
A Draft Legislation presented to the IMO-International Maritime Law Institute (IMO-IMLI) in partial fulfillment of the requirements for the award of a Master of Laws (Ll. M.) Degree

Submitted by:

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# TABLE OF CONTENTS

**EXPLANATORY NOTE**

<table>
<thead>
<tr>
<th>SHIP REGISTRATION</th>
<th>viii</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxation</td>
<td>viii</td>
</tr>
<tr>
<td>Maritime liens and ship mortgages</td>
<td>ix</td>
</tr>
<tr>
<td>Enforcement of maritime claims</td>
<td>ix</td>
</tr>
<tr>
<td>Limitation of liability</td>
<td>x</td>
</tr>
<tr>
<td>Bareboat chartering</td>
<td>x</td>
</tr>
<tr>
<td>What needs to be done?</td>
<td>x</td>
</tr>
<tr>
<td>Delineate functions between MARINA and PCG</td>
<td>x</td>
</tr>
<tr>
<td>Registration of vessels</td>
<td>xi</td>
</tr>
<tr>
<td>Flag State administration</td>
<td>xi</td>
</tr>
<tr>
<td>Incentives</td>
<td>xi</td>
</tr>
<tr>
<td>Mortgages</td>
<td>xi</td>
</tr>
<tr>
<td>Maritime claims</td>
<td>xii</td>
</tr>
<tr>
<td>Arrest of vessels</td>
<td>xii</td>
</tr>
<tr>
<td>Limitation of liability</td>
<td>xii</td>
</tr>
<tr>
<td>Recommendation</td>
<td>xii</td>
</tr>
</tbody>
</table>

**TITLE I  GENERAL PROVISIONS**

<table>
<thead>
<tr>
<th>Chapter 1</th>
<th>Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1</td>
<td>Short title of the Act</td>
</tr>
<tr>
<td>Section 2</td>
<td>Declaration of Policies</td>
</tr>
<tr>
<td>Section 3</td>
<td>Scope of the Act</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 2</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 4</td>
<td>Definition of Terms</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 3</th>
<th>Regulatory Agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 5</td>
<td>Implementing agencies</td>
</tr>
<tr>
<td>Section 6</td>
<td>Powers and functions of the Maritime Industry Authority</td>
</tr>
<tr>
<td>Section 7</td>
<td>Powers and functions of the Philippine Coast Guard</td>
</tr>
<tr>
<td>Section 8</td>
<td>Issuance of implementing rules and regulations</td>
</tr>
<tr>
<td>Section 9</td>
<td>Power to adopt regulations to conform to international maritime conventions</td>
</tr>
</tbody>
</table>

**TITLE II  VESSELS**

<table>
<thead>
<tr>
<th>Chapter 1</th>
<th>Registration of Vessels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 10</td>
<td>Registry of Ships of the Philippines</td>
</tr>
<tr>
<td>Section 11</td>
<td>Vessel eligibility</td>
</tr>
</tbody>
</table>


Section 12 Vessel ownership
Section 13 Vessels required to be registered
Section 14 Where the registration is to be made
Section 15 The Registry of Ships of the Philippines
Section 16 Documents required for the registration of vessels
Section 17 Additional documents required
Section 18 Data to be listed in the Registry
Section 19 Proceedings prior to the grant of a Certificate of Philippine Registry
Section 20 Issuance of the Certificate of Philippine Registry
Section 21 Registration of vessels between three and fifteen gross tons
Section 22 Registration of vessels of three gross tons or less
Section 23 Provisional registration of vessels
Section 24 Appointment of consular officials for the provisional registration of ships
Section 25 Form and contents of certificate of Philippine registry

Chapter 2 Vessels Under Construction
Section 26 Registration of vessels under construction
Section 27 Documents required for the registration of vessels under construction
Section 28 Document of registration
Section 29 Form and contents of the document of registration

Chapter 3 Rights and Privileges Granted to Vessels of Philippine Registry
Section 30 Privileges conferred by a certificate of Philippine registry

Chapter 4 Registration Fees and Tonnage Taxes
Section 31 Processing fee
Section 32 Registration fee
Section 33 Annual tonnage taxes for seagoing vessels
Section 34 Exemption from duties and taxes
Section 35 Renewal of the Certificate of Philippine Registry

Chapter 5 De-registration or Suspension of Registration of Philippine flag vessels
Section 36 Sale, bareboat charter or other transfer of Philippine flag vessels
Section 37 Deletion from the Registry of Ships of the Philippines
SECTION 38  DE-REGISTRATION OF A SHIP WHICH IS SUBJECT OF A MORTGAGE  34
SECTION 39  SUSPENSION OF A SHIP’S REGISTRY  34
SECTION 40  DOCUMENTS REQUIRED IN ORDER TO SUSPEND REGISTRATION  35

Chapter 6  Operation of Vessels  35
SECTION 41  SHIP CONSTRUCTION  35
SECTION 42  NAVIGATION AND COMMUNICATION EQUIPMENT  36
SECTION 43  EQUIPMENT TO PREVENT MARINE POLLUTION  36
SECTION 44  INSPECTIONS AND SURVEYS  37
SECTION 45  SCOPE OF INSPECTIONS AND SURVEYS  37
SECTION 46  EXTENT OF AUTHORITY OF MARINE SURVEYOR OR CLASSIFICATION SOCIETY  37
SECTION 47  ISSUANCE OF CERTIFICATES  38
SECTION 48  AVAILABILITY OF VESSEL CERTIFICATES  38

Chapter 7  Manning Requirements  38
SECTION 49  CITIZENSHIP OF CREW  38
SECTION 50  CREW COMPETENCE  39

Chapter 8  Insurance and Other Indemnity Cover  39
SECTION 51  INSURANCE AND INDEMNITY COVER  39

Chapter 9  Enforcement  40
SECTION 52  REPORT OF ANY INCIDENT INVOLVING A PHILIPPINE REGISTERED SHIP  40
SECTION 53  INVESTIGATION OF THE ACCIDENT OR INCIDENT  41
SECTION 54  INVESTIGATION REPORT  41
SECTION 55  FILING OF CHARGES  41

TITLE III  SHIP MORTGAGES  42

Chapter 1  Creation of the Ship Mortgage  42
SECTION 56  APPLICATION  42
SECTION 57  REQUISITES FOR A VALID MORTGAGE CONSTITUTED UNDER PHILIPPINE LAW  42
SECTION 58  SUBJECT MATTER OF A MORTGAGE  43

Chapter 2  Formal Validity  43
SECTION 59  FORMAL VALIDITY OF SHIP MORTGAGES  43
SECTION 60  REGISTRATION OF MORTGAGES  44
SECTION 61  ANNOTATION OF MORTGAGES  45
SECTION 62  POSTING OF THE NOTICE OF MORTGAGE  46

Chapter 3  Ranking of Mortgages  46
SECTION 63  RANKING OF MORTGAGES  46
Chapter 4  Release of Mortgages  47
Section 64  Extinguishment of mortgages  47
Section 65  Enforcement of the mortgage through the sale or foreclosure of the vessel  47
Section 66  Sale of mortgaged vessels at public auction  47
Section 67  Sale of mortgaged vessels through judicial proceedings  48
Section 68  Effect of sale  49
Section 69  Collection of the deficiency or return of the excess  50
Section 70  Distribution of the proceeds of the sale of a mortgaged vessel  51

TITLE IV  MARITIME CLAIMS AND LIENS  51

Chapter 1  Maritime Claims and the Creation of Liens  51
Section 71  Application  51
Section 72  Creation of maritime liens  51
Section 73  Exceptions  52

Chapter 2  Priority of Liens  52
Section 74  Priority of maritime liens  52
Section 75  Shipbuilder’s or ship repairer’s right of retention  53
Section 76  Sale of vessel which is subject to a shipbuilder’s or ship repairer’s right of retention  53
Section 77  Other rules affecting the priority of maritime liens  54
Section 78  Effect of any voluntary sale or transfer of ownership of the vessel  55

Chapter 3  Extinguishment of Liens  55
Section 79  Extinguishment of maritime liens  55
Section 80  Assignment of or subrogation to a maritime claim  55

Chapter 4  Enforcement of Liens  56
Section 81  Enforcement of maritime liens  56
Section 82  Effect of the judicial sale of a vessel  56
Section 83  Disposition of the proceeds of the sale of the vessel subject to a maritime lien  57
Section 84  Rights of a purchaser at judicial sale  57
<table>
<thead>
<tr>
<th>TITLE V</th>
<th>ARREST OF VESSELS</th>
<th>58</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 1</td>
<td>General Provisions</td>
<td>58</td>
</tr>
<tr>
<td>Section 85</td>
<td>Application</td>
<td>58</td>
</tr>
<tr>
<td>Section 86</td>
<td>Exceptions</td>
<td>58</td>
</tr>
<tr>
<td>Section 87</td>
<td>Right to detain a ship</td>
<td>59</td>
</tr>
<tr>
<td>Chapter 2</td>
<td>Right of Arrest</td>
<td>59</td>
</tr>
<tr>
<td>Section 88</td>
<td>Maritime claims giving rise to the right of arrest</td>
<td>59</td>
</tr>
<tr>
<td>Section 89</td>
<td>Reason for the arrest</td>
<td>62</td>
</tr>
<tr>
<td>Section 90</td>
<td>Exercise of the right of arrest</td>
<td>63</td>
</tr>
<tr>
<td>Section 91</td>
<td>Arrest of a related vessel</td>
<td>64</td>
</tr>
<tr>
<td>Section 92</td>
<td>Arrest of a vessel that has been transferred to another party</td>
<td>64</td>
</tr>
<tr>
<td>Chapter 3</td>
<td>Release from Arrest</td>
<td>64</td>
</tr>
<tr>
<td>Section 93</td>
<td>Release from arrest; posting of a bond or other security</td>
<td>64</td>
</tr>
<tr>
<td>Section 94</td>
<td>Amount of bond or other security</td>
<td>65</td>
</tr>
<tr>
<td>Section 95</td>
<td>Place of posting of the bond or other security</td>
<td>65</td>
</tr>
<tr>
<td>Section 96</td>
<td>Release of the bond or other security posted in a Philippine court</td>
<td>66</td>
</tr>
<tr>
<td>Section 97</td>
<td>Release of excess security</td>
<td>66</td>
</tr>
<tr>
<td>Section 98</td>
<td>Condition for the release of excess security</td>
<td>66</td>
</tr>
<tr>
<td>Section 99</td>
<td>Reduction, modification or cancellation of the bond</td>
<td>67</td>
</tr>
<tr>
<td>Section 100</td>
<td>No presumption of fault</td>
<td>67</td>
</tr>
<tr>
<td>Chapter 4</td>
<td>Re-arrest, Multiple Arrest and Arrest of Additional Vessel</td>
<td>68</td>
</tr>
<tr>
<td>Section 101</td>
<td>Re-arrest or multiple arrest of a ship</td>
<td>68</td>
</tr>
<tr>
<td>Section 102</td>
<td>Arrest of additional vessel</td>
<td>69</td>
</tr>
<tr>
<td>Chapter 5</td>
<td>Security Against Arbitrary Arrest</td>
<td>69</td>
</tr>
<tr>
<td>Section 103</td>
<td>Claimant’s bond</td>
<td>69</td>
</tr>
<tr>
<td>Section 104</td>
<td>Determination of the amount of the claimant’s bond</td>
<td>69</td>
</tr>
<tr>
<td>Section 105</td>
<td>Determination of claimant’s bond pending proceedings in a foreign court</td>
<td>70</td>
</tr>
<tr>
<td>Chapter 6</td>
<td>Jurisdiction</td>
<td>71</td>
</tr>
<tr>
<td>Section 106</td>
<td>Jurisdiction of the Philippine court on the merits of the case</td>
<td>71</td>
</tr>
<tr>
<td>Section 107</td>
<td>Transfer of venue</td>
<td>71</td>
</tr>
<tr>
<td>Section 108</td>
<td>Right of the court not to exercise jurisdiction</td>
<td>71</td>
</tr>
<tr>
<td>Section 109</td>
<td>Transfer of the case to a foreign court or arbitral tribunal</td>
<td>72</td>
</tr>
</tbody>
</table>
## Chapter 7: Recognition and Enforcement of Judgment

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>110</td>
<td>Recognition of foreign judgments</td>
<td>73</td>
</tr>
<tr>
<td>111</td>
<td>Conditions for the recognition of the foreign judgment</td>
<td>73</td>
</tr>
<tr>
<td>112</td>
<td>Enforcement of judgments</td>
<td>74</td>
</tr>
</tbody>
</table>

## TITLE VI: LIMITATION OF LIABILITY FOR MARITIME CLAIMS

### Chapter 1: Right to Limit Liability

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>113</td>
<td>Application</td>
<td>74</td>
</tr>
<tr>
<td>114</td>
<td>Claims which are subject to limitation</td>
<td>75</td>
</tr>
<tr>
<td>115</td>
<td>Right to invoke limit of liability</td>
<td>76</td>
</tr>
<tr>
<td>116</td>
<td>Claims not subject to limitation</td>
<td>76</td>
</tr>
<tr>
<td>117</td>
<td>Conduct barring limitation</td>
<td>77</td>
</tr>
<tr>
<td>118</td>
<td>Counterclaims; right to set off</td>
<td>78</td>
</tr>
</tbody>
</table>

