



Ship Type: All Trade Area: Philippines

Bulletin 214 – 10/01 – Philippine Ports and Smuggling

Ports in the Southern Philippines

The tragic events in the United States have prompted further concern over the area of Mindanao in the Southern Philippines. The terrorist group Abu Sayyaf who have bases in this region are regularly in the news for kidnappings and have known connections with Osama Bin Laden. The instability in the Southern Philippines is further complicated by the struggle between the two fundamentalist groups, Moro Islamic Liberation Front and the Moro National Liberation Front. Members whose vessels are calling at the following ports **Cagayan de Oro, Zamboanga, General Santos and Davao** should advise crew members not to go ashore unless absolutely necessary. If it is essential, then this should be coordinated with the ship's agent - the Master should liaise closely with the agent upon arrival for the latest situation.

There have been reports of armed attacks on vessels in the vicinity - in response to this, the Philippines Government has increased the presence of the Philippine Coast Guard who are armed, however their resources are limited.

Technical Smuggling

We have had several cases this year of vessels being detained by Customs on the grounds of "Technical Smuggling" – cargo documentation not in order and containing conflicting information. The cargoes which appear to be the ones most closely monitored are Bagged Rice, Bagged Sugar, Timber and Cement. The problem arises when the Manifested quantity of cargo does not match the B/L quantity or destination. This can include other foreign ports or a change of discharge port within the Philippines.

Example 1: A vessel arrives at a Philippine Economic Fee Zone port and the charterer changes the B/L to reflect that only part of the cargo will be discharge in the Philippines and that the remaining balance is for discharge and transshipment to a foreign port. The vessel, when entering a port in the Philippines must submit a cargo manifest to Customs, detailing quantities destined for the Philippines and those destined for transshipment. Based upon this manifest, the appropriate tax will be calculated. However, the vessel discharges all the cargo and instead of being separated, all cargo goes inland. There are significant cost differentials in relation to the tax and hence the action of the Bureau of Customs in detaining a vessel which appears to contravene the regulations.

Example 2: Another scenario is when the whole cargo is destined for specific ports in the Philippines. When the inward cargo manifest is submitted, this becomes the basis for the tax due for a specific region of the Philippines. Occasionally, charterers have changed B/L figures because the cargo has been sold for a better value and wish to sail the vessel to a new port within the Philippines. The original port receives only part of the intended cargo the intention being to discharge the balance at a revised port. Sailing the vessel from the original port without revising the manifest, will lead to the detention of the vessel and severe penalties.

The above problems have been compounded by, it is believed, cartels as the mechanics of some of the "Technical Smuggling" operations requires complex cooperation of personnel ashore - this was noted with a shipment of luxury cars.

Additionally, the changing of the discharge port and quantity on many occasions comes under Club Rules where the member must notify the Club of any such changes, therefore the charterer should not only consider the possible infringement of Customs' regulations, but also the possibility of jeopardizing coverage with the club. Owners of vessels chartered to deliver cargo to the Philippines should be aware of the possible problems if strict documentation controls are not followed.

Source of information: Pandiman Philippines