Iloilo, Gensan, Dumaguete and Davao.

Laws Needed to Enable the Vision

- For Safe Ships
 - Restoration and upgrading of the incentives under R.A. 9295 to enable ship owners to invest in younger, if not new ships
 - Amendment of P.D. 1221 to allow certain tonnage of Philippine registered ships to undergo dry dock abroad.
 - Passage of a law mandating a single classification society.
- For Port Infrastructure
 - A law that would make PPA a regulatory agency.
 - The formation of a government owned corporation with highly qualified management that would access ODA funds to develop key port and road infrastructure at the lowest cost with the highest quality. (follow Singapore model and privatize through an IPO)

Laws Needed to Enable the Vision

- Laws that would lower the cost of domestic shipping
 - Repeal of Executive Order No. 1088, and passage of a law mandating open pilotage and optional pilotage for domestic ships unless a port is declared compulsory by the proper port authority.
 - Tonnage Tax system instead of Income Tax Laws, or even executive issuances, that would streamline procedures and requirements of various government agencies
 - Creation of a Department of Maritime Affairs that would integrate the various agencies regulating the shipping industry.
 - Philippine domestic ships to engage in international trade without need of obtaining permits from the maritime authority.

End of Presentation

Thank You