### Chapter 2: Limits of Liability

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>119</td>
<td>General limits</td>
<td>78</td>
</tr>
<tr>
<td>120</td>
<td>Claims for loss of life in excess of the stipulated limit</td>
<td>79</td>
</tr>
<tr>
<td>121</td>
<td>Salvor’s limit of liability when not operating from a ship</td>
<td>80</td>
</tr>
<tr>
<td>122</td>
<td>Limit of liability for passenger claims</td>
<td>80</td>
</tr>
<tr>
<td>123</td>
<td>Formula for converting the unit of account to Philippine pesos</td>
<td>81</td>
</tr>
<tr>
<td>124</td>
<td>Aggregation of claims for loss of life and personal injury and for other claims</td>
<td>81</td>
</tr>
</tbody>
</table>

### Chapter 3: Limitation Fund

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>125</td>
<td>Creation of a limitation fund</td>
<td>82</td>
</tr>
<tr>
<td>126</td>
<td>Form of the fund</td>
<td>83</td>
</tr>
<tr>
<td>127</td>
<td>Distribution of the fund</td>
<td>83</td>
</tr>
<tr>
<td>128</td>
<td>Subrogation of rights</td>
<td>84</td>
</tr>
<tr>
<td>129</td>
<td>Contingency fund for expected claim</td>
<td>84</td>
</tr>
<tr>
<td>130</td>
<td>Bar to other actions</td>
<td>84</td>
</tr>
<tr>
<td>131</td>
<td>Release from arrest after the constitution of the limitation fund</td>
<td>85</td>
</tr>
<tr>
<td>132</td>
<td>Coverage</td>
<td>86</td>
</tr>
</tbody>
</table>

## TITLE VII: FINAL PROVISIONS

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>133</td>
<td>Requisition of vessels</td>
<td>86</td>
</tr>
<tr>
<td>134</td>
<td>Repealing clause</td>
<td>87</td>
</tr>
<tr>
<td>135</td>
<td>Separability clause</td>
<td>88</td>
</tr>
<tr>
<td>136</td>
<td>Transitory provisions</td>
<td>88</td>
</tr>
<tr>
<td>137</td>
<td>Effective date</td>
<td>88</td>
</tr>
</tbody>
</table>
THIRTEENTH CONGRESS OF THE  
REPUBLIC OF THE PHILIPPINES  
Second Regular Session  

HOUSE OF REPRESENTATIVES  

House Bill No._________________

Introduced by

EXPLANATORY NOTE

This bill seeks to update our law on ship registration, correct our law on ship mortgages, and provide a legal framework for the enforcement of maritime claims, the arrest of vessels and the establishment of limits of liability for maritime claims.

The bill, if passed, will align our maritime laws with the requirements of international maritime conventions and allow us to achieve uniformity with international maritime practices.

Ship Registration


Taxation

Philippine tax laws with respect to ships operated under the Philippine flag impose a corporate income tax on operators. International practices provide for the collection of a tonnage tax in lieu of the corporate income tax. Imposition of new taxes and the exemption from existing taxes must emanate from the House of Representatives. While discretion for the collection of new taxes or the provision of new tax rates may be given to a government agency like the Department of Finance, the parameters for imposing new taxes or new tax rates must be set forth in the organic law with such
specificity as to give very little discretion to the executive agency in imposing the new tax or rate of tax. The tax structure of Philippine ships must be aligned with international practices to make the Philippine flag an attractive flag registry.

Maritime Liens and Ship Mortgages

The law on ship mortgages is contained in the Ship Mortgage Decree of 1978, Presidential Decree No. 1521. While the Decree took effect in 1978, the provisions did not take into account, nor put into effect, the 1926 or the 1967 International Convention for the Unification of Certain Rules Relating to Maritime Liens and Mortgages. As such the present law on ship mortgages is not aligned with international convention. This has made access to financing for the construction and acquisition of ships difficult for Philippine ship owners.

A more recent convention on maritime liens and ship mortgages adopted in 1993 has been prepared by the International Maritime Organization and the United Nations Committee on Trade and Development reflecting current practices in the field of ship mortgages and maritime claims. This latest convention has not been incorporated into Philippine law.

This backdrop has led to a belief held by foreign bankers that liens and mortgages created over Philippine flag vessels are uncertain. This belief is further reinforced by what they consider as the confusing manner by which the registration of mortgages is made principally because ship registration is decentralized and the vessel can be registered in any port of the Philippines where the Philippine Coast Guard has a detachment. This has made access to ship financing very difficult to Philippine ship owners.

Enforcement of Maritime Claims

Philippine law on the arrest of ships is limited to: (1) instances where the ship has been found violating customs regulations and (2) where the attachment is ordered by a competent court in order to acquire jurisdiction over an absentee defendant. In these instances an action in rem may be maintained against the vessel in order to prosecute the case.

Philippine law does not recognize the closed list of maritime claims provided in the 1952 International Convention Relating to the Arrest of Seagoing Ships
because it is not a party to that convention. Neither is the Philippines a party to the 1999 International Convention on the Arrest of Ships.

**Limitation of Liability**

Another aspect that must be considered with respect to this proposed bill is that international conventions, generally, allow ship owners to limit their liability should their vessel be arrested for the enforcement of a maritime claim. Philippine law does not follow the regime allowing for the limitation of liability of ship owners recognized by the 1976 International Convention on Limitation of Liability of Maritime Claims and the 1996 Protocol to this Convention because it is also not a party to the Convention and the Protocol.

**Bareboat Chartering**

While bareboat chartering has become an option to Philippine ship owners, foreign bankers have raised the concern that liens and mortgages entered in the primary registry of the ship is not reflected in the Philippine registry. This makes it difficult to trace the vessel particularly because Philippine regulations on bareboat chartering require a change of name of the bareboat chartered vessel once it is entered in the Philippine Registry.

**WHAT NEEDS TO BE DONE?**

In order to make the Philippine flag an attractive registry, the existing legal framework of the shipping industry must be reformed.

**Delineate functions between MARINA and PCG**

There is a need to delineate powers and functions between the Philippine Coast Guard (PCG) and the Maritime Industry Authority (MARINA).

The agency originally vested with the power to register vessels was the Bureau of Customs. This power was transferred to the PCG, then to MARINA, then to the PCG, then back to MARINA. It is currently held by MARINA. Despite this, PCG continues to discharge the function principally because it has detachments in remote islands where MARINA has no offices.
On the other hand, MARINA has asserted its right to issue safety regulations thereby duplicating the functions of the PCG with respect to the accreditation and licensing of classification societies, the survey and classification of ships and other such functions.

In determining which agency should be given the power to register vessels and exercise administrative and social control on the one hand and the power to exercise technical supervision over a vessel registered under Philippine laws on the other, there is a need to look at the charter of each agency. MARINA is given the regulatory powers over the commercial activities of Philippine registered ships. PCG has the power to enforce maritime safety and marine environmental regulations.

**Registration of Vessels**

On this delineation, it is evident that the registration of vessels, being the first step to a vessel’s right to engage in commercial activity under Philippine laws, should properly belong to MARINA.

**Flag State Administration**

Bearing in mind the functions of each agency, it is clear that the enforcement of maritime safety and environmental regulations are with the PCG. This being the case, the technical supervision of vessels together with the functions that come with it should be with the PCG. It is only on a clear delineation of functions that the duplication of functions will be avoided.

**Incentives**

There is a need to reform the tax structure for Philippine vessels in order to align this with international practices. Most jurisdictions exempt vessels from corporate taxes and instead collect a tonnage tax from national flag vessels in lieu of income taxes. This allows for easier tax management and better revenue collection considering the difficulty in monitoring revenues and expenses of vessels, particularly those engaged in international trade.

**Mortgages**

The access to financing has long been a concern of Philippine ship owners. They have asserted that the Ship Mortgage Decree of 1978 contained in Presidential Decree
No. 1521 is defective and unacceptable to foreign bankers because the liens are not clearly delineated. They have been clamoring for the revision of this law without much success.

This Decree as well as the earlier law covered by Republic Act No. 1407 provide for the enforcement of the mortgage through a suit in rem. These two laws however do not clarify the relationship of the mortgage with other maritime liens.

**Maritime Claims**

Since the matter of setting straight the rules on ship mortgages cannot be settled without delving into the priorities of preferred maritime liens as well as maritime claims that do not enjoy any priority, there is a need to reconcile the rules of mortgages with that of preferred maritime liens as well as that of other maritime claims.

**Arrest of Vessels**

It is recognized that a law on maritime liens and mortgages cannot be properly enforced in accordance with international practices unless the appropriate procedure is provided. This can only be done if Philippine law can provide for a legal framework that refines the present grounds for the arrest of ships which are limited to: (1) a violation of Customs regulations, and (2) an arrest to acquire jurisdiction over an absentee defendant so that it covers the closed list of maritime claims recognized by international practice and for which the arrest of a vessel can be effected.

**Limitation of Liability**

International practice generally allows ship owners to limit their liability for certain maritime claims. Ship owners engaged in international shipping have accepted the obligation of recognizing liability with respect to particular claims in exchange for their right to limit their financial exposure with respect to such liability. The practice of limiting liability has been allowed in international practice to encourage continued investments in shipping where a single claim could spell the financial ruin of a ship owner. The practice of limitation of liability must be adopted and Philippine law must recognize such general limits of liability to ensure the alignment of our laws with international
practices and the continued investments in the shipping industry.

RECOMMENDATION

The passage of the attached measure is urgently requested. A strong and competitive merchant marine fleet, owned and controlled by Filipinos, manned by qualified Filipino officers and crew, is essential to the growth of our economy. Our vested interest in seafaring demands that we have a fleet for our seafarers. We can only expand our fleet if we can provide a legal framework that will encourage and allow ship owners to enter into long term vessel acquisition, development, modernization and expansion programs. It is hoped that this law will meet these requirements.
"An Act Providing For
The Registration of Ships and Incentives Therefor,
The Registration, Recognition and Enforcement of
Ship Mortgages, Maritime Claims and Maritime Liens,
The Arrest of Ships,
The Limitation of Liability for Maritime Claims
And for Other Purposes"

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

Title I

General Provisions

Chapter I

Policies

Section 1. Short Title of the Act. - This Act shall be known as “The Philippine Maritime Industry Act of 2005”.

Section 2. Declaration of Policies. - The State recognizes that shipping is a necessary infrastructure which is vital to the economic development of our country.

The Philippines needs a strong and competitive merchant marine fleet owned and controlled by Filipinos, manned by qualified Filipino officers and crew, which shall:
(a) Ensure safe, reliable, efficient, adequate and economic passenger and cargo service through the maintenance of well-equipped, safe and modern vessels most suitable for Philippine overseas and domestic shipping requirements and conditions;

(b) Ensure the growth of exports by providing necessary, competitive and economical sea linkages through the provision of ships that are capable of meeting the requirements of expanding Philippine international trade;

(c) Encourage the dispersal of industry and the economic development of our regional communities by ensuring the availability of regular, reliable and efficient shipping services;

(d) Function as an employment base for the growing community of highly skilled and qualified Filipino seafarers;

(e) Provide a means to access financing to encourage long term vessel acquisition, development, modernization and expansion programs principally driven by private investments; and

(f) Serve as a naval and military auxiliary in times of war and other national emergencies.

The State shall promote such other necessary administrative and executive policies that will ensure the continued growth of the Philippine merchant fleet in
consonance with international practices and provide a mechanism for the early adoption and implementation of international maritime regulations and conventions.

Section 3. **Scope of the Act.** - Unless otherwise indicated, this Act shall apply to:

(a) All merchant marine ships, whether seagoing or coastwise, authorized to carry passengers or cargo, or both, which are registered under the Philippine flag;

(b) All persons, partnerships, corporations, firms or other entities duly registered and licensed to engage in the business of shipping as ship owners, ship operators, bareboat charterers, or ship managers, or those acting on their behalf;

(c) All ship mortgages over Philippine flag vessels registered in accordance with this Act and those that are to be enforced against other ships that are found within the jurisdiction of the Philippines regardless of nationality;

(d) All maritime liens and claims that are incurred in the Philippines or are to be enforced on ships found within the jurisdiction of the Philippines regardless of nationality;

(e) All ships arrested for the enforcement of maritime claims that are within the territorial jurisdiction of the Philippines regardless of nationality; and

(f) All ships that are within the territorial
jurisdiction of the Philippines against which a maritime
claim that is subject to applicable limits of liability is
sought to be enforced regardless of the nationality of such
ship.

The provisions of this Act, however, shall not apply to
any war ship, naval auxiliary ship or other ship owned or
operated by the Philippine government or any foreign
government for non-commercial service.

