

1 DEPARTMENT ADMINISTRATIVE ORDER NO. _____
2 Series of 2021

3
4 SUBJECT: NEW RULES ON FREIGHT FORWARDING

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6 **WHEREAS**, under Section 9, Article XVI of the 1987 Constitution, “The State shall
7 protect consumers from trade malpractices and from substandard or hazardous products”;

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9 **WHEREAS**, among the powers of the Department of Trade and Industry (DTI) as
10 prescribed by Executive Order (EO) No. 292 or the Administrative Code of 1987 are to
11 formulate and implement policies, plans, and programs relative to the regulation of trade,
12 industry, and investments; to protect consumers from trade malpractices and from
13 substandard or hazardous products; and, to administratively adjudicate and impose
14 reasonable fines and penalties for violation of existing trade and industry laws;

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16 **WHEREAS**, under Section 1 of EO No. 514 providing for the regularization of the
17 Philippine Shippers’ Council (PSC) more known as SHIPPERCON, it is the declared policy
18 of the State to facilitate and assist the development and growth of the Philippine trade and
19 the national economy by enhancing the legitimate interests of the Philippine shippers;

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21 **WHEREAS**, by virtue of EO No. 514, Series of 1992, the PSC was converted into a
22 regular agency under the DTI, known as the Philippine Shippers’ Bureau (PSB) whose
23 powers and functions include, among others, the authority and duty to conduct
24 consultations with relevant companies, government authorities, and other persons,
25 whether foreign or domestic, for the shipment of goods on time at reasonable rates and
26 acceptable shipping terms and conditions; to mediate and/or arbitrate disputes between
27 members of associations of shipping interests and between the said members and non-
28 members; and, to register and accredit non-vessel operating common carriers, freight
29 forwarders, cargo consolidators, and breakbulk agents in accordance with existing
30 agreements and charge reasonable fees thereof;

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32 **WHEREAS**, Section 3(f) of Republic Act (RA) No. 7844 approved on 21 December
33 1994, known as “The Export Development Act,” provides among others, that urgent
34 attention must be given to policies affecting infrastructure in order to ensure the adequate
35 supply and quality of transportation (e.g. shipping and cargo handling) to support the flow
36 of goods and services in the context of the national export drive;

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38 **WHEREAS**, the PSB Administrative Order (AO) No. 6, Series of 2005 revising AO No.
39 2, s. 1996 was issued prescribing the Rules on Freight Forwarding;

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41 **WHEREAS**, the DTI Rationalization Plan of 2014, which was issued pursuant to EO
42 No. 366 dated 04 October 2004, deactivated the PSB and created the Supply Chain and
43 Logistics Management Division under the Competitiveness Bureau (CB) to perform its
44 functions, and created the Fair Trade Enforcement Bureau (FTEB) to perform the
45 regulatory functions of the Department;

47 **WHEREAS**, RA No.11032, or the Ease of Doing Business (EODB) and Efficient
48 Delivery of Government Services Act of 2018, was enacted where it is ordained in the said
49 law together with its recently issued Implementing Rules and Regulations (IRR) that all
50 government agencies or offices shall reengineer their systems and procedures, as would
51 streamline the delivery of services, to reduce bureaucratic red tape and processing time,
52 and to promote efficiency and simplicity of processes;

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54 **WHEREAS**, to make the provisions in PSB AO No. 6, s. 2005 consistent with the
55 mandate of RA No.11032 and its IRR, it becomes imperative to effect appropriate
56 adjustments and/or modifications in the procedures set forth therein;

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58 **NOW, THEREFORE**, by virtue of the powers vested in the Secretary of the DTI, this
59 New Rules on Freight Forwarding is hereby issued for the guidance and compliance of all
60 concerned:

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62 **RULE I**
63 **GENERAL PROVISIONS**
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65 **Section 1. Title.** This Order shall be referred to as the “New Rules on Freight Forwarding.”
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67 **Section 2. Objectives.** The objectives of this Rules are as follows:
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- 69 2.1 Lay down the minimum standards and requirements for the recognition of freight
70 forwarders;
- 71 2.2 Upgrade the quality of services, capabilities, resources, and expertise of the
72 covered firms in order for them to meet the demands of the Philippines' new global
73 trade and growth on domestic trade;
- 74 2.3 Curtail acts and practices inimical to the fast growth of the freight forwarding
75 industry and prejudicial to the interests of Philippine businesses and the general
76 public; and
- 77 2.4 Promote and encourage fair, honest, and equitable relations among parties in
78 consumer transactions.
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80 **Section 3. Definition of terms.** For purposes of this Order, the following terms shall
81 mean:
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- 83 3.1 **Breakbulk Agent or Cargo Consolidation Agent** – a local agent or
84 representative of a foreign freight forwarder or cargo consolidator named in a
85 Master Bill of Lading (MBL) as shipper or consignee of a consolidated shipment.
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- 87 3.2 **Cargo** – the goods or merchandise conveyed in a ship, airplane or vehicle.
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- 89 3.3 **Cargo Consolidator** – a firm which undertakes groupage of small Less Container
90 Load (LCL) shipments of/for single or various consignors/consignees by procuring
91 vessel/container space from carriers and issuing its agent's/principal's Bill of
92 Lading (BL).

