IMPLEMENTING GUIDELINES ON AUTOMATIC FUEL ADJUSTMENT MECHANISM AND THE + 10%/ – 15% LIMIT ON THE FORK TARIFF SYSTEM

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Pursuant to the directive of the Maritime Industry Board in its meeting dated 6 May 1992 adopting an Automatic Fuel Adjustment Mechanism and the increase of the upper/lower limit of the fork tariff from +/ - 5% to 10%/ - 15%, the following guidelines in the implementation thereof are hereby issued:

I
Coverage

The fuel adjustment mechanism shall be applicable to all interisland liner shipping vessels and shall be operative whenever fuel prices, basically diesel oil, bunker and special fuel oil, will increase/decrease by at least 10%.

II
Methodology

The Expense/Revenue Ratio Method will be utilized in the computation of the Required Rate Adjustment, which is computed by multiplying the Fuel Expense/Revenue Ratio with the computed percentage increase/decrease in fuel prices. In equation form,

Required Rate Adjustment = Percent Change in Fuel Prices X Fuel Expense/Revenue Ratio

III