Chapter 2
Definitions
Section 4. Definition of Terms. — The following
terms shall have the meanings hereinafter set forth:

a. “Arrest” shall mean the attachment of a vessel by
judicial process through an order of a court in order to
secure the enforcement of a maritime claim, which attachment
shall produce the effect of detaining or restricting the
removal of the vessel from the territorial jurisdiction of
the Philippines, but shall not include the seizure of a ship
in execution or satisfaction of a judgment;

b. “Bareboat charter” shall mean a contract for the
lease of a ship, for a stipulated period of time, by virtue
of which the bareboat charterer has complete possession and
control of the ship, including the right to appoint the
master and the crew of the ship, for the duration of the
lease;
c. “Bareboat charterer” or “charterer” may be used interchangeably and shall refer to any person, commercial partnership or corporation which bareboat charters a Philippine flag vessel from another Philippine national, or a vessel of foreign ownership registered in a compatible registry, for its own use;

d. “Board of Marine Inquiry” shall refer to the Board of Marine Inquiry created in accordance with section 7 of Presidential Decree No. 601;

e. “Certificate of Philippine Registry” shall mean the document of registration of a vessel registered in accordance with section 20 of this Act;

f. “Claimant” shall mean a person who asserts that a maritime claim exists in his favor;

g. “Classification society” shall refer to any government-accredited organization authorized to implement published rules and regulations governing the structural strength, safety and reliability of a ship in order to maintain basic conditions on board and enables the ship to operate in its intended service;

h. “Coastwise vessel” shall refer to any Philippine flag vessel authorized to carry passengers or cargo, or both, between two domestic ports, in the coastal or internal waters of the Philippines;

i. “Compatible registry” shall mean a foreign
registry which has entered into an agreement with the
Maritime Industry Authority in order to determine and
establish the requirements for the transfer of registration
of ships from one registry to the other;

j. “Court” or “Philippine court” may be used
interchangeably and shall refer to a court of appropriate
jurisdiction within the territory of the Philippines;

k. “De-registration” shall refer to the act of
deleting a ship from the Registry of Ships of the
Philippines and the cancellation of the Certificate of
Philippine Registry in accordance with Title II, Chapter 5
of this Act;

l. “Foreign court” shall mean a court exercising
jurisdiction in a territory other than in the Philippines;

m. “Foreign flag vessel” shall refer to a ship which
is registered under the laws of a country other than the
Philippines and which is authorized to fly the flag of that
country;

n. “Foreign registry” shall mean the registry of
ships of a country other than the Philippines;

o. “International maritime convention” or
“international convention” may be used interchangeably and
shall refer to any written treaty or agreement, or any
protocol or amendment thereto, affecting the maritime
industry which has been agreed to and approved by States as
members of the International Maritime Organization or other international agency, which the Philippines has ratified and which is in force;

p. “Marine surveyor” shall refer to any government-accredited person, organization or classification society authorized to conduct safety inspections and examine the general condition of a ship;

q. “Maritime claim” shall refer to any of the claims provided in section 88 of this Act;

r. “Maritime Industry Authority” shall refer to the government agency created in accordance with Presidential Decree No. 474 as amended;

s. “Maritime lien” shall refer to a charge that attaches to a ship which arises from a maritime claim against the ship, its owners, charterers, managers or operators that results in a demand for indemnity or remuneration from the ship or its owners, charterers, managers or operators and is enforceable by judicial action;

t. “Mortgagee” shall refer to the person, whether natural or juridical, in whose favor a ship mortgage is created in order to secure a principal obligation;

u. “Mortgagor” shall refer to a ship owner who constitutes a ship mortgage over a vessel or a vessel under construction registered in its name in order to secure the fulfillment of a principal obligation;
v. “Philippine Coast Guard” shall refer to the government agency created in accordance with Republic Act No. 5173, as amended;

w. “Philippine flag vessel” shall mean any vessel duly registered under Philippine laws and authorized to fly the Philippine flag;

x. “Philippine national” shall refer to any individual who is a citizen of the Philippines, or a commercial partnership or corporation organized under the laws of the Philippines, at least 60% of the capital of which is owned by citizens of the Philippines;

y. “Registration” shall refer to the act of entering a ship in the Registry of Ships of the Philippines in accordance with Title II, Chapter 1 of this Act;

z. “Registry of Ships of the Philippines” shall refer to the official public register maintained by the Maritime Industry Authority in accordance with section 15 hereof which shall hold the record of all vessels and its encumbrances registered under Philippine laws and shall hereafter be referred to as the “Registry”;

aa. “Seagoing vessel” shall refer to any Philippine flag vessel of 500 gross tons or more, authorized to carry passengers or cargo, or both, in trade between a Philippine port and a foreign port, or between two foreign ports;

bb. “Ship manager” shall mean any person, commercial
partnership or corporation to which the technical or commercial management, or both such technical and commercial management, of a ship has been entrusted by the ship owner and for that purpose is in charge of the operation of the ship which may include, but shall not be limited to, vessel maintenance and upkeep, crewing, and passenger and cargo solicitation;

cc. “Ship mortgage” shall mean a contract executed by the owner of a ship creating a security interest over a particular vessel or a vessel under construction in order to secure the performance of a principal obligation;

dd. “Ship owner” shall refer to any person, commercial partnership or corporation authorized to own, operate, manage, control, lease or charter out, or otherwise engage in the business of shipping;

e. “Ship operator” shall refer to any person, commercial partnership or corporation authorized to operate, manage or control a ship owned by another;

ff. “Tonnage” or “gross tonnage” may be used interchangeably unless otherwise indicated and shall refer to the ship’s gross tonnage calculated in accordance with the tonnage measurement rules provided in the applicable international convention on the tonnage measurement of ships;

gg. “Unit of account” shall refer to the special
drawing right as defined by the International Monetary Fund;

hh. “Vessel” or “ship” may be used interchangeably and shall refer to any boat, craft or artificial contrivance capable of floating in water, designed to be used, or capable of being used, as a means of water transport for the carriage of passengers or cargo, or both, utilizing its own motive power or that of another, and shall include a ship under construction and for purposes of this Act shall continue to be considered as personal property;

ii. “Vessel certificate” shall refer to the official document issued by the appropriate government agency attesting to the fact that the vessel complies with the requirements imposed by international conventions or government regulations on safety and the protection of the marine environment.

Chapter 3

Regulatory Agencies

Section 5. Implementing agencies. – The implementation of this Act shall be vested in the Maritime Industry Authority and the Philippine Coast Guard.

Section 6. Powers and functions of the Maritime Industry Authority. – For the purposes of this Act, the Maritime Industry Authority shall have the following powers and functions:

a. Accredit and license ship owners and operators;
b. Maintain the Registry of Ships of the Philippines;

c. Record all registrations, de-registrations, deletions, transfers, sales, purchases, bareboat charters, and mortgages of Philippine flag vessels;

d. Issue certificates of Philippine registry, provisional certificates of Philippine registry and such other authorizations, clearances and documents required to give effect to any registration or de-registration of any vessel;

e. Issue certificates of ownership to vessels which are not eligible for the issuance of a certificate of Philippine registry;

f. Conduct an inquiry on any application for the issuance of a certificate of Philippine registry;

g. Deputize the Philippine Coast Guard for the registration of vessels that are within the Philippines and the collection of fees incident to such registration;

h. Deputize Philippine consular officers or maritime attachés for the registration of vessels wanting to transfer to the Philippine registry but are outside the territorial jurisdiction of the Philippines and the collection of fees incident to such registration;

i. Enter into agreements with foreign registries to determine and establish the requirements for registration, de-registration and enforcement in order to ensure the
compatibility of requirements of the Philippine registry with that of other foreign registries;

j. Issue certificates of public convenience to coastwise vessels;
k. Investigate any complaint made in writing, and after notice and hearing, revoke any registration, certificate, license, accreditation or document issued to any seagoing or coastwise vessel, ship owner, ship operator, bareboat charterer, or ship manager;
l. Impose fines on or otherwise penalize any vessel, ship owner, ship operator, bareboat charterer or ship manager found violating the provisions of this Act;
m. Exercise such other functions necessary for or incidental to the proper implementation of this Act.

Section 7. Powers and functions of the Philippine Coast Guard. - For purposes for this Act, the Philippine Coast Guard shall have the following powers and functions:

a. Enforce laws, promulgate and administer regulations relating to the promotion of the safety of life and property at sea, the prevention of marine pollution and the protection of the marine environment in accordance with international maritime conventions;
b. Approve plans for the construction, repair or alteration of vessels, and the materials, equipment and appliances of vessels in accordance with international
conventions and domestic regulations giving effect to such
conventions on the safety of life at sea, marine pollution,
load line requirements and other related conventions;

c. Conduct the initial and periodic inspections of
vessels as well as their equipment and appliances either by
itself or through the agency of a marine surveyor or
classification society;

d. Approve the classification of vessels either by
itself or through the agency of a classification society;

e. Accredit and license surveyors and classification
societies and deputize them to perform such functions
necessary to give effect to the requirements of
international maritime conventions and government
regulations;

f. Issue certificates of inspection;

g. Determine the safe manning requirements of vessels
and the certificates of competency which each crew member
should possess considering the type, tonnage, power, means
of propulsion and trading limitations of particular ships
and, for this purpose, issue safe manning certificates to
ships;

h. Determine the safety, life saving, pollution
prevention and communication equipment to be installed on
board every vessel considering its type, tonnage and trading
limitations;
Investigate on its own or through the Board of Marine Inquiry marine casualties, accidents, incidents, disasters and marine protests in order to determine the liability of vessels, ship owners, ship operators, bareboat charterers, ship managers, ship officers and crew;

j. Impose fines or otherwise penalize any vessel, ship owner, ship operator, bareboat charterer, ship manager or classification society found violating the provisions of this Act;

k. Exercise such other functions necessary for or incidental to the implementation of this Act.

Section 8. **Issuance of implementing rules and regulations.** - The Maritime Industry Authority and the Philippine Coast Guard shall respectively issue rules and regulations to implement the provisions of this Act; Provided, that such rules and regulations shall not change or in any way amend or be contrary to the intent and purposes of this Act.

Section 9. **Power to adopt regulations to conform to international maritime conventions.** - The Maritime Industry Authority and the Philippine Coast Guard acting by themselves, or in conjunction with each other, shall recommend to the Department of Transportation and Communications, through the Secretary, the adoption of international maritime conventions so that the appropriate
recommendation can be made, and the relevant instrument of ratification may be issued, by the Senate of the Philippines; Provided that in the case of a subsequent amendment to any existing international convention or treaty to which the Philippines is already a party, both the Maritime Industry Authority and the Philippine Coast Guard are hereby empowered and authorized to amend and revise their respective rules and regulations to conform with the amendments to the relevant convention or treaty without need of further authorization.

Title II

Vessels

Chapter 1

Registration of Vessels

Section 10. Registry of Ships of the Philippines. – The Registry of Ships of the Philippines shall be the official public registry of ships and shall contain all records of registrations, deletions, transfers, bareboat charters, and mortgages of Philippine flag vessels.

The Registry shall be open to public inspection during regular business hours. Any person wishing to inspect the Registry, or obtain extracts or copies of instruments deposited with the Registry, may do so upon prior written application to and approval of the Administrator of the
Maritime Industry Authority.

Section 11. Vessel eligibility. - Vessels of any size, age or type that are classed by a classification society, whether owned or chartered by Philippine nationals, may be registered under the Philippine flag.

Vessels that are more than twenty (20) years old on their first application for registration shall be subject to a safety inspection as a pre-condition to the issuance of a certificate of Philippine registry.

Vessels of a foreign registry that are covered by a bareboat charter may be registered under the Philippine flag; Provided, that the duration of the bareboat charter is not less than one (1) year and its registration under the foreign flag of primary registration shall not be abandoned, but shall be deemed suspended, for the duration of the ship’s registration under the Philippine flag.

Section 12. Vessel Ownership. - Every vessel registered in accordance with this Act shall be owned or chartered by one or more Philippine nationals and, in the case of corporations or commercial partnerships, the president and corporate secretary or general manager and partnership secretary thereof, as the case may be, shall be citizens and residents of the Philippines.

Section 13. Vessels required to be registered. - Every coastwise vessel and seagoing vessel shall be
registered in accordance with the provisions of this Act.

To this end, it shall be the duty of the ship owner, ship operator, bareboat charterer, or any person acting on behalf of every vessel to apply with the Maritime Industry Authority for the registration of the vessel.

Section 14. **Where the registration is to be made.** — The registration of a coastwise vessel shall be made at its home port or at the port where the nearest regional office of the Maritime Industry Authority, or the nearest Philippine Coast Guard detachment deputized for the purpose, is located.

The registration of a seagoing vessel shall be made in the principal office of the Maritime Industry Authority in the port of Manila.

If the vessel is not within the territory of the Philippines at the time of acquisition or bareboat charter, the application for registration shall be made through the nearest Philippine consular office where the vessel may be found. The Philippine consular office receiving the application shall have the duty to forward the same to the principal office of the Maritime Industry Authority in the port of Manila.

Section 15. **The Registry of Ships of the Philippines.** — The Maritime Industry Authority shall maintain the following sub-registries for Philippine flag
vessels:

a. “The Principal Registry of Philippine Vessels” in which the record of all registrations, deletions, transfers, leases, bareboat charters out, suspensions of registry, mortgages, encumbrances and other commercial transactions of seagoing and coastwise ships owned by Philippine nationals shall be made;

b. “The Bareboat Charter Registry of Vessels” in which all records of registrations and deletions of ships which are bareboat chartered into the Philippines shall be made. This sub-registry shall also note down the following details:

(i) the name and address of the registered owner in the primary registry;

(ii) the registered name of the vessel as it appears in the primary registry;

(iii) a reference that encumbrances on the vessel appear in the primary registry;

c. “The Registry of Fishing Vessels” in which all records of registrations and deletions of fishing vessels owned by Philippine nationals shall be made;

d. “The Registry of Yachts and other Recreational Vessels” in which all records of registrations and deletions of yachts and other recreational vessels owned by Philippine nationals shall be made.
Section 16. Documentation required for the registration of vessels.

