

[REPUBLIC ACT NO. 1407, September 09, 1955]

AN ACT TO BE KNOWN AS "THE PHILIPPINE OVERSEAS SHIPPING ACT OF NINETEEN HUNDRED AND FIFTY-FIVE."

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

SECTION 1. *Declaration of policy.*—Shipping commands a transcendental position in the economic development and growth of a nation. One of the urgent needs of Philippines is a well-balanced Philippine merchant marine (a) sufficient to carry the expanding international tra of the Philippines in time of peace, (b) capable of serving as a naval and military auxiliary in time of war and national emergency, (c) owned and operated under the Philippine flag by citizens of the Philippines, or by associations or corporations organized under the laws of the Philippines, at least sixty per cent of the capital of which is owned by citizens of the Philippines, and (d) composed of the best equipped, safest and most suitable types of modern vessels, and manned with trained and efficient Filipino officers and crew. To attain this objective it is hereby declared to be the policy of the Government of the Philippines: (a) to encourage and assist vessels of Philippine registry engaged in international trade; (b) to foster the development and encourage the maintenance of such a Philippine merchant marine; (c) to provide financial aid and assistance in long-range ship-building program, and at all times, to promote shipping in such other respects as may be required to attract private capital and enterprise to the shipping industry and create a healthy climate to attract private enterprise to invest in the overseas transportation; and (d) to do whatever may be necessary, from time to time, to attain these objectives.

The Republic of the Philippines, in common with other maritime nations, recognizes the international character of shipping in foreign trade and existing international practices in maritime transportation, and declares it to be part of its national policy to cooperate with other friendly nations in the maintenance and improvement of such practices.

SEC. 2. In pursuance of the above-declared policy any citizen of the Philippines, or any association or corporation organized under the laws of the Philippines, at least sixty per cent of the capital of which is owned by citizens of the Philippines, engaged or which shall engage exclusively in the overseas shipping business, and in the construction of modern boats for overseas service shall be exempt from the payment of income tax on income derived from his or its shipping business for a period of ten Pears from the date of approval of this Act, provided that all those who avail themselves of the loan assistance in this Act shall invest all net profits realized during period in the construction, purchase, or acquisition of additional vessels and equipment and/or in the of its vessels and equipment.

SEC. 3. There is hereby appropriated out of any in the National Treasury not

otherwise appropriated or from loans which may be contracted either locally or abroad for the purpose, by the National Development Company through an agency of the Philippine Government for the fiscal year ending June thirty, nineteen hundred and fifty-six, and for each of the four fiscal years thereafter, the sum of twenty million pesos annually for the construction, purchase, or acquisition of ocean-going vessels for the purpose of resale, lease or charter to persona, associations or corporations referred to in section two of this Act. The fund may also be invested in loans to citizens of the Philippines or to associations or corporations organized under the laws of the Philippines, at least sixty per cent of the capital of which is owned by citizens of the Philippines, for the purpose of financing the construction, purchase, or acquisition and operation by such citizens, associations or corporations of ocean-going vessels.

SEC. 4. The administration and investment of the annual sums appropriated, pursuant to section three of this Act, shall be vested in the National Development Company, which is hereby authorized and empowered to acquire ocean-going vessels for resale upon an irrevocable contract to purchase such vessels; to make from the said sums the loans referred to above; to make or cause to be made studies and investigations of the person or entity applying for the loan of the shipping service to be established; and to determine the advisability of making said loan.

SEC. 5. All loans authorized under this Act shall be upon the security of a preferred mortgage on the vessel for the acquisition of which such loans are made, including its equipment, and the certificate or any other form of authorization for the operation of such vessels and the shipping service of the borrower. All said loans shall be self-liquidating within a period not to exceed twenty years and shall bear interest at the rate of not more than and one-half per cent *per annum*; *Provided, however,* That such loans shall not exceed seventy-five per cent of cost of the vessels: *Provided, further,* That such vessels shall be fully insured: *Provided, finally,* That no rights acquired under this Act by the vendee, lessee or charterer of the vessel shall, during the existence of the contractual agreement, be transferred or otherwise encumbered in favor of third parties without the consent of the National Development Company.

SEC. 6. All moneys representing payments of principal and interest on loans made pursuant to this Act shall be considered as special fund to be used exclusively to carry out the provisions of this Act.

SEC. 7. The National Development Company is authorized and empowered to bid for and purchase at any foreclosure or other sale, or otherwise to acquire the vessels, including all other equipment, certificate or authorization for the operation of such vessels, pledged or mortgaged to secure any loan made pursuant to this Act; to pay the purchase price and any costs and expenses incurred in connection therewith from the sums authorized in section three of this Act; to accept title to any vessel, including all its property and equipment, certificate, or authorization for its operation, so purchased or acquired in the name of the Government of the Philippines; to lease or charter on bare-boat basis for an amount which, if computed annually, shall not exceed seven per cent of the total cost of such vessel and equipment and for such period as may be deemed necessary or advisable to protect the investment therein; and to sell such vessel and all its property, certificate or authorization for its operation, so acquired, such terms and for such consideration