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- 3.4 **Certificate of Recognition** – a document issued by DTI officially affirming the entity’s recognition as freight forwarder specifying therein the covered freight forwarding functions and/or category/ies under which it can operate.
 - 3.5 **Consignee** – the person, natural or juridical, whose name appears in the BL or other transport document as the party to whom the goods are to be delivered.
 - 3.6 **Freight Forwarder** – refers to an entity holding itself out to the general public as provider and facilitator of cargo transport and distribution of goods for a fee from the place of receipt to the place of destination.
 - 3.6.1 **Domestic Freight Forwarder** – an entity that provides for and facilitates the transport of cargo and distribution of goods on behalf of its client, whether through land or sea transport within the Philippines.
 - 3.6.2 **International Freight Forwarder** – a cargo intermediary acting on behalf of its client that facilitates the outbound sea transport of goods from the agreed point of origin to point of destination, without assuming the role and responsibilities of a shipping line. It also acts as the foreign cargo consolidator’s local agent or representative whose name appears in the shipping line’s MBL as the forwarder/consignee at port of destination.
 - 3.7 **Juridical Person** – refers to the State and its political subdivisions, other corporations, institutions and entities for public interest or purpose, created by law; their personality begins as soon as they have been constituted according to law, and corporations, partnerships, and associations for private interest or purpose to which the law grants a juridical personality, separate and distinct from that of each shareholder, partner or member.
 - 3.8 **Non-Vessel Operating Common Carrier (NVOCC)** – an entity acting as a carrier without necessarily owning or operating a vessel, providing a point to point service which may include several modes of transport and /or groupage of LCL shipments including the issuance of House Bill of Lading (HBL) or agent’s/principal’s BL, whichever is applicable.
 - 3.9 **Pilferage** – a crime of theft of little things, usually from shipments or baggage.
 - 3.10 **Recognition** - a legal conferment by the DTI, through its proper Bureau or Office, upon an entity engaged in freight forwarding business that has complied with all the requirements prescribed by this Rules.
 - 3.11 **Shipper** – the person, natural or juridical, whose name appears in the BL or other transport document as the party contracting with the carrier for the carriage of goods by sea for a fee, such as the exporter, importer, cargo owner, freight forwarder, and cargo consolidator.

138 **Section 4. Scope and Coverage.** Any and all entities engaged in transporting goods for a
139 fee by sea and/or by land from point of receipt to point of destination shall be first
140 recognized by the DTI prior to operation.

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142 **Section 5. Categories of Freight Forwarders.** This DAO shall apply to all freight
143 forwarders categorized as follows:

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- 145 5.1 Non-Vessel Operating Common Carrier (NVOCC),
- 146 5.2 Cargo Consolidator (CC),
- 147 5.3 International Freight Forwarder (IFF)
- 148 5.4 Domestic Freight Forwarder (DFF), and
- 149 5.5 Breakbulk Agent (BBA)

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151 **RULE II**
152 **RECOGNITION OF FREIGHT FORWARDERS**

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154 **Section 6. Documentary requirements.** The duly notarized application for recognition
155 shall be accompanied with the following documents:

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157 **6.1 Sole Proprietorship**

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- 159 6.1.1 Valid Business Permit to engage in freight forwarding business;
- 160 6.1.2 Latest Audited Financial Statement stamped-received by Bureau of Internal
161 Revenue (BIR) or audited pre-operating balance sheet for newly registered
162 companies, whichever is applicable. The proprietor's equity shall not be less
163 than that prescribed in Section 7 hereof;
- 164 6.1.3 Bio-data of key operating officers showing their qualifications;
- 165 6.1.4 List of agents/principals/offices abroad and/or domestic agents with their
166 addresses, contact persons and designation, and contact numbers;
- 167 6.1.5 Proofs of cargo insurance coverage, such as policies and the official receipt
168 showing payment of premium.