Every vessel owner or bareboat charterer wishing to enroll a vessel in the Registry shall be required to submit the following documents to the Maritime Industry Authority:

a. A written application for registration;
b. A notarized copy of the declaration of ownership;
c. A certified copy of the Certificate of Sole Proprietorship, or Articles of Partnership, or Articles of Incorporation of the ship owner or bareboat charterer, as the case may be;
d. The power of attorney, partnership resolution or secretary’s certificate authorizing the enrollment of the ship in the Registry;
e. The tonnage measurement certificate;
f. The certificate issued by a classification society showing that the ship is in class;
g. The vessel certificates required by international conventions and domestic regulations;
h. The application for a provisional radio license;
i. The application for vessel name;
j. A certified copy of the cover note or certificate of entry in the name of the ship owner or bareboat charterer showing the current hull and machinery, and protection and indemnity insurance coverage.
Section 17. Additional documents required. - In addition to the documents listed in the immediately preceding section, every ship owner or bareboat charterer shall be required to submit the following documents:

a. For new buildings:

(i) A notarized copy of the original builder’s certificate;

b. For second hand tonnage:

(i) A notarized copy of the bill of sale or other document of title evidencing the transfer;

(ii) The certificate of deletion from the previous registry;

(iii) The certificate of non-encumbrance issued by the previous registry;

(iv) A safety inspection certificate if the vessel is more than twenty (20) years old;

c. For bareboat chartered or leased ships:

(i) The proof of ownership and consent of the registered owner to the vessel’s enrollment in the Registry;

(ii) A certified true copy of the bareboat charter;

(iii) If the bareboat charterer wishes to change the vessel’s name, a letter requesting the change of name of the vessel from that appearing in its primary registry and the reason for the
request;

(iv) The written consent to the transfer of registry of the holders of all mortgages, hypothecations or similar charges against the vessel registered in the foreign registry;

(v) Certified true copies of all mortgages, hypothecations, and charges, with an English translation of such documents;

(vi) The written consent to the bareboat charter registration of the appropriate authority of the country of primary registration of the vessel, or satisfactory evidence that such consent is not required;

(vii) A transcript of the register or other document from the appropriate authority of the country of primary registration showing all recorded mortgages and encumbrances on the vessel appearing in that registry;

(viii) A safety inspection certificate if the vessel is more than twenty (20) years old.

Such other documents necessary to support the application for the enrollment of ships in the Registry as may be required by regulation.

Section 18. **Data to be listed in the Registry.** —

The following data shall be listed, in such form and detail
for all ships entered in the Registry of Ships:

a. Name of vessel;

b. Keel number;

c. Hull material;

d. Principal dimensions;

e. Gross tonnage;

f. Net tonnage;

g. IMO number;

h. Official number;

i. Place of build;

j. Year of build;

k. Name and address of registered owner, ship operator, bareboat charterer, manager or other person responsible for the ship;

l. Date of issuance of certificate of Philippine registry;

m. Class of vessel;

n. A reference that encumbrances on the vessel appear in the primary registry.

In the case of second hand tonnage, the following additional data shall likewise be listed in the Registry of Ships:

a. Place of previous registry;

b. Name of previous owner.

In the case of bareboat chartered vessels, the
following additional data shall also be listed in the Registry of Ships:

a. Place of primary registry;

b. Name of registered owner appearing in the primary registry;

c. Name of the vessel as it appears in the primary registry;

d. A reference that encumbrances on the vessel appear in the primary registry.

Any material change of condition with respect to any of the preceding items and any other fact required by regulation shall likewise be recorded in the Registry of Ships.

Section 19. **Proceedings prior to the grant of a Certificate of Philippine Registry.** - No application for a Certificate of Philippine Registry shall be approved and issued until:

a. An inspection of the vessel and its documents has been conducted; and

b. It is verified that the applicant meets the ownership requirements prescribed by this Act.

The Maritime Industry Authority on its own or through the agency of the Philippine Coast Guard, may conduct the inspection and investigation at any time in order to ascertain whether the vessel is entitled to have, or to
retain, the certificate of Philippine registry.

Further inquiries may be made through a formal administrative investigation of the vessel’s owner, operator, charterer, manager, master, crew or passengers to determine the ownership or title and the intention to engage in legitimate trade of any vessel seeking a certificate of Philippine registry.

Section 20. **Issuance of the Certificate of Philippine Registry.** - Upon the application for registration and a satisfactory determination of eligibility, a certificate of Philippine registry shall be issued to all vessels which are more than fifteen (15) gross tons. A certificate of Philippine registry shall be valid for a period of no more than three (3) years, renewable for a similar period or periods provided the vessel continues to meet all the requirements to be eligible for registration.

In the case of bareboat chartered vessels, the certificate of Philippine registry shall be valid for a period of no more than three (3) years or the period of the bareboat charter, whichever is shorter.

Section 21. **Registration of vessels between three and fifteen gross tons.** - A vessel between three (3) gross tons and fifteen (15) gross tons shall be registered with the Maritime Industry Authority and a certificate of ownership shall be issued to it. The application for the
issuance of a certificate of Philippine registry shall be optional with the owner of such vessel.

Section 22. Registration of vessels of three gross tons or less. - A vessel of three (3) gross tons or less shall not be registered, unless requested by its owner. Neither shall a document of registration of any kind be required for such vessel. The application for the issuance of a certificate of ownership shall be optional with the owner of such vessel.

Section 23. Provisional registration of vessels. - A provisional certificate of Philippine registry may be issued to ships applying for registration provided all documents listed in section 16 have been submitted and the submission of the additional documents required in section 17 is pending.

The provisional certificate of Philippine registry shall be valid for a period of ninety (90) days subject to a single renewal of another ninety (90) days.

If the ship owner or bareboat charterer fails to submit all required documents within the stipulated period, the provisional certificate of Philippine registry shall automatically expire on the date appearing on the provisional certificate.

Section 24. Appointment of consular officials for the provisional registration of ships. - If the ship is
outside Philippine territory, the application for registration and its supporting documents enumerated in sections 16 and 17 may be submitted to the nearest Philippine consular office which shall then have the duty to forward the documents to the offices of the Maritime Industry Authority in the port of Manila.

The Philippine consular officer, upon the ship owner’s or bareboat charterer’s submission of all documents enumerated in section 16 may, at the direction of the Maritime Industry Authority, issue a provisional certificate of registry to the vessel.

Section 25. Form and contents of certificate of Philippine registry. — The certificate of Philippine registry shall contain the following information:

a. Name of the vessel;
b. Name and address of the registered owner or charterer;
c. Keel number;
d. Hull material;
e. Principal dimensions;
f. Gross tonnage;
g. Net tonnage;
h. IMO number;
i. Official number;
j. Year of build;
k. Date of issuance of certificate of Philippine registry;

l. List of registered encumbrances.

Such other information as may be determined by regulation may likewise be set forth in the certificate of Philippine registry.

The certificate of Philippine registry issued to every ship which is bareboat chartered in shall, in addition, contain the following information:

a. The fact that the ship is covered by a bareboat charter and the date of such charter;

b. The name of the ship as it appears in its primary registry, if such name has been changed upon entry in the Philippine registry;

c. The name of the registered owner or owners as it appears in the primary registry;

d. A reference that registered encumbrances appear in the primary registry.

Chapter 2

Vessels Under Construction

Section 26. Registration of Vessels Under Construction. - Vessels under construction contracted by a Philippine national may be registered in accordance with the provisions of this Act. In order that the vessel may be the subject of registration under this Act, it is necessary that
the keel of the vessel must have been laid and a keel number
assigned by the shipyard at the time of application.

Section 27. **Documents required for the registration**
of vessels under construction. - Every ship owner wishing
to enroll a vessel under construction in the Registry shall
be required to submit the following documents:

a. A written application for registration;

b. A notarized copy of the declaration of ownership;

c. A certified copy of the Certificate of Sole
Proprietorship, or Articles of Partnership, or Articles of
Incorporation of the ship owner or operator, as the case may
be;

d. The power of attorney, partnership resolution or
secretary’s certificate authorizing the enrollment of the
ship in the Registry; and

e. A notarized copy of the shipbuilding contract.

Section 28. **Document of registration.** - A
provisional certificate of registration shall be issued to a
vessel under construction and shall be valid for the period
during which the vessel is under construction.

Section 29. **Form and contents of the document of**
registration. - The provisional certificate of registration
issued to a ship under construction shall contain the
following information:

a. Name of the vessel;
b. Name and address of the registered owner;

c. Keel number;

d. Hull material;

e. Principal dimensions of the vessel; and

f. A list of registered encumbrances.

Chapter 3

Rights and Privileges Granted to

Vessels of Philippine Registry

Section 30. Privileges conferred by a certificate of Philippine registry. — A certificate of Philippine registry confers upon the vessel the following rights and privileges:

a. The privilege to fly the flag of the Philippines;

b. The privilege to engage, consistently with law, in Philippine coastwise trade in accordance with the corollary permits, certificates and licenses that may be issued to the vessel;

c. The right to invoke the diplomatic and naval protection of Philippine authorities and the protection of the flag of the Philippines; and

d. The right to invoke the exercise of jurisdiction and control by Philippine government authorities over all persons found on board the vessel, or over any incident involving the penal or disciplinary responsibility of the master or any member of the crew whether the same arises from a crime or quasi-delict committed on board the vessel
or from any collision or other incident of navigation concerning the ship.

Chapter 4

Registration Fees and Tonnage Taxes

Section 31. **Processing fee.** — A processing fee shall be paid by the applicant when the application for registration is filed. The processing fee shall be collected to cover administrative costs for handling and processing the application. The processing fee shall be in such amount as may be determined by the Maritime Industry Authority by regulation and approved by the Secretary of the Department of Transportation and Communications.

Section 32. **Registration fee.** — A registration fee shall be payable by the ship owner or bareboat charterer when the ship is first entered in the Registry and shall be paid when the Certificate of Philippine Registry is issued.

The registration fee shall be computed on the basis of the tonnage of the vessel and shall be in such amount as may be determined by regulation issued by the Maritime Industry Authority and approved by the Secretary of the Department of Transportation and Communications.

The registration fee shall be payable by the ship owner or charterer regardless of whether the ship is owned or bareboat chartered, or if the ship will be used commercially, or for fishing, or for recreation.
The registration fee shall be reviewed from time to time and, when deemed appropriate, the Maritime Industry Authority shall submit a recommendation to the Secretary of the Department of Transportation and Communications to adjust the same. Any adjustment in the registration fee shall be subject to the prior approval of the Secretary of the Department of Transportation and Communications.

Section 33. Annual tonnage taxes for seagoing vessels. - A tonnage tax shall be imposed and shall be payable annually by every ship owner or bareboat charterer, for every Philippine flag vessel it owns or charters commencing the year after the entry of such ship in the Registry. The tonnage tax shall be payable no later than January 31 of each year and shall be assessed in accordance with the following schedule:

<table>
<thead>
<tr>
<th>Tonnage</th>
<th>Tonnage Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>500 gross tons or less</td>
<td>P2,000.00</td>
</tr>
<tr>
<td>Over 500 gross tons</td>
<td>Plus P20.00 per ton</td>
</tr>
</tbody>
</table>

The tonnage tax paid shall be in lieu of any income tax due from the ship owner or bareboat charterer and the withholding tax due on the lease or bareboat charter fees earned by the non-resident ship owner.

Section 34. Exemption from duties and taxes. - The importation by a ship owner or bareboat charterer of a
vessel, and the spare parts and equipment needed for the 
repair and maintenance of such vessel shall be exempt from 
the payment of:

a. Import duties and taxes; and

b. Value added taxes.

Section 35. Renewal of the Certificate of Philippine 
Registry. - Only a processing fee shall be paid by any ship 
owner or operator wishing to renew a Certificate of 
Philippine Registry. The processing fee paid for the 
renewal of the Certificate of Philippine Registry shall be 
in addition to the payment of the annual tonnage tax due for 
the year the renewal of registration is made.

Chapter 5

De-registration or Suspension of Registration 
of Philippine flag vessels

Section 36. Sale, bareboat charter or other transfer 
of Philippine flag vessels. - A ship owner may freely sell, 
transfer, bareboat charter out or otherwise dispose of a 
vessel registered in his name.

Section 37. Deletion from the Registry of Ships of 
the Philippines. - A ship shall be deleted from the 
Registry of Ships for any of the following reasons:

a. If it is transferred to a natural or juridical 
person who does not meet the ownership requirements imposed 
by this Act; or
b. If it commits any act inimical to the security or interests of the Philippines; or

c. If it is entered in a foreign registry without the prior approval of the Maritime Industry Authority; or
d. If its bareboat charter party is not extended or renewed; or

e. If it is sold for scrap; or

f. If it is lost.

