

# [ PRESIDENTIAL DECREE NO. 474, June 01, 1974 ]

## **PROVIDING FOR THE REORGANIZATION OF MARITIME FUNCTIONS IN THE PHILIPPINES, CREATING THE MARITIME INDUSTRY AUTHORITY, AND FOR OTHER PURPOSES.**

**WHEREAS**, the efficient sea transport of raw materials, products, commodities and people is vital to the growth of the Philippine economy;

**WHEREAS**, the functions pertaining to the development and regulation of shipping enterprises are fragmented among various government agencies, resulting in inadequate and inefficient shipping facilities, dependence on external shipping interests, maldistribution of commodities, and piece-meal solutions;

**WHEREAS**, there is imperative need to modernize and expand the Philippine merchant fleet, and to rationalize and improve their operations in order to make them effective instruments in promoting domestic production, inter-island and overseas trade, price stabilization, and employment generation;

**WHEREAS**, it is urgently necessary to provide a strong organizational framework to effect the accelerated and integrated development and effective regulation of shipping enterprises;

**NOW, THEREFORE, I, FERDINAND E. MARCOS**, President of the Philippines, by virtue of the powers vested in me by the Constitution, in order to effect the desired changes and reforms in the social, economic and political structure of our society, do hereby decree and order that the following be adopted and made part of the laws of the land:

**SECTION 1** *Title*.—This Decree shall be known as the Maritime Industry Decree of 1974.

**SEC. 1. Declaration of Policies and Objectives.**—It is hereby declared the policy of the State to accelerate the Integrated development of the maritime industry of the Philippines to attain the following objectives: (a) To increase production and productivity in the various islands and regions of the archipelago through the provision of effective sea linkage; (b) To provide for the economical, safe, adequate and efficient shipment of raw materials, products, commodities and people; (c) To enhance the competitive position of Philippine flag vessel in the carriage of foreign trade; (d) To strengthen the balance of payments position by minimizing the outflow of foreign exchange and increasing dollar earnings; (e) To generate new and more job opportunities.

For the attainment of these objectives, the Government through the Maritime Industry Authority hereinafter created 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;

- 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 enterprises; and
- c. Provide for the effective supervision, regulation and rationalization of the organizational management, ownership and operations of all water transport utilities, and other maritime enterprises.

**SEC. 3. *Definition of Terms.***—The terms, as used, in this Decree, shall have the following meaning, unless the context of the particular usage of the term indicates otherwise:

- a. "*Maritime Industry*", briefly referred to as "industry" in the broadest concept of the term.—All enterprises engaged in the business of designing, constructing, manufacturing, acquiring, operating, supplying, repairing and, or maintaining vessels, or component parts thereof; of managing and/or operating shipping lines, stevedoring arrastre and customs brokerage services, shipyards, drydocks, marine railways, marine repair shops, shipping and freight forwarding agencies and similar enterprises.
- b. "*Vessels*" or watercraft".—Any barge, lighter, bulk carrier, passenger ship, freighter, tanker, container ship, fishing boats or other artificial contrivance utilizing any source of motive power, designed, used or capable of being used as a means of water transportation operating either as a common contract carrier, including fishing vessels covered under Presidential Decree No. 43, except (i) those owned and/or operated by the Armed Forces of the Philippines and by foreign governments for military purposes, and (ii) bancas, sailboats and other waterborne contrivance of less than three gross tons capacity and not motorized.
- c. "*Philippine national*".—A citizen of the Philippines; or a partnership or association wholly owned by and composed of citizens of the Philippines; or a corporation organized under the laws of the Philippines of which at least sixty per cent of the capital stock outstanding and entitled to vote is owned and held by Philippine citizens; or a trustee of funds for pensions or other employee retirement or separation benefits, where the trustee is a Philippine national and at least sixty per cent of the funds will accrue to the benefit of the Philippine nationals: *Provided*, That where a corporation and its non-Filipino stockholders own stock in an enterprise, at least sixty per cent of the members of the governing board of both corporations must be Philippine nationals.
- d. "*Philippine flag vessel*".—A vessel or watercraft registered under Philippine laws.
- e. "*Foreign flag vessel*".—A vessel or watercraft registered under the laws of a country other than the Philippines.
- f. "*Philippine shipping companies*".—Philippine nationals registered and licensed under the laws of the Philippines to engage in the business of overseas and/or domestic water transportation.

#### A. MARITIME INDUSTRY AUTHORITY

**SEC. 4. *Maritime Industry Authority, Creation and Organization.***—There is hereby created a Maritime Industry Authority, hereinafter referred to as the "Authority", under the Office of the President. It shall be composed of a governing board of directors to be known as Maritime Industry Board and the Management.

The Authority shall have general jurisdiction and control over all persons, corporations, firms or entities in the maritime industry of the Philippines and shall supervise, regulate in accordance with this Decree.