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170 **6.2 Corporations, Partnerships, and Cooperatives**

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- 172 6.2.1 Securities and Exchange Commission (SEC) Certificate of Incorporation or
173 Partnership/ Cooperative Development Authority (CDA) Certificate of
174 Registration with the corresponding Articles of
175 Incorporation/Partnership/Cooperation specifically reflecting the category
176 being applied for as its primary purpose.
- 177 6.2.2 Valid Business Permit to engage in freight forwarding business;
- 178 6.2.3 Latest Audited Financial Statement stamped-received by BIR or audited pre-
179 operating balance sheet for newly registered companies, whichever is
180 applicable; The paid-up capital/partner's contribution shall not be less than the
181 amount prescribed in Section 7 hereof;
- 182 6.2.4 Bio-data of key operating officers showing their qualifications;

- 183 6.2.5 List of agents/principals/offices abroad and/or domestic agents with their
- 184 addresses, contact persons and designation, and contact numbers;
- 185 6.2.6 Proofs of cargo insurance coverage, such as policies and the official receipt
- 186 showing payment of premium.

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 188 **Section 7. Required Paid-up Capital/Partner’s Contribution/Proprietor’s Equity.** The
 189 amount of paid-up capital/Partner’s contribution/Proprietor’s equity shall be not less than
 190 the amounts shown below depending on the category being applied for, viz:

Category	Paid-up Capital/Partner’s Contribution/Equity
NVOCC	P 5,000,000.00
Cargo Consolidator	4,000,000.00
International Freight Forwarder	3,000,000.00
Breakbulk Agent	2,000,000.00
Domestic Freight Forwarder	1,000,000.00

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 193 For companies applying for more than one (1) category, the paid-up capital/equity
 194 requirement for the higher/highest category shall be applied.

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 196 **Section 8. Proofs of Cargo Insurance Coverage.** Proofs shall be in the form of
 197 insurance policy and official receipt showing payment of premium referring to either the
 198 Merchandise in Transit (Floater) Insurance or any standard global comprehensive cargo
 199 liability insurance for freight forwarders and transport operators covering destinations
 200 between the Philippines and worldwide. Such insurance shall cover the following:

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- 202 8.1 Truck Risks (Fire, Explosion, Collision, Overturning or upset of conveyance,
- 203 Collapse of bridges, Flood, Lightning, Cyclone, and Tornado);
- 204 8.2 Robbery and Hijacking (Standard Coverage);
- 205 8.3 Losses and damages due to loading and unloading; and
- 206 8.4 Losses and damages while the vehicle is on stop overnight at an allowed territory.

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 208 Entities with global comprehensive cargo liability coverage shall show proof that the
 209 insurance company issuing the global comprehensive cargo liability coverage has a
 210 domestic insurance representative authorized to process claims.

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 212 The minimum amount of insurance coverage shall be as follows:

Category	Minimum Amount of Insurance Coverage
NVOCC	P 1,000,000.00
Cargo Consolidator	800,000.00
International Freight Forwarder	600,000.00
Breakbulk Agent	400,000.00
Domestic Freight Forwarder	300,000.00

215 For companies applying for more than one (1) category, the category with the
216 higher/highest minimum amount of insurance coverage shall be applied.
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218 **Section 9. Qualifications of Key Operating Officers.** At least two (2) Key Operating
219 Officers which may refer to the Owner, President, Chief Operating Officer, General
220 Manager, or Operations Manager or their equivalent shall have the following:
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222 9.1 Relevant trainings of at least 150 hours for international forwarders and minimum of
223 40 hours for domestic forwarders;

224 9.2 For the five categories, at least one of the key operating officers must have at least
225 three (3) year experience in shipping, freight forwarding and/or related activities.
226 For those applying as Cargo Consolidator and NVOCC, the three-year freight
227 forwarding experience must include trainings on consolidation of export cargoes.
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229 **RULE III** 230 **PROCESSING OF APPLICATION FOR RECOGNITION** 231

232 **Section 10. Filing of Application.** The duly notarized application for recognition, original
233 or renewal, shall be filed with DTI upon submission of a duly accomplished application
234 form together with complete documentary requirements and payment of the filing and
235 processing fee and surcharge, if any.
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237 An application for renewal shall be filed not earlier than two (2) months before the expiry
238 date. An application filed after the expiry date may still be processed subject to payment of
239 the prescribed surcharge.
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241 **Section 11. Processing Procedure.** The filing of application shall be in accordance with
242 the existing and applicable system and procedure established for the purpose by the DTI,
243 viz:
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245 11.1 All applications and documentary requirements shall be reviewed, evaluated, and
246 validated by the concerned Bureau/Office;