If the vessel is sold, transferred or disposed of, the ship owner or operator shall be required to submit the following documents to effect the deletion of the ship’s registration:

a. A written request to delete the ship’s registration;

b. A notarized copy of the bill of sale;

c. The original certificate of registry;

d. The original radio station license; and

e. A certification from the appropriate agency showing that all outstanding taxes, fees and charges due to the government have been paid.

If the bareboat charter is not extended or renewed, the documents listed in the immediately preceding paragraph shall likewise be submitted by the bareboat charterer, however, in lieu of the notarized copy of the bill of sale, a statement from the charterer shall be submitted saying
that the bareboat charter has been terminated or that it has
expired and the same has not been renewed.

If the vessel has been lost, the ship owner, in lieu of
the notarized copy of the bill of sale, shall be required to
submit a copy of the report of the incident which has
resulted in the loss of the vessel issued by the Philippine
Coast Guard.

Section 38. **De-registration of a ship which is
subject of a mortgage.** - No ship shall be deleted from the
Registry unless:

a. All mortgages are discharged; or
b. The written consent of all mortgagees to the
deletion from the Registry is obtained.

If the de-registration of the vessel is obligatory in
accordance with the preceding section, all holders of
registered mortgages shall be notified by the Maritime
Industry Authority of the pending de-registration in order
to enable such holders to take appropriate action to protect
their respective interests. If the consent of the holders
is not obtained, de-registration shall not be implemented
earlier than three (3) months after notice to such holders
of registered mortgages is given.

Section 39. **Suspension of a ship’s registry.** - The
registration of a vessel which has been bareboat chartered
out to a non-Philippine national shall be suspended for the
duration of the bareboat charter. However, a ship which has
been bareboat chartered out to a non-Philippine national
shall continue to be subject to Philippine law for all
transactions affecting the sale, transfer, mortgage,
encumbrance or other disposition of the vessel, the
enforcement of any lien or claim against the vessel, or any
other transaction affecting the private rights of the owner
of the vessel.

Section 40. Documents required in order to suspend
registration. - The ship owner shall be required to submit
the following documents to effect the suspension of such
registration:

a. A written request to suspend the ship’s
registration;

b. A notarized copy of the bareboat charter;

c. The original certificate of registry;

d. The original radio station license; and

e. A certification from the appropriate agency
showing that all outstanding taxes, fees and charges due to
the government have been paid.

Chapter 6

Operation of Vessels

Section 41. Ship construction. - Every new building
registered under Philippine laws shall be constructed in
accordance with standards for ship construction set forth in
international maritime conventions and implemented through government regulations.

Ship construction shall be under the supervision of the Philippine Coast Guard or a classification society appointed by the ship owner. The classification society shall oversee the construction of the ship and ensure that the construction regulations provided in international maritime conventions and those issued by the Philippine Coast Guard covering the structural strength and integrity of all parts of the ship’s hull and its appendages as well as the safety and reliability of the main propulsion, steering systems and auxiliary systems of the ship are followed.

Section 42. **Navigation and communication equipment.**

- Every Philippine flag vessel shall have on board such navigation and communication equipment and apparatus required by international maritime convention for the safe navigation of ships. Every equipment and apparatus that shall be required to be installed on board shall be suited for the type, tonnage, power, means of propulsion and trading limitations of the particular ship.

Section 43. **Equipment to prevent marine pollution.**

- Every Philippine flag vessel shall have on board equipment and apparatus to prevent, reduce, or control pollution to the marine environment emanating from ships. Every equipment and apparatus required to be installed on board
shall be suited for the type, tonnage, power, means of propulsion and trading limitations of the particular ship.

Section 44. **Inspections and surveys.** - To ensure the proper maintenance of the ship’s hull, machinery and equipment, its through-life compliance with international conventions and government regulations, and its safe operation, every Philippine flag vessel shall be subject to periodic inspections and surveys.

Section 45. **Scope of inspections and surveys.** - The inspections and surveys shall be conducted in accordance with international maritime conventions and government regulations, and shall include, but shall not be limited to, an inspection and survey of the ship’s:

- Hull structure;
- Machinery and equipment;
- Life-saving equipment;
- Fire-fighting equipment; and
- Radio and communications installations.

Section 46. **Extent of authority of marine surveyor or classification society.** - The Philippine Coast Guard, in appointing a marine surveyor or classification society to conduct the inspection and survey of ships, shall inform the marine surveyor or classification society of the specific responsibilities and conditions of the authority delegated to it.
Section 47. **Issuance of certificates.** - The marine surveyor or classification society, pursuant to the functions delegated to it by the Philippine Coast Guard, shall have the authority to issue vessel certificates to every Philippine flag vessel and for this purpose, the vessel certificates issued by such marine surveyor or classification society shall be deemed to have met the requirements of this Act.

Copies of the vessel certificates shall be submitted to the Philippine Coast Guard which shall, upon verification of compliance, issue a certificate of inspection in favor of the complying vessel confirming the findings of the marine surveyor or classification society.

Section 48. **Availability of vessel certificates.** - The vessel certificates mentioned in the immediately preceding section shall be readily available on board the vessel for examination at all times.

Chapter 7

**Manning Requirements**

Section 49. **Citizenship of crew.** - Every member of the crew of a coastwise or seagoing vessel shall be a citizen of the Philippines.

An exemption from this requirement may be obtained from the Philippine Coast Guard upon written application from the ship owner or operator and proof that no Philippine citizen
Section 50. **Crew competence.** - Every member of the crew of a Philippine flag vessel shall possess the appropriate certificate of competency setting forth his competence to serve in the capacity and perform the functions involved at the level of responsibility, for the position held, for the type, tonnage, power, means of propulsion, and trading limitations of the ship concerned.

The certificate of competency, as well as any endorsements thereto and any renewals thereof, shall be issued by the Professional Regulations Commission. The certificate of competency shall attest to the fact that the seafarer to whom it is issued meets the requirements for service, age, medical fitness training, qualification, and examinations for the position held.

**Chapter 8**

**Insurance and Other Indemnity Cover**

Section 51. **Insurance and indemnity cover.** - Every ship owner or bareboat charterer shall be required to maintain adequate insurance coverage or protection and indemnity coverage to meet the financial responsibility for any liability which such ship owner or bareboat charterer may incur for loss of or injury to human life.
Chapter 9
Enforcement

Section 52. Report of any incident involving a Philippine registered ship. - When any Philippine flag vessel sustains an accident or causes any incident involving the loss of life, material loss of property, or serious injury to any person, or receives any damage affecting her seaworthiness or her efficiency, or if it should cause any pollution or damage to the marine environment, regardless of where such accident or incident may occur, the ship owner, ship operator, bareboat charterer, ship manager, agent or master of such vessel shall immediately, after the occurrence of the accident or incident, send a report of the accident or incident to the Philippine Coast Guard detachment nearest the place of the accident or incident or, in the case of seagoing vessels, to the Philippine Coast Guard Headquarters in the port of Manila, stating:

a. The name of the vessel;
b. The port to which the vessel belongs;
c. The place where the incident occurred;
d. The nature and probable cause of the incident;
e. The number and names of those who perished; and
f. The estimated amount of loss or damage to the vessel, the cargo or the marine environment.

The ship owner, ship operator, charterer, ship manager,
agent or master may be required to furnish such other
information as shall be called for.

Section 53. **Investigation of the accident or incident.** – Immediately upon receipt of the report, the Philippine Coast Guard shall convene the Board of Marine Inquiry so that an investigation into the accident or incident can be conducted. The investigation of the accident or incident shall follow the rules of procedure of the Board of Marine Inquiry.

Section 54. **Investigation report.** – Upon completion of the investigation, the Board of Marine Inquiry shall prepare an investigation report setting forth the findings of fact gathered from the investigation and recommend the filing of appropriate administrative, civil or criminal charges against the offender.

If it should be determined by the Board of Marine Inquiry that the offender is a non-Philippine national, it may request, through proper diplomatic channels, the assistance of any other State to clarify the circumstances surrounding the accident or incident so that corresponding charges may be brought against the offender.

Section 55. **Filing of charges.** – Upon completion of the investigation and the preparation of the report, the Board of Marine Inquiry shall take steps to initiate administrative, civil or criminal action, as may be proper
in the circumstances, against the offending parties.

Title III

Ship Mortgages

Chapter 1

Creation of the Ship Mortgage

Section 56. Application. - The provisions of this Title shall be applicable to:

a. Vessels entered in the Registry;

b. Vessels under construction that are provisionally entered in the Registry;

c. Mortgaged vessels belonging to a foreign flag whose mortgage is sought to be enforced under Philippine law.

Section 57. Requisites for a valid mortgage constituted under Philippine law. - The following requisites are essential for a ship mortgage to be validly created under Philippine law:

a. It is executed to secure the fulfillment of a valid principal obligation;

b. The mortgagor is the registered owner of the vessel to be mortgaged;

c. The vessel sought to be mortgaged is registered under Philippine law;

d. The mortgagor has free disposal of the ship being
mortgaged, or is legally authorized for the purpose.

A mortgagor may execute a ship mortgage in order to secure the fulfillment of the principal obligation of another.

Section 58. Subject matter of a mortgage. - The following property may be the subject matter of a ship mortgage under Philippine law:

a. A vessel entered in the Registry; and
b. A vessel under construction provisionally entered in the Registry.

Subject to the terms of the contract, a mortgage of a vessel shall include all property of the mortgagor which is appropriated to the vessel and on board at the time the ship mortgage contract is entered into, or that which is later substituted for such property.

In the case of a mortgage with respect to a vessel under construction, the mortgage shall include all materials, machinery and equipment which the mortgagor has provided and are within the premises of the shipbuilder’s yard and are distinctly identified in the mortgage contract as intended to be incorporated into the ship under construction.

Chapter 2

Formal Validity

Section 59. Formal validity of ship mortgages. - A
ship mortgage created under Philippine law shall not be valid and enforceable except as between the parties to the contract unless:

a. It is executed in a public instrument;

b. It is recorded in the office of the Maritime Industry Authority where the vessel is registered; and

c. The mortgage is annotated on the certificate of Philippine registry of the vessel.

Section 60. Registration of mortgages. — Every ship mortgage created under Philippine law shall be registered with, and the application for registration of the ship mortgage shall be submitted to, the Maritime Industry Authority together with:

a. A notarized copy or authenticated copy of the mortgage contract showing:

(i) The name and description of the vessel being mortgaged;

(ii) The name, and place of residence of the owner of the vessel;

(iii) The name of the principal obligor whose obligation is being secured;

(iv) The name and address of the mortgagee;

(v) The date of the mortgage contract;

(vi) The amount secured by the mortgage or the maximum amount for which the mortgage is
constituted; and

(vii) The maturity date of the principal obligation.

b. The power of attorney, partnership resolution or board resolution authorizing the execution and registration of the mortgage; and

c. The certificate of Philippine registry or the provisional certificate of Philippine registry of the vessel.

The Maritime Industry Authority may require the submission of such other documents needed to support the application for registration.

If the ship is outside Philippine territory, the application for the registration of the mortgage and its supporting documents may be submitted by the ship owner to the nearest Philippine consular office which shall then have the duty to forward the documents to the offices of the Maritime Industry Authority in the port of Manila.

Section 61. **Annotation of mortgages.** - Upon receipt of the application for the registration of the mortgage together with all supporting documents, the Maritime Industry Authority shall enter the mortgage in the Registry and annotate the same on the vessel’s certificate of Philippine registry or provisional certificate of Philippine registry.

If the ship is outside Philippine territory, the
Philippine consular officer concerned, upon the direction of the Maritime Industry Authority, shall cause the annotation of the mortgage on the vessel’s certificate of Philippine registry or provisional certificate of registry, as the case may be.

Section 62. **Posting of the notice of mortgage.** - Upon entry of the mortgage in the Registry, the Maritime Industry Authority shall issue to the mortgagor two (2) official copies of the notices evidencing the entry of the mortgage in the Registry. The mortgagor, upon receipt of the copies of the notices shall take steps to exhibit one (1) official copy of the notice in a prominent place on board the ship together with an authenticated copy of the certificate of Philippine registry.

Failure to exhibit the notice as required in this section shall not affect the validity of the mortgage but the Maritime Industry Authority shall penalize the mortgagor for its omission.

**Chapter 3**

**Ranking of Mortgages**

Section 63. **Ranking of mortgages.** - The ranking of mortgages as between themselves shall be determined by the order in time in which the successive mortgages are entered in the Registry. A mortgage registered prior in time shall have preference over those registered later in time.
Chapter 4

Release of Mortgages

Section 64. Extinguishment of mortgages. - The mortgage shall be extinguished through any of the following reasons:

a. Fulfillment or other discharge of the principal obligation;

b. Loss or destruction of the ship mortgaged;

c. Deletion of the vessel from the Registry;

d. Enforcement of the mortgage through the judicial or extra-judicial sale of the vessel;

e. Other causes that may give rise to the extinction of either the principal or the mortgage obligation.

Section 65. Enforcement of the mortgage through the sale or foreclosure of the vessel. - A mortgagee shall be entitled to foreclose the ship mortgage if:

a. The principal obligor has failed to fully discharge its obligation;

b. The mortgagor or any person in possession of the vessel has substantially prejudiced the security;

c. The mortgagor is in material breach of its obligations under the mortgage contract and, by the terms of such contract, the mortgagee would be entitled to foreclose on the security.

