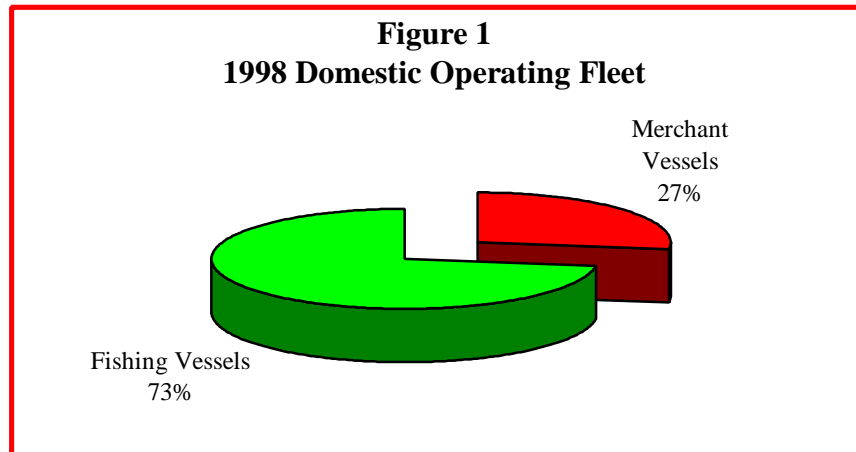


I. DOMESTIC SHIPPING SECTOR

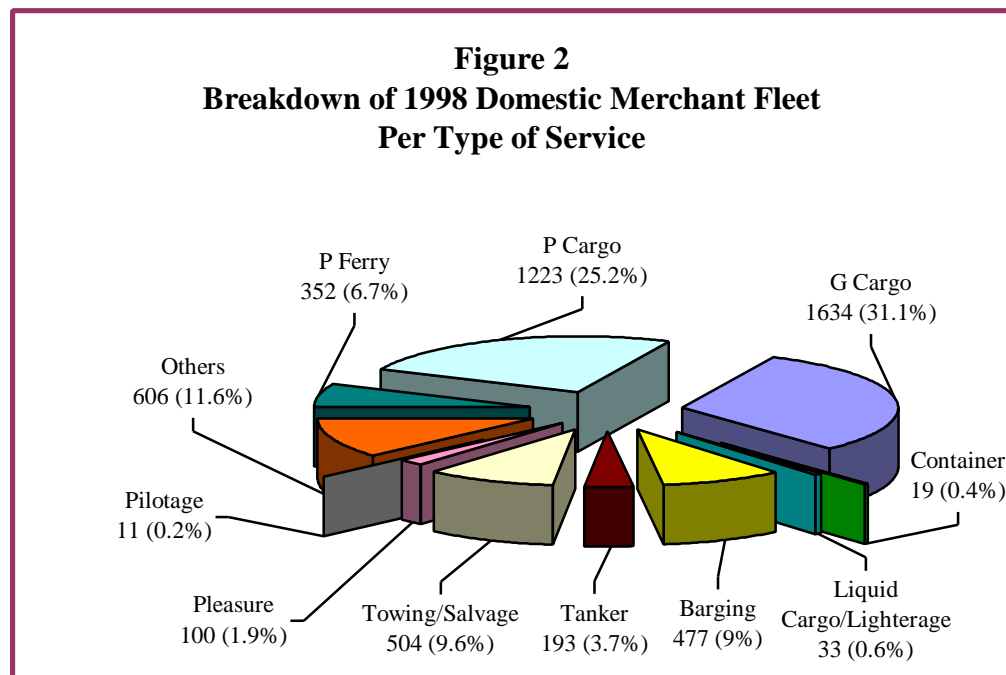
A. Profile

- The 1998 Domestic Operating Fleet consists of 19,264 vessels, of which 5,254 (27.27%) are merchant vessels and 14,010 (72.73%) are fishing vessels.