247 11.2 Applications for recognition shall be processed by DTI authorized officers within
248 three (3) working days from receipt of complete requirements and payment of the
249 filing fee;

250 11.3 The recognized freight forwarders shall be subjected to post verification and
251 evaluation of pertinent documents, inspection of the office/s, warehouse/s,
252 equipment, and interview of the management and/or the staff within one year
253 from the issuance of Certificate of Recognition.
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255 **Section 12. Responsibilities and Obligations of Recognized Firms.** The recognized
256 firms shall have the following responsibilities and obligations:
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258 12.1 Display the original copy of the Certificate of Recognition in a conspicuous
259 place within the recognized firm's premises;

- 260 12.2 Update DTI within thirty (30) days from the date any changes in the
- 261 documentary requirements such as, List of Key Operating Officers; foreign
- 262 agents or principals or domestic agents; branch offices; Amendments in Articles
- 263 of Incorporation/Partnership from the date the firm received from SEC the said
- 264 document; firm’s name, address and/or warehouse address.
- 265 12.3 Submit reportorial requirements such as Cargo Statistics Report on a semestral
- 266 basis [July and January of next year], Annual Audited Financial Statements
- 267 within thirty (30) days from the deadline of filing of income tax return with the
- 268 BIR; and copy of cargo insurance policy within thirty (30) days from renewal or
- 269 coverage;
- 270 12.4 Renew its recognition within two (2) months before the expiration thereof; and
- 271 12.5 Ensure adherence to the existing Code of Conduct and Ethical Standards for
- 272 Freight Forwarders;
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274 A previously recognized freight forwarder under a category or more categories that intends
 275 to apply for a different category shall inform the DTI in writing whether the current
 276 category/ies is/are to be retained, if not, the application shall be considered new.

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**RULE IV
FEES**

Section 13. Payment of Fees. Payment of fees shall be in accordance with the table below:

Category	Filing and Processing Fee
NVOCC	12,500.00
CC	11,500.00
IFF	10,000.00
BBA	8,500.00
DFF	7,500.00

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A Documentary Stamp Tax in the amount of thirty pesos (P30.00) shall be charged on a per application basis regardless of the mode of issuance of the certificate.

No fee shall be collected from the applicant for the issuance of the Certificate of Recognition generated via the online system. Otherwise, an amount of five hundred pesos (P500.00) shall be charged to the applicant for the Certificate of Recognition issued in hard copy.

A recognized firm applying for additional category shall be charged a filing and processing fee in the amount of P3,500.00 for every additional category applied for. Provided, however, that the validity period of the additional category certificate shall be coterminous with that of the first recognized category.

In case of request for change of name or address of the freight forwarder, no fee shall be collected.

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Section 14. Surcharge. An application for renewal filed after the expiry date shall be subjected to a surcharge in accordance with the following:

- 14.1 Fifty percent (50%) of filing and processing fee if filed within one (1) month from expiration of recognition.
- 14.2 One hundred percent (100%) of filing and processing fee if filed after one (1) month from expiration of recognition.

Section 15. Certification Fees. The amount of P200.00 shall be charged to the applicant for the following:

- 15.1 Certified copy of a lost or destroyed Certificate of Recognition.
- 15.2 Other relevant Certifications including certified true copy of the certificate

**RULE V
THE CERTIFICATE OF RECOGNITION**

Section 16. Contents. The Certificate shall bear the seal of DTI and shall contain the following information:

- 16.1 Name;
- 16.2 Classification of the recognized firm;
- 16.3 Business address declared in the application form;
- 16.4 Category of specific freight forwarding operations;
- 16.5 Validity period;
- 16.6 A condition that the Certificate is for the exclusive use of the recognized firm and that the original copy of the Certificate must be displayed in a conspicuous place within the recognized firm's premises;
- 16.7 Certificate Number;
- 16.8 Date of issuance and number of official receipt (OR) of payment for the certificate;
- 16.9 Signature of approving authority.

Section 17. Validity Period. The Certificate of Recognition shall be valid for a period of five (5) years unless sooner suspended, cancelled or revoked.

The five-year validity period of the Renewal Certificate of Recognition for applications filed within the two-month period prescribed in Section 10, Rule III hereof shall be reckoned from the date following its expiry date. For applications filed after the expiry date, the validity period of the Renewal Certificate of Recognition shall be reckoned from the date of its approval.