Section 66. Sale of mortgaged vessels at public
auction. - A vessel subject of a mortgage which is entered in the Registry may be sold extra-judicially through a public auction in accordance with the provisions of the Chattel Mortgage Law, Act No. 1508 as amended, provided that:

a. The mortgagor is a Philippine national;

b. Philippine law is made applicable to the mortgage;

and

c. The mortgage is sought to be enforced in accordance with Philippine law.

Upon the vessel’s sale at public auction and a record of such sale is entered in the Registry of Ships, the mortgagee shall immediately be entitled to take actual or constructive possession of the vessel.

The right to proceed against the vessel extra-judicially provided in this section does not preclude the mortgagee from proceeding against the ship directly through a judicial attachment leading to a sale at public auction in accordance with the provisions set forth in the Rules of Court.

Section 67. Sale of mortgaged vessels through judicial proceedings. - Any mortgage constituted under Philippine law or under any foreign law covering any vessel found within the territory of the Philippines regardless of registry, which is not covered by the provisions of the
immediately preceding section, shall be enforced only by proceeding against the ship directly through an arrest by judicial attachment leading to a sale at public auction filed with the court of appropriate jurisdiction in any port of the Philippines where the vessel may be found. Judicial proceedings and the service of process shall be in accordance with the procedure set forth in the Rules of Court.

Upon issuance of the order of arrest against the vessel, the mortgagee shall immediately be entitled to take actual or constructive possession of the vessel.

This provision shall be applicable to all vessels found within the territorial jurisdiction of the Philippines regardless of its registry, the nationality of the mortgagor, mortgagee or principal obligor, and the law under which the mortgage contract has been created.

Section 68. Effect of sale. – The enforcement of a mortgage through the sale of the vessel whether judicially or extra-judicially shall release the mortgage and cause the transfer of ownership of the vessel from the mortgagor to the purchaser of the vessel at foreclosure.

If the vessel sold is entered in the Registry and the purchaser is not qualified to maintain the vessel’s registration, the Maritime Industry Authority shall cause the deletion of such registration and require the purchaser
to transfer the vessel’s registration to another registry.

Section 69. **Collection of the deficiency or return of the excess.** - If the value of the secured obligation exceeds the foreclosure price of the vessel, the mortgagee shall be entitled to collect the deficiency from the principal obligor by filing an action in a court of appropriate jurisdiction for the recovery of such deficiency.

If the foreclosure price of the vessel exceeds the value of the secured obligation, the mortgagee shall hold the excess in trust for the mortgagor and shall return the same to the mortgagor.

An appraisal of the vessel by a qualified marine appraiser shall be conducted by the mortgagee prior to the extra-judicial foreclosure of the vessel. The appraisal made shall be the basis for determining the foreclosure price of the vessel.

Section 70. **Distribution of the proceeds of the sale of a mortgaged vessel.** - Proceeds of the sale of a mortgaged vessel whether sold extra-judicially in accordance with section 66 or judicially in accordance with section 67 shall be distributed to first satisfy the maritime claims listed in sections 72, 74 and 76 of this Act before the satisfaction of any obligation arising from any registered mortgage.
Title IV

Maritime Claims and Liens

Chapter I

Maritime Claims and the Creation of Liens

Section 71. Application. - The provisions of this Title shall apply to all Philippine flag vessels or foreign flag vessels against which a maritime claim shall be enforced.

Section 72. Creation of maritime liens. - Each of the following claims against the ship owner, bareboat charterer, manager or operator of a vessel shall be secured by a maritime lien against the vessel:

a. Claims for wages and other sums due to the Master, officers and other members of the vessel’s complement in respect of their employment on the vessel including the cost of repatriation and social insurance contributions payable on their behalf;

b. Claims for loss of life or personal injury occurring whether on land or on water in direct connection with the operation of the vessel;

c. Claims for reward for the salvage of the vessel;

d. Claims for port, canal, and other waterway dues, and pilotage dues;

e. Claims based on tort arising out of physical loss
or damage caused by the operation of the vessel other than loss of or damage to cargo, containers, and passengers effects carried on the vessel.

Section 73. **Exceptions.** - No maritime lien shall attach to the vessel for claims set forth in subsections (b) and (e) of the immediately preceding section which arise out of or result from:

a. Damage in connection with the carriage by sea of oil or other hazardous or noxious substances for which compensation is payable to the claimants through compulsory insurance or other means of securing the claims; or

b. Damage arising from the radioactive properties or a combination of radioactive properties with toxic, explosive or other hazardous properties or nuclear fuel or of radioactive products or waste.

**Chapter 2**

**Priority of Liens**

Section 74. **Priority of maritime liens.** - Maritime liens set forth in section 72 shall have priority over all registered mortgages and no other claim shall take priority over such maritime liens or registered mortgages except the following:

a. Judicial costs and expenses arising out of the arrest and subsequent judicial sale of the vessel, including the costs for the upkeep of the vessel and the crew, their
wages, cost of repatriation and social insurance contributions payable on their behalf incurred during the period of arrest or attachment;

b. The cost of removal incurred by the Government in the interest of safe navigation or the protection of the marine environment when the judicial sale pertains to a stranded or sunken vessel.

Section 75. **Shipbuilder’s or ship repairer’s right of retention.** - A shipbuilder or ship repairer shall have the right to retain a vessel until it obtains full satisfaction of all obligations due to it. This right of retention shall be extinguished when the vessel ceases to be in the possession of the shipbuilder or ship repairer.

The right of retention shall not be extinguished if:

a. An order has been issued for the arrest or seizure of, and the same has been served on, such vessel;

b. The surrender of possession is required pursuant to the provisions of the next succeeding section.

Section 76. **Sale of vessel which is subject to a shipbuilder’s or ship repairer’s right of retention.** - If a shipbuilder or ship repairer is in the possession of the vessel at the time of its judicial sale, the shipbuilder or ship repairer shall be required to surrender the vessel to the purchaser at public auction. The shipbuilder or
repairer shall, however, enjoy a preference and be entitled
to the settlement of its claim after the satisfaction of all
claims listed in sections 72 and 74.

Section 77. Other rules affecting the priority of
maritime liens. - The provisions of section 74 setting
forth the priority of maritime liens shall be subject to the
following additional rules:

a. Maritime liens securing a claim for reward for the
salvage of a vessel shall take priority over all other
maritime liens provided in section 72 where such maritime
liens have arisen and attached to the vessel prior in time
to the salvage operations performed;

b. Maritime liens securing claims for reward for the
salvage of the vessel shall rank in the inverse order of the
time when the salvage operations occurred;

c. Maritime claims for reward for the salvage of the
vessel shall be deemed to have accrued on the date when each
salvage operation was terminated;

d. Maritime liens set forth in subsections (a), (b),
(d) and (e) of section 72 shall rank pari passu as amongst
themselves.

e. The action in personam against the ship owner,
ship operator, bareboat charterer or ship manager for the
satisfaction of the maritime claim shall survive if the
proceeds of the sale are insufficient to satisfy all claims.
Section 78. **Effect of any voluntary sale or transfer of ownership of the vessel.** — The voluntary sale or transfer of a ship which is subject to a maritime lien shall not extinguish the maritime lien. Maritime liens shall follow the ship, notwithstanding any change of ownership, registry, or flag.

Chapter 3

**Extinguishment of Liens**

Section 79. **Extinguishment of maritime liens.** — Maritime liens shall be extinguished after one year unless the vessel to which it attaches has been subject to an arrest which leads to its judicial sale. The one year period shall be counted as follows:

a. In the case of crew wages, from the time of the claimant’s discharge from the vessel;

b. In the case of other maritime liens, from the time when the claims arise.

The one year period shall not be subject to suspension or interruption except when the arrest or attachment of the vessel is not permitted by law.

Section 80. **Assignment of or subrogation to a maritime claim.** — The assignment of a maritime claim by a claimant, or the subrogation of a third party to the rights of a claimant to a maritime claim, shall entail the simultaneous assignment of, or subrogation to, the maritime
liens securing such claim. However, any claimant holding a maritime lien may not be subrogated to compensation payable to the owner of a vessel arising from an insurance contract.

Chapter 4

Enforcement of Liens

Section 81. Enforcement of maritime liens. - The maritime liens provided in section 72 which attach to any vessel found within the territory of the Philippines shall be enforced by proceeding against the ship directly through a judicial action leading to a sale at public auction filed with the court of appropriate jurisdiction in any port of the Philippines where the vessel may be found. Judicial proceedings and the service of process shall be in accordance with the procedure set forth in the Rules of Court.

This provision shall be applicable to all vessels found within the territorial jurisdiction of the Philippines regardless of its registry, the nationality of the claimant and the law under which the maritime lien has been created.

Section 82. Effect of the judicial sale of a vessel. - Any judicial sale of the vessel shall extinguish all maritime liens and encumbrances attaching to the vessel as well as all registered mortgages; Provided, that the vessel is within the territorial jurisdiction of the Philippines at the time of the judicial sale and the sale has been made in
accordance with the provisions of this Act.

Section 83. **Disposition of the proceeds of the sale of the vessel subject to a maritime lien.** - The proceeds of the judicial sale of a vessel shall be distributed to first satisfy the claims listed in sections 72, 74 and 76 of this Act before the satisfaction of any obligation arising from any registered mortgage created in accordance with section 59, or any maritime claim provided in section 88 hereof.

Any amount left over from the proceeds of sale of the vessel shall be held in trust for the ship owner, ship operator, bareboat charterer, or ship manager.

Section 84. **Rights of a purchaser at judicial sale.** - The purchaser at the judicial sale of the vessel shall have the right to request the officer of the court conducting the sale to issue a certificate to the effect that the vessel is sold free from all registered mortgages, or charges, except those assumed by the purchasers, and all other liens and encumbrances that may have attached to the vessel as of the date of the judicial sale.

The Maritime Industry Authority, with respect to Philippine flag vessels, shall be obliged to:

a. Delete all registered mortgages and charges on the basis of the certificate issued by the officer of the court conducting the sale except those assumed by the purchaser; and
b. Issue a new certificate of registration to the purchaser or to de-register the vessel for purposes of new registration in another State.

If the vessel belongs to a foreign registry, the officer of the court conducting the sale of the vessel shall issue the certificate stipulated in the first paragraph of this section in such form and substance as may be required by the foreign registry to:

a. Delete all registered mortgages in that registry; and

b. Issue a new certificate of registration to the purchaser or to de-register the vessel for purposes of a new registration in another State.

Title V
Arrest of Vessels
Chapter 1
General Provisions

Section 85. Application. - The provisions of this Chapter shall apply to all Philippine flag vessels and to foreign flag vessels found within the territory of the Philippines, for which an order of arrest has been issued by a Philippine court.

Section 86. Exceptions. - The provisions of this Chapter shall not prejudice the right of any person, whether
natural or juridical, to proceed against the ship owner, ship operator, bareboat charterer or ship manager for any of the claims set forth in section 88 of this Act through an action in personam.

Section 87. **Right to detain a ship.** - The provisions for the arrest of ships under this Chapter shall not affect the powers vested in the Philippine Coast Guard, Philippine Navy, Philippine Ports Authority, Bureau of Customs or other government agency to detain any ship under any Philippine law or international convention or any regulation issued pursuant to such law or international convention.

**Chapter 2**

**Right of Arrest**

Section 88. **Maritime claims giving rise to the right of arrest.** - A claimant asserting any of the following maritime claims may enforce his claim directly against a vessel by seeking its arrest through an attachment by judicial action and asking the court of appropriate jurisdiction for its sale in order to secure the satisfaction of such claim:

a. Loss or damage caused by the operation of the ship;

b. Loss of life or personal injury occurring whether on land or on water in direct connection with the operation
of the ship;

c. Salvage operation or any salvage agreement, including, if applicable, special compensation relating to salvage operations in respect of a ship which by itself or its cargo threatened damage to the environment;

d. Damage or threat of damage caused by the ship to the environment, coastline or related interest; or measures taken to prevent, minimize, or remove such damage; or compensation for such damage; costs of reasonable measures of reinstatement of the environment actually undertaken or to be undertaken; loss incurred or likely to be incurred by third parties in connection with such damage; and damage, costs, or loss of a similar nature to the foregoing;

e. Costs or expenses relating to the raising, removal, recovery, destruction or the rendering harmless of a ship which is sunk, wrecked, stranded or abandoned, including anything that is or has been on board such ship, and costs or expenses relating to the preservation of an abandoned ship and maintenance of its crew;

f. Any agreement relating to the use or hire of the ship, whether contained in a charter party or otherwise;

g. Any agreement relating to the carriage of goods or passengers on board the ship, whether contained in a charter party or otherwise;

h. Loss of, or damage to, or in connection with
goods, including luggage, carried on board the ship;

i. General average;

j. Towage;

k. Pilotage;

l. Goods, materials, provisions, bunkers, equipment, including containers, supplied or services rendered to the ship for its operation, management, preservation or maintenance;

m. Construction, reconstruction, repair, conversion, or equipment of the ship;

n. Port, canal, dock, harbor and other waterway dues and charges;

o. Wages and other sums due to the master, officers and other members of the ship’s complement in respect of their employment on the ship, including costs of repatriation and social insurance contributions payable on their behalf;

p. Disbursements incurred on behalf of the ship or its owners;

q. Insurance premiums, including mutual insurance calls, in respect of the ship, payable by or on behalf of the ship owner, ship operator, bareboat charterer, or ship manager;

r. Any commissions, brokerages or agency fees payable in respect of the ship by or on behalf of the ship owner,
ship operator, bareboat charterer, or ship manager;

s. Any dispute as to ownership or possession of the ship;

t. Any dispute between co-owners of the ship as to the employment or earnings of the ship;

u. Any mortgage or charge of the same nature on the ship; and

v. Any dispute arising out of a contract for the sale of the ship.