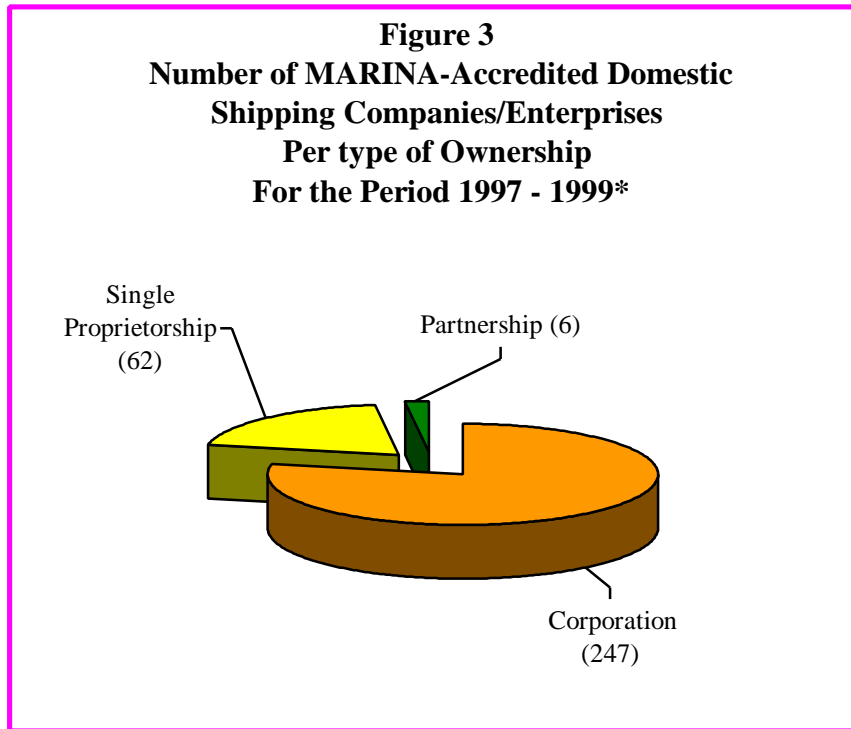
Source: **MARINA – MISO**

- The fleet profile shows that there is a predominance of general cargo vessels in terms of both number (1,634 or 31.10%) and tonnage (502,331 or 32.54%). This is indicative of the volume of cargo being transported by break – bulk mode in the country's domestic trade. The breakdown per type of service is shown in Figure 2 below:



Source: **MARINA – MISO**

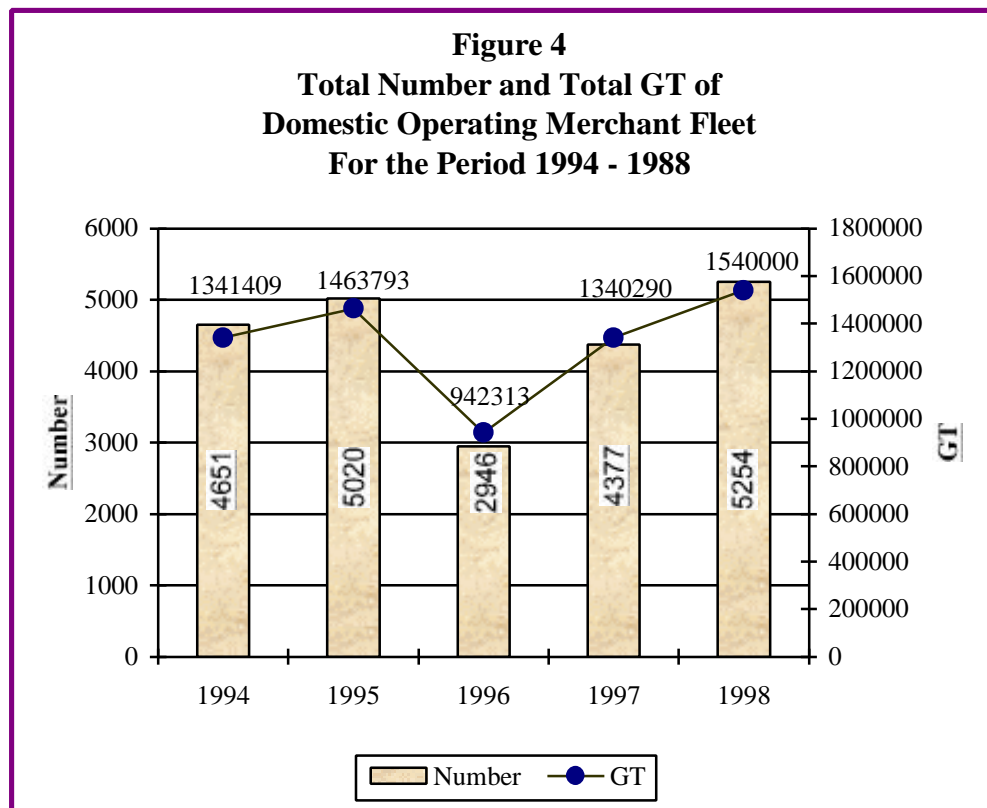
- For the Period 1997 – 1999, a total of 315 domestic shipping companies/enterprises with total paid-up capitalization of P8.3B were accredited, of which 247 or 78.41% are corporations, 62 or 19.68% are single proprietorships, 6 or 1.90% are partnerships and cooperatives.