Section 18. Non-transferability or Exclusivity of the Recognition. No recognized firm shall transfer its Certificate of Recognition or allow the use thereof by any other firm or individual.

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347 **Section 19. Validity of Additional Categories.** A recognized firm may apply for additional
348 category provided that the validity period thereof shall be coterminous to the first
349 recognized category.

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351 **Section 20. Branch Offices.** Every covered firm need not apply for a separate recognition
352 for its branch offices provided that the existing branch offices are declared in the
353 application and the establishment of additional branch offices is declared prior to the
354 operation thereof.

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356 Holders of Certificate of Recognition need not to apply for a separate recognition for its
357 branch office/s provided that the DTI has been notified prior to putting up a branch of the
358 same category.

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RULE VI VISITORIAL POWER

363 **Section 21. Purpose of Visitorial Power.** To ensure that the objectives of this DAO and
364 other relevant issuances are met, the DTI through its duly authorized personnel, shall
365 exercise its visitorial power by entering, whenever necessary, any establishment, office,
366 and premises of a firm reported to be engaging in transactions covered by this DAO.

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368 **Section 22. Manner of Conducting Visitorial Activities.** Conduct of visitorial activities
369 shall be in accordance with applicable DTI Rules and Regulations.

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RULE VII ADMINISTRATIVE ACTIONS AND SANCTIONS

374 **Section 23. Filing of Complaints.** Any complaints for violations hereof shall be filed and
375 processed in accordance with DTI's existing uniform procedural rules and regulations on
376 handling or processing of administrative complaints.

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378 In the event a decision against the recognized firm is rendered the penalties enumerated
379 under relevant DTI laws, rules shall be applied.

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381 **Section 24. Unlawful acts and omissions.** The following offenses shall be governed by
382 existing DTI Rules and Regulations without prejudice to criminal and civil actions:

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384 24.1 Engaging in freight forwarding business without first securing an appropriate
385 recognition from the DTI;

386 24.2 Misrepresentation by a firm that it has a subsisting recognition;

387 24.3 Use of subsisting recognition issued to another entity;

388 24.4 Failure to display the valid and original copy of Certificate of Recognition;

389 24.5 Misrepresentation by the applicant, of any material fact in obtaining the
390 recognition, or any other certification/s or documents;

- 391 24.6 Transferring or authorizing the use of recognition to another entity other than the
- 392 recognized firm;
- 393 24.7 Failure to deliver cargo as required in the transport document;
- 394 24.8 Failure to deliver cargo to its rightful owner;
- 395 24.9 Delay in the delivery of cargo.
- 396 24.10 Pilferage
- 397 24.11 Refusal/prevention/obstruction to permit or to allow entrance, presentation,
- 398 inspection, taking of pictures/video recordings, making of sketches, taking of
- 399 copies.

**RULE VIII
FINAL PROVISIONS**

404 **Section 25. Transitory Provisions.** To give those concerned sufficient time to comply
405 with the foregoing provisions, the following shall apply:

- 406
- 407 25.1 All existing Certificates of Recognition issued under PSB AO No. 6, s. 2005 shall
- 408 be effective and valid until their respective expiry date.
- 409 25.2 All applications received before the effectivity of this Order shall be processed
- 410 based on the criteria/standards, documentary requirements, and fees provided
- 411 under PSB AO No. 6, s. 2005.
- 412 25.3 Holders of Certificates of Recognition issued within the one (1) year period after
- 413 the effectivity of this Order, shall comply with the capitalization requirement
- 414 prescribed herein within one (1) year from the issuance of the Certificate of
- 415 Recognition.

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417 **Section 26. Separability Clause.** If any clause, provision, paragraph or part thereof shall
418 be declared unconstitutional or invalid, such judgment shall not affect, invalidate or impair
419 any other part hereof but such judgment shall be merely confined to the clause, provision,
420 paragraph or part directly involved in the controversy in which such judgment has been
421 rendered.

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423 **Section 27. Repealing Clause.** All administrative orders, rules, regulations, memoranda,
424 circulars, resolutions, and other issuances that are contrary to or inconsistent with the
425 provisions of this Order are hereby modified, superseded, or repealed accordingly.

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427 **Section 28. Effectivity.** This Order shall take effect fifteen (15) days after its publication in
428 the Official Gazette or in a major daily newspaper of general circulation in the Philippines
429 and filing with the Office of the National Administrative Register (ONAR) of the UP Law
430 Center.

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432 Signed this ____ day of _____ 2020 in Makati City, Philippines.

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