The procedure for the issuance of the order of arrest and the service of process upon the vessel, its owner, bareboat charterer, manager, operator, or any person acting on its behalf, shall be made in accordance with the provisions of the Rules of Court.

The distribution of the proceeds of any judicial sale undertaken to satisfy the maritime claims set forth in this section shall be made subject to the provisions of section 83.

Section 89. **Reason for the arrest.** - The court may order the arrest of a vessel for the purpose of obtaining security for the enforcement of a maritime claim set forth in the preceding section regardless of where such maritime claim may have arisen and what the nationality of the ship is against which the maritime claim is being enforced.

The arrest shall be made notwithstanding the existence
of a jurisdiction clause or arbitration clause in the contract giving rise to the claim providing that the maritime claim for which the arrest has been made is to be adjudicated or arbitrated in a State other than the Philippines, or adjudicated in accordance with the law of that State.

Section 90. Exercise of the right of arrest. — The court may order the arrest of any Philippine flag vessel or foreign flag vessel against which a maritime claim is asserted if:

a. The person who owned the ship at the time the maritime claim arose is liable for the claim, and is still the owner of the ship at the time when the arrest is effected; or

b. The bareboat charterer of the ship at the time when the maritime claim arose is liable for the claim, and is still the bareboat charterer or owner of the ship when the arrest is effected; or

c. The maritime claim on the ship is based upon a mortgage or charge of a similar nature; or

d. The maritime claim relates to the ownership or possession of the ship; or

e. The maritime claim is made against the ship owner, ship operator, bareboat charterer, or ship manager and is secured by a maritime lien under section 72 hereof.
Section 91. **Arrest of a related vessel.** - The court may also order the arrest of any other ship which when the arrest is effected, is found within the territory of the Philippines and is owned by the same person liable for the maritime claim and who, at the time the claim arose, was the ship owner, ship operator, bareboat charterer, or ship manager of the vessel in respect of which the claim has arisen.

The arrest of a related vessel will not be allowed when the maritime claim sought to be enforced relates to the ownership or possession of the ship.

Section 92. **Arrest of a vessel that has been transferred to another party.** - The arrest of a ship which is not owned by the person liable for the claim shall be permissible only if a final judgment on the maritime claim has been issued by a Philippine court and such judgment can be enforced against that ship through its judicial sale.

**Chapter 3**

**Release from Arrest**

Section 93. **Release from arrest; posting of a bond or other security.** - A ship which has been arrested shall be released from arrest when a bond or other sufficient security, which the court has determined to be necessary for the preservation of the rights of the parties, has been provided by the ship owner, ship operator, bareboat
charterer, ship manager or any other person acting on its behalf.

In cases involving any dispute between co-owners of the ship as to the employment or earnings of the ship, or arising from the ownership or possession of the ship, the court may in its discretion determine whether to require a bond or other security before permitting the person in possession of the ship to continue trading with the ship or to otherwise deal with the operation of the ship during the period of the arrest.

Section 94. **Amount of bond or other security.** - The parties may agree on the form and amount of the bond or other security for the release of the ship and submit their agreement to the court.

In the absence of any agreement between the parties as to the sufficiency and form of the bond or other security, the court shall determine its nature and the amount thereof.

For purposes of determining the amount of the bond or other security, the same shall not exceed the amount of the claim for which the ship has been arrested, or the value of the ship, or the applicable limit of liability determined in accordance with Title VI, Chapter 2 of this Act, whichever is least.

Section 95. **Place of posting of the bond or other security.** - The bond or other security for the release of
the vessel against which the claim is sought to be enforced shall be posted with the court which issues the order for the arrest of the vessel.

Section 96. **Release of the bond or other security posted in a Philippine court.** - If a ship is arrested by a foreign court for the same claim for which a bond or other security has already been provided in a Philippine Court and against which its release has been obtained, the bond or other security so provided in the Philippine court shall, at the discretion of such court, be released upon application of the ship owner, ship operator, bareboat charterer or ship manager.

Section 97. **Release of excess security.** - If a ship has been released by a Philippine court on the basis of a bond or other security posted with that court and the same ship is later arrested by a foreign court for the same claim and is likewise subsequently released upon the provision of a bond or other security posted, the bond or other security posted with the Philippine court shall, at the court’s discretion, be released to the extent that the total amount of the bond or other security provided in the Philippine court and that provided in the foreign court combined exceeds the claim for which the ship has been arrested, or the value of the ship, whichever is lower.

Section 98. **Condition for the release of excess**
security. - The release of the bond or other security provided in the immediately preceding section shall not be ordered by the Philippine court unless it is satisfied that the bond or other security posted in the foreign court shall actually be available and be freely transferable to satisfy any judgment or order that may be issued in favor of the claimant.

Section 99. Reduction, modification or cancellation of the bond. - If a bond or other security has been provided for the release of the ship, the person providing the bond or security may, at any time, apply to the court to have that security reduced, modified or cancelled. The court, in its discretion and upon a determination of the veracity of the claim filed, shall issue the appropriate order retaining, reducing, modifying or canceling such bond or other security.

Section 100. No presumption of fault. - Any request for the ship to be released upon a bond or other security being provided, or any application to limit liability made by the ship owner, ship operator, bareboat charterer or ship manager shall not be construed as an acknowledgment of liability or a waiver of any defense which may be pleaded against the claimant or a waiver of any right to limit the liability of such ship owner, ship operator, bareboat charterer or ship manager in accordance with the provisions
of Title VI, Chapter 2 of this Act or of any other law or
international convention.

Chapter 4

Re-arrest, Multiple Arrest and

Arrest of Additional Vessel

Section 101. Re-arrest or multiple arrest of a ship.
- If a ship has already been arrested and released, or a
bond or other security for its release has been provided in
order to secure the maritime claim sought to be enforced
against that ship, the same ship shall not be re-arrested
for the same maritime claim unless:

a. The nature or amount of the bond or other security
already provided is inadequate or insufficient or has
otherwise been prejudiced; or

b. The person who has already provided the security
will not, or is unlikely to, be able to fulfill some or all
of the obligations required; or

c. The ship arrested or the bond or other security
previously provided was released upon application or with
the consent of the claimant acting on reasonable grounds and
the maritime claim sought to be enforced against the ship
was not subsequently satisfied; or

d. The claimant could not, despite taking reasonable
steps, prevent the release of the ship, or the bond or other
security provided.
Section 102. **Arrest of additional vessel.** - Any other ship owned by the ship owner, ship operator, bareboat charterer or ship manager which would otherwise be subject to arrest in respect of the same maritime claim shall not be arrested unless any of the conditions enumerated in the immediately preceding section exists with respect to the vessel originally arrested.

For purposes of this section and that of the immediately preceding section, “release” shall not include the unlawful release or the escape from arrest of an arrested vessel.

**Chapter 5**

**Security Against Arbitrary Arrest**

Section 103. **Claimant’s bond.** - In order to protect the rights of the ship owner, ship operator, bareboat charterer or ship manager from any unjustified, arbitrary, wrongful or unlawful arrest of its vessel or for permitting the continued arrest of its vessel, the court may require the claimant who seeks the arrest, or who has procured the arrest, of a vessel to provide a bond or other security of a kind, for an amount, and upon such terms, as may be determined by the court.

The bond or other security provided shall be used to cover any loss which may be incurred by the ship owner, ship operator, bareboat charterer or ship manager as a result of
any unjustified, arbitrary, wrongful or unlawful arrest of its ship and for which the claimant may be found liable. Such loss or damage shall include but shall not be limited to any loss or damage incurred by the ship owner, ship operator, bareboat charterer or ship manager arising from such arrest, or from any excessive security which may have been demanded by the claimant, and provided for by such ship owner, ship operator, bareboat charterer or ship manager.

Section 104. **Determination of the amount of the claimant’s bond.** - The court issuing the order of arrest shall have jurisdiction to determine the extent of the liability of the claimant which may arise from any loss or damage caused by the arrest of the ship and the amount of the bond to be required shall depend upon such determination of liability.

If a bond or other security has been provided in accordance with this section, the claimant may ask at any time to have the bond or other security reduced, modified or cancelled upon proof of the validity of the claim.

Section 105. **Determination of claimant’s bond pending proceedings in a foreign court.** - If the disposition of the case on the merits for which the arrest has been effected lies with a foreign court or with an arbitral tribunal, the Philippine court ordering the arrest of the vessel may delay the determination of the extent of the claimant’s liability
which may arise from any loss or damage that may be occasioned to the ship owner, ship operator, bareboat charterer or ship manager because of the unjustified, arbitrary, wrongful or unlawful arrest of the ship pending a decision on the merits by such foreign court or arbitral tribunal.

Chapter 6

Jurisdiction

Section 106. Jurisdiction of the Philippine court on the merits of the case. - The Philippine court, which has ordered the arrest of a vessel or has required the provision of a bond or other security for the release of the ship, shall have jurisdiction to determine the case on its merits.

Section 107. Transfer of venue. - The parties may appear and adjudicate the claim before the Philippine court exercising jurisdiction over the claim or, with leave of court, may mutually agree to submit the dispute within an agreed period of time to the jurisdiction of a foreign court or to an arbitral tribunal which has jurisdiction over the claim. Such agreement of the parties on the transfer of venue to a foreign court or arbitral tribunal shall be submitted to the Philippine court to allow for the suspension of the proceedings.

Section 108. Right of the court not to exercise jurisdiction. - Upon receipt of the order, in proper form
and substance, that a foreign court or arbitral tribunal has accepted jurisdiction over the case, the Philippine court which has issued the order for the arrest of the vessel, or has required the provision of a bond or other security to obtain the release of the ship, may, in its discretion, suspend the exercise of jurisdiction over the claim in favor of the foreign court or arbitral tribunal.

Section 109. **Transfer of the case to a foreign court or arbitral tribunal.** - If the Philippine court, which has ordered the arrest of the vessel or has required the provision of a bond or other security to obtain the release of the ship, refuses to exercise jurisdiction over the claim in accordance with the provisions of section 106, the court shall, upon application of the claimant, grant a period of time within which the claimant shall bring proceedings before a competent foreign court or arbitral tribunal.

If proceedings are not brought within the period of time stipulated in the order, the ship arrested or the bond or other security provided, upon request of the ship owner, ship operator, bareboat charterer or ship manager, shall be ordered released by the court.

**Chapter 7**

**Recognition and Enforcement of Judgments**

Section 110. **Recognition of foreign judgments.** - If proceedings are brought before a foreign court of competent
jurisdiction or an arbitral tribunal, any final judgment or arbitral award resulting from such proceedings shall be recognized and given full force and effect by the Philippine court having custody of the arrested ship or the bond or other security provided for its release. The parties shall be required to submit to the Philippine court a copy of the final judgment or arbitral award in such form and substance sufficient for its recognition and enforcement under Philippine law.

Section 111. **Conditions for the recognition of the foreign judgment.** - The recognition of such final judgment or arbitral award shall be made on the condition that the ship owner, ship operator, bareboat charterer or ship manager has been given reasonable notice of the proceedings filed with the foreign court or arbitral tribunal, has had reasonable opportunity to defend itself in such proceedings, and the final judgment or arbitral award resulting from such proceedings is not contrary to Philippine law, morals, public order or public policy.

No further restriction shall be imposed on the recognition and enforcement of such foreign judgment or arbitral award by the Philippine court which ordered the arrest of the ship or for which the bond or other security has been provided to obtain its release.

Section 112. **Enforcement of Judgments.** - A judgment
rendered in favor of the claimant whether by a Philippine Court or a foreign court or arbitral tribunal shall be enforced against the vessel through its judicial sale, or against the bond or other security given as security for the claim.