The principal office of the Authority shall be in the Greater Manila Area. Regional or branch offices may be established at such other place or places within the Philippines as may be deemed necessary by the Board.

**SEC. 5. *Maritime Industry Development Program.***—The Authority shall prepare and annually update a Ten-Year Maritime Industry Development Program, hereinafter referred to as "Program" which shall contain a rational and integrated development of the maritime industry. The Authority shall submit the same for approval by the President of the Philippines.

Upon approval of the Program by the President, all government departments, bureaus, agencies, and instrumentalities shall implement the same within their respective jurisdictions. The Authority shall ensure that the approved program is being effectively implemented by the participating agencies. No government body or instrumentality shall adopt any policy or take course of action contrary to or inconsistent with the Program.

#### B. MARITIME INDUSTRY BOARD

**SEC. 6. *Powers and Functions of the Board.***—The Maritime Industry Board shall have the following powers, functions, and duties, among others:

- a. To provide comprehensive policy guidance for the promotion and development of the maritime industry as provided for in this Decree;
- b. To promulgate and prescribe such promotional and developmental rules and regulations, standards, guidelines and procedures and recommend laws or measures as may be necessary for the growth and effective regulation of shipping enterprises;
- c. To formulate a comprehensive and practicable Maritime Industry Development Program for a ten-year period and review and update the same annually;
- d. To prescribe specific policies in the determination of just and reasonable passenger fares, freight rates and other charges relative to the operation of inter-island vessels. Accordingly, the Board of Transportation shall exercise its rate fixing functions in accordance with such policies;
- e. To recommend to the President that the State, through such agency or agencies as the President may designate, purchase, lease, manage, operate or requisition any vessel, ship or shipping enterprise, for national security purposes, to meet emergency situations or when the national interest so requires;
- f. To approve contracts;
- g. To approve the organizational structure, staffing pattern, and budget of the Authority upon the recommendation of the Administrator;
- h. To appoint, discipline and remove, and determine the composition of the Authority technical staff and other personnel: *Provided*, That all regular professional and technical personnel in the Authority shall be permanent and career in status, but exempt from WAPCO and Civil Service rules and regulations: *Provided, further*, That the personnel shall be entitled to the benefits normally accorded to government employees, such as retirement, GSIS insurance, leave and similar matters: *Provided, furthermore*, That the

appointments of personnel in the management below the rank of section chief shall be made by the Administrator, in accordance with the approved budget and staffing pattern and shall be noted by the Board: *Provided, finally*, That the Board or the Administrator may engage on contractual basis or other arrangements for the temporary services, and fix the compensation of highly qualified professionals, experts technical advisers or consulting firms;

- i. To adopt a common seal for the Authority which shall be juridically noticed, determine the exact location of its office, and prescribe the rules and regulations to govern its proceedings;
- j. To recommend to the President, through the National Economic and Development Authority, the grant of necessary incentives for the development of shipping and other related maritime enterprises; and
- k. To perform such acts as are proper and necessary to implement this Decree.

**SEC. 7. *Composition and Organization.***—The Board shall be composed of eight members as follows: The Secretary of Trade, the Secretary of Public Works, Transportation and Communications, the Secretary of National Defense, the Executive Secretary, the Chairman of the Board of Investments, the Chairman of the Development Bank of the Philippines, the Chairman of the Board of Transportation and the Maritime Administrator. The Chairman of the Board shall be appointed by the President of the Philippines from among its members.

The official next in rank to the regular members shall serve as permanent alternate members, except that, in the absence of the Chairman, the Board shall elect a temporary presiding officer. The alternate members shall attend meetings of the Board and committees assigned to their principals and receive the corresponding per diems whenever their principal is absent or the said position is vacant.

The Board shall meet regularly once a month and may hold special meetings to consider urgent matters upon call of the Chairman or any three members thereof. A majority shall constitute a quorum for the transaction of business.

Each members shall receive a monthly commutable allowance of five hundred pesos and per diem of one hundred for every meeting of the Board or committee thereof actually attended: *Provided*, That the total amount of per diems which each may receive shall not exceed five hundred pesos a month.

### C. MANAGEMENT

**SEC. 8. *Management Head.***—The management of the Authority shall be vested in the Maritime Administrator who shall be directly assisted by the Deputy Administrator for Planning and a Deputy Administrator for Operations hereinafter referred to as "Deputy Administrators."

**SEC. 9. *The Maritime Administrator and Deputy Administrator.***—The Maritime Administrator and Deputy Administrators shall be appointed by the President for a term of six years: *Provided*, That upon the expiration of their respective terms, they shall continue to serve until their successor shall have been appointed and qualified: *Provided, further*, That no vacancy shall be filled except for the unexpired portion of the term: *Provided, finally*, That the President may remove the Administrator and Deputy Administrators from office for cause upon recommendation of the Board.

The Maritime Administrator and Deputy Administrators shall be citizens of the Philippines, at least thirty-five years old on the date of their appointment, of good