Source: **MARINA – DSO**

B. Performance

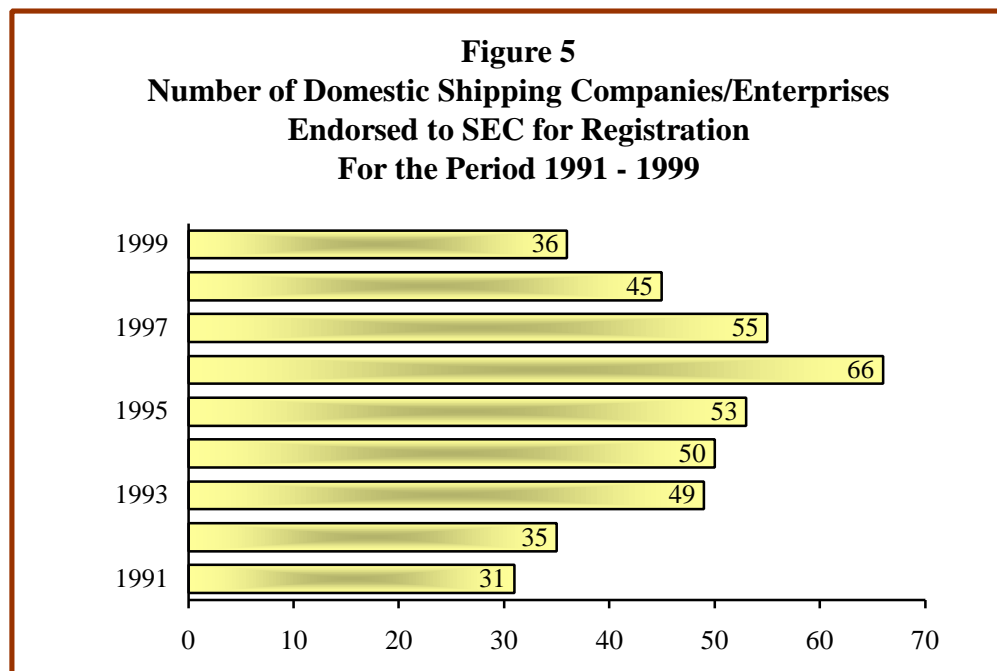
- The total number and total GT of domestic operating merchant fleet increased annually at an average rate of 5.05% and 5.28%, respectively for the period 1994 – 1998 (Figure 4). Such increase could be attributed to the various efforts undertaken by the government to make the industry more responsive and efficient, in order to further enhance investments made possible thru further deregulation/liberalization policies and streamlined & liberalized administration.



Source: **MARINA – MISO**

N.B. The 1996 vessel inventory excludes sizes 3 GT and below such that the resulting figures turned out to be smaller, thereby rendering the statistics difficult to compare and therefore not advisable for purposes of trend determination.

- There has been an increasing trend in the number of new companies going into domestic shipping business incorporated with the Securities and Exchange Commission (SEC). Figure 5 shows the number of domestic shipping companies/enterprises endorsed to SEC for registration from 1991 to 1999.
- Similarly, the total paid-up capitalization of MARINA-accredited domestic shipping companies/enterprises remarkably increased by P1.6 B or 233% in 1999 compared with the 1998 figure of P703.4 M.

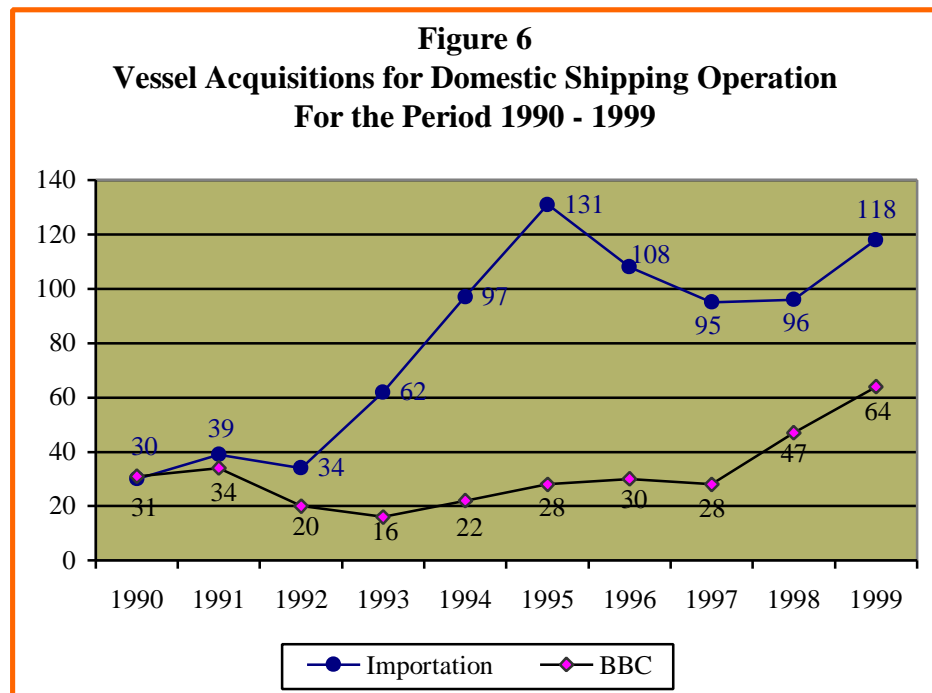


Source: **MARINA – MISO**

- Another notable trend was the emerging dominance of importation over bareboat charter as a mode of vessel acquisition, which could be an indication of greater confidence for long-term investments. The incentives and financing programs being provided by the government to support the modernization of domestic fleet under the BOI-IPP and DSMP could be a contributory consideration.

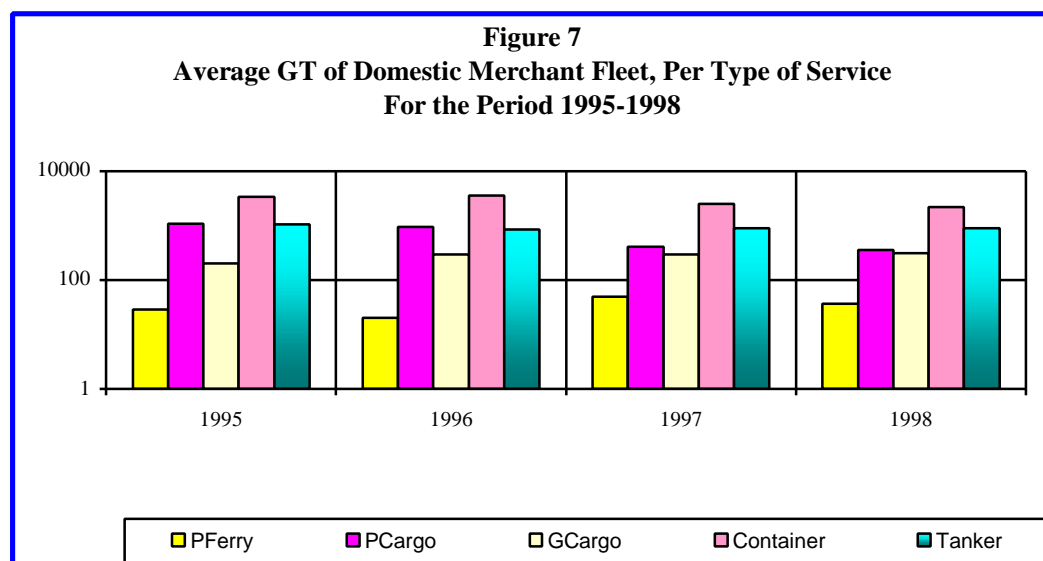
From 1990 to 1st semester of 1998, a total of 159 vessels for importation were endorsed by MARINA to the Board of Investments (BOI) for incentives availment under the Investment Priorities Plan (IPP). Complementing the BOI-IPP incentives, the Development Bank of the Philippines (DBP) has approved as of June 1999 the financing for the importation of 47 secondhand vessels under the Domestic Shipping Modernization Program (DSMP).

Another factor could be the lifting of age and size restrictions on vessel importation pursuant to MC Nos. 81 and 104, provided that such vessels shall be classed.



Source: **MARINA – DSO**

- It may also be significant to point out that the vessels acquired in recent years have been bigger and better equipped than previous acquisitions, particularly for passenger-carrying and container vessels.
- Moreover, the acquisitions undertaken in recent years have also resulted in notable improvements in the quality of shipping services being provided, especially with the entry of luxury passenger ships in the major routes covering the ports of Manila, Cebu, Cagayan De Oro, Iloilo, and General Santos.



Source: **MARINA – MISO**

C. Prospects

➤ **Improvements in the Quality of Shipping Services**

The increased investments noted and entry of more operators into the industry had a corresponding impact on shipping service standard. The improved quality of shipping services gradually filtered down to secondary routes. This is a result of the redeployment of the vessels previously deployed in primary routes. The deployment/operations of high-speed crafts in a number of ferry and developmental routes, if sustained, is expected to further foster another dimension of comfort and convenience to the riding public in several places throughout the archipelago.

➤ **Intensified Promotion of Maritime Safety through the adoption/implementation of the ISM/NSM**

The adoption for implementation of the International Management Code for the Safe Operation of Ships and for Pollution Prevention (ISM Code) to domestic vessels required to be classed and for certain sizes, shall foster a newer dimension of maritime safety culture in the country. Compliance with the ISM Code by affected operators and their vessels will entail the development, implementation and maintenance of the Safety Management System (SMS), which will serve to:

1. Provide safe practices in ship operation and a safe working environment;
2. Establish safeguards against all identified risks; and
3. Continuously improve safety management, skills of personnel ashore and on board, including preparing for emergencies relating to safety and environmental protection.

The National Safety Management (NSM) Standard, serving as counterpart of the ISM Code, is designed for unclassable vessels. Both ISM and NSM contain the same prescribed elements for an SMS.

➤ **Adoption of Required Systems Under A Deregulated Domestic Shipping Industry**

With the deregulation/liberalization of the domestic shipping industry, it becomes very critical to immediately put in place monitoring mechanisms/systems that will provide timely and reliable information/feedback on the industry and which would enable the government to undertake appropriate interventions when public interest would so warrant.

The following are the required systems under a deregulated domestic shipping industry:

- **Domestic Shipping Monitoring System (DOSSMONS)** – is a system by which the contents and information of operators' Annual Reports will be translated into computerized storage, enhanced processing and easier access. Such a database system shall be supplemented by reports pertaining to domestic shipping and trade, as well as results of public coordinative meetings to be conducted between and among concerned government agencies and private entities.
- **Vessel Safety Inspection System (VSIS)** – is a formal manual of procedures for the conduct of periodic vessel safety inspections by authorized and trained government inspectors/surveyors. The system shall provide an inspection process that will cover the structural seaworthiness of the vessel, verification of vessel documents, operational readiness and safety measures adopted on board, and crew adequacy, competence and certification.
- **Passenger Service Rating System (PSRS) and Cargo Service Rating System (CSRS)** – are systems designed to complement the VSIS, wherein vessels passing the VSIS will be inspected and rated on the basis of their services for passenger and cargo. It consists of elements/sub-elements to be rated, the mechanics/procedures/guidelines for conducting the vessel surveys and assignment of ratings, and the consolidation of the results of service ratings for each vessel surveyed.

➤ **Trade and Regional Development**

The increasing trend in total passenger and cargo throughputs in the various ports of the country is primarily a direct manifestation of increased production/economic activities in the various island-economies of the country. This observed growth and development is expected to result in the emergence of new route/link patterns, or the operation of new shipping services.