Title VI

Limitation of Liability for Maritime Claims

Chapter 1

Right to Limit Liability

Section 113. Application. – The following may invoke the right to limit their liability in accordance with the rules provided for in this Title for the claims set out in the next succeeding section:

a. Ship owners;

b. Ship operators;

c. Bareboat charterers;

d. Ship managers;

e. Salvors with respect to claims set forth in subsections (d), (e) and (f) of section 114;

f. Any person whose act, neglect or default the ship owner, ship operator, bareboat charterer, ship manager or salvor is responsible for; and

g. Insurers who assume the liability of any ship owner, ship operator, bareboat charterer, ship manager, or
Section 114. **Claims which are subject to limitation.**

- The following claims made against the persons set forth in the preceding section or against the ship, whatever the basis of liability may be, shall be subject to the limitation of liability:

  (a) Claims in respect of loss of life or personal injury, or loss of or damage to property, including damage to harbor works, basins, waterways and aids to navigation, occurring on board or in direct connection with the operation of the ship or with salvage operations and consequential loss resulting therefrom;

  (b) Claims in respect of loss resulting from delay in the carriage by sea of cargo, passengers or their luggage;

  (c) Claims in respect of other loss resulting from the infringement of rights, other than contractual rights, occurring in direct connection with the operation of the ship or of salvage operations;

  (d) Claims in respect of loss or damage arising from the raising, removal, destruction or the rendering harmless of a ship which is sunk, wrecked or abandoned, including anything that is or has been on board such ship;

  (e) Claims in respect of loss or damage resulting from the removal, destruction or the rendering harmless of the cargo of the ship;
(f) Claims in respect of measures taken in order to avert or minimize loss for which the person liable may limit his liability in accordance with this Title, and any further loss caused by such measures.

Section 115. **Right to invoke limit of liability.** - The right to limit liability may be invoked by the ship owner, ship operator, bareboat charterer, ship manager or salvor, against any claimant in a judicial action who has sought the arrest of its vessel in order to enforce a claim which is subject to limitation.

Section 116. **Claims not subject to limitation.** - The following claims shall not be subject to any limitation of liability in accordance with this Title:

(a) Claims arising from the contract of salvage or from any salvage operation rendered in accordance with relevant Philippine law on salvage or any applicable international salvage convention, including any claim for special compensation payable under a contract of salvage, or any contribution in general average;

(b) Claims for oil pollution damage within the meaning of the applicable convention covering the civil liability for oil pollution damage or any amendment thereto which is in force;

(c) Claims subject to any international convention governing or prohibiting the limitation of liability for
nuclear damage;

(d) Claims against the ship owner of a nuclear ship for nuclear damage;

(e) Claims brought by employees against the ship owner, ship operator, bareboat charterer, ship manager, or salvor, where the duties of such employees are connected with the ship or with the salvage operations, as the case may be, or their heirs, successors, or assigns, if under the law governing the contract of employment, the ship owner, ship operator, bareboat charterer, ship manager, or salvor is not entitled to limit his liability in respect of such claims, or if the law governing the contract of employment permits a limit of liability greater than that provided for in this Title.

Section 117. **Conduct barring limitation.** - Any ship owner, ship operator, bareboat charterer, ship manager or salvor, or any person acting on their behalf, shall not be entitled to limit liability if it is proven that the loss resulted from the personal act or omission of such ship owner, ship operator, bareboat charterer, ship manager, or salvor, or any person acting on their behalf, and such act or omission was committed with the intent to cause such loss, or it was done recklessly and with the knowledge that such loss would probably result.

Section 118. **Counterclaims; right to set off.** - When
a ship owner, ship operator, bareboat charterer, ship
manager, or salvor, who is entitled to limit his liability,
has a counterclaim against the claimant arising out of the
same occurrence, their respective claims shall be set off
against each other and the limits of liability shall only
apply to the balance of the claim, if any. The right of set
off can be invoked only if both parties are entitled to
limit their respective liabilities and their respective
claims do not fall within the provisions of section 116 or
117 of this Act.

Chapter 2

Limits of Liability

Section 119. General Limits. - The general limits of
liability for claims other than for passenger claims,
arising from any distinct occasion shall be calculated as
follows:

(a) In respect of claims for loss of life or personal
injury:

(i) 2,000,000 units of account for a ship with a
tonnage not exceeding 2,000 tons;

(ii) For a ship with a tonnage in excess thereof,
the following amount in addition to that
mentioned in (i);

For each additional ton from 2001 to 30,000
tons, 800 units of account;
For each additional ton from 30,001 to 70,000 tons, 600 units of account;
For each additional ton in excess of 70,000 tons, 400 units of account

(b) In respect of any other claims:
(i) 1,000,000 units of account for a ship with a tonnage not exceeding 2,000 tons;
(ii) For a ship with a tonnage in excess thereof the following amount in addition to that mentioned in (i):
   For each additional ton from 2001 to 30,000 tons, 400 units of account;
   For each additional ton from 30,001 to 70,000 tons, 300 units of account;
   For each additional ton in excess of 70,000 tons, 200 units of account.

The Maritime Industry Authority, with the approval of the Secretary of the Department of Transportation and Communication, may by regulation revise the limits of liability provided for in this section to align such limits with applicable international maritime conventions.

Section 120. **Claims for loss of life in excess of the stipulated limit.** - If the amount calculated in accordance with subsection (a) of the preceding section is insufficient to pay in full all the claims for loss of life or personal
injury, the amount calculated in accordance with subsection (b) shall be available for the payment of the unpaid balance of the claims under subsection (a).

In this case, the unpaid balance for claims for loss of life and personal injury shall rank ratably with all other claims falling under subsection (b); Provided, however, that if there should be any claim arising from damage to harbor works, basins and waterways, and aids to navigation, these shall be satisfied first before any other claim falling under subsection (b) are satisfied, including any unsatisfied claims for loss of life or personal injury.

Section 121. Salvor’s limit of liability when not operating from a ship. – The limit of liability for any salvor who is not operating from any ship or salvage tug, or who is operating solely on the ship to, or in respect of, which he is rendering salvage services, shall be calculated in accordance with the provisions of section 119 of this Act applying a tonnage of 1,500 tons.

Section 122. Limit of liability for passenger claims. – The limit of liability of a ship owner, ship operator, bareboat charterer, or ship manager, for passenger claims relating to loss of life or personal injury arising out of any distinct occasion, shall be an amount equivalent to 175,000 units of account multiplied by the number of passengers which the ship is authorized to carry according
Claims for loss of life or personal injury to passengers of a ship shall mean any such claims brought by or on behalf of:

a. Any person carried on the ship under a contract of passenger carriage; or

b. Any person carried on the ship who, with the consent of the master, is accompanying a vehicle, or a shipment of live animals, or other cargo which is covered by a contract for the carriage of goods.

Section 123. **Formula for converting the unit of account to Philippine pesos.** - The unit of account mentioned in this Chapter shall be converted to Philippine pesos according to the value of the Philippine peso on the date the limitation fund is constituted, or payment is made, or security is given. The equivalent value of the Philippine peso shall be calculated in accordance with the method of valuation applied by the International Monetary Fund for its operations and transactions in effect on the applicable date.

Section 124. **Aggregation of claims for loss of life and personal injury and for other claims.** - The limits of liability for loss of life and personal injury and for other claims determined in accordance with section 119 hereof shall apply to the aggregate of all claims which arise on
any distinct occasion against:

a. The ship owner, ship operator, bareboat charterer, or ship manager and any person whose act, neglect or default such ship owner, ship operator, bareboat charterer or ship manager is responsible for; or

b. The ship owner, ship operator, bareboat charterer, or ship manager of a ship rendering salvage services from a ship or the salvor or salvors operating from a salvage tug, and any person whose act, neglect or default the ship owner, ship operator, bareboat charterer, ship manager or salvor is responsible for; or

c. The salvor who is not operating from a ship or salvage tug or who is operating solely on the ship to, or in respect of, which the salvage services are rendered and any person whose act, neglect or default the salvor is responsible for.

Chapter 3

Limitation Fund

Section 125. Creation of a limitation fund. - Any person entitled to limit his liability in accordance with section 113 and who is alleged to be liable for a claim provided in section 114 hereof may, at any time during the hearing of the case or after the arrest of his vessel, constitute a fund with the court in which legal proceedings have been instituted for the satisfaction of the claim
subject to limitation.

The fund shall be in an amount equivalent to the limits of liability set forth in sections 119, 121, or 122 hereof, as the case may be, together with any interest due thereon from the date of the occurrence giving rise to the liability until the date of the creation of the fund. The total amount of the fund shall be subject to the rules on aggregation of claims set forth in section 124 of this Act.

Any fund created shall be available only for the payment of claims in respect of which limitation of liability can be invoked.

Section 126. **Form of the fund.** – The fund may be created, either by depositing the sum with a bank or other financial institution designated by the court, or by providing a bond, or other security acceptable to the court.

The fund constituted by any of the persons mentioned in section 113, subsections (a), (b), (c), (d) or (e) shall likewise be deemed constituted in favor of the persons mentioned in subsection (f) and (g) of that section.

Section 127. **Distribution of the fund.** – Subject to the provisions of sections 119 and 120 hereof, the limitation fund shall be distributed among the claimants in proportion to their claims against the fund as determined by the court.

Section 128. **Subrogation of rights.** – If at any time
before the fund is distributed the ship owner, ship
operator, bareboat charterer, ship manager or salvor, or
their respective insurers, settles a claim made against and
payable by the fund, such person shall, up to the amount
paid, acquire by subrogation the rights which the claimant
would have enjoyed under this Title.

Section 129. **Contingency fund for expected claim.** -
Where the ship owner, ship operator, bareboat charterer,
ship manager, or salvor, or their respective insurers,
establishes that it may be compelled to pay a claim, at a
later date, whether in whole or in part, and because of such
payment, the ship owner, ship operator, bareboat charterer,
ship manager or salvor, or their respective insurers, would
have enjoyed a right of subrogation if the claim had been
paid before the fund was distributed, the court having
jurisdiction over the claim and in which the fund has been
constituted may order that a sufficient sum from the fund be
 provisionally set aside to enable the person who has been
subrogated to the rights of the claimant to enforce his
claim against the fund at such later date.

Section 130. **Bar to other actions.** - Where a
limitation fund has been constituted in accordance with
section 125 hereof, any person having made a claim against
the fund shall be barred from enforcing such claim against
any other assets of the persons mentioned in section 113
Section 131. Release from arrest after the constitution of the limitation fund. - After a limitation fund has been constituted in accordance with section 125 of this Act, any ship or other property, belonging to a ship owner, ship operator, bareboat charterer, ship manager or salvor on whose behalf the fund has been constituted, which has been arrested or attached in accordance with Title V of this Act in order to satisfy a claim which is enforceable against the fund or any other bond or security given, may be released from arrest at the discretion of the court.

Such release shall, however, be mandatory if the limitation fund has been constituted:

a. At the port where the occurrence took place;

b. If the occurrence took place out of port, at the first port of call of the ship after such occurrence;

c. At the port of disembarkation in respect of claims for loss of life or personal injury;

d. At the port of discharge in respect of damage to cargo; or

e. At the port where the arrest is made.

The provisions of this section and of the immediately preceding section shall apply only if the claimant may bring a claim against the limitation fund before the court administering that fund and the fund is actually available
and freely transferable to the claimant in respect of the claim.

Section 132. Coverage. — The provisions of this Title shall apply to all Philippine flag ships whether seagoing or coastwise and to all foreign flag ships the claims against which are sought to be enforced in any Philippine court of appropriate jurisdiction.

Title VII

Final Provisions

Section 133. Requisition of Vessels. — The President of the Philippines may, in times of war and other national emergency, when the public interest so requires, requisition, absolutely or temporarily, for any naval or military purpose, any and all vessels of Philippine registry. The Government shall pay the owner or operator of the vessel, based on normal conditions at the time of requisition:

a. The fair market value, if the vessel is taken absolutely; or

b. The fair charter value, if the vessel is taken temporarily, for the period commencing from the takeover by the Government to the date the vessel is returned to its owner or operator.

Section 134. Repealing clause. — The following laws
are hereby repealed:

a. Articles 573 to 585 and 719 to 736 of the Code of Commerce of 1888;

b. Sections 801 to 821 and 829 of Republic Act No. 1937;

c. Republic Act No. 913;

d. Republic Act No. 1407;

e. Republic Act No. 6106;

f. Presidential Decree No. 214

g. Presidential Decree No. 1521;

The provisions of the following laws covering the powers and functions of MARINA and the Philippine Coast Guard are hereby amended insofar as they are inconsistent with sections 6 and 7 of this Act:

a. Republic Act No. 5173, as amended;

b. Presidential Decree No. 601;

c. Presidential Decree No. 474, as amended,

d. Executive Order No. 125 and 125-A, as amended;

e. Section 10 of Republic Act No. 9295.

Section 14 of Republic Act No. 9295 is hereby amended insofar as it is inconsistent with Section 51 of this Act.

Such other laws, presidential decrees, executive orders, issuances, rules and regulations or parts thereof, which are otherwise inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.
Section 135. **Separability clause.** - If, for any reason, any section, subsection, clause or term of this Act is held to be illegal, invalid, or unconstitutional, such parts not affected by such declaration shall remain in full force and effect.

Section 136. **Transitory provision.** - Every ship currently registered under the laws of the Philippines and granted the privilege to fly its flag shall be deemed to be registered under this Act insofar as its registration is not inconsistent with the provisions of this Act and such registration shall continue to be valid until its expiration unless sooner revoked by the Maritime Industry Authority.

Any ship mortgage entered into in accordance with the provisions of the Ship Mortgage Decree or the Chattel Mortgage Law shall continue to be valid and effective and its registration shall be transferred to the Maritime Industry Authority in accordance with the provisions of this Act. Nothing in the transfer shall change or in any way alter or affect any preference a registered mortgage may enjoy or the original date on which such mortgage was entered in the registry.

Section 137. **Effective date.** - This Act shall take effect after fifteen (15) days following its publication in a newspaper of general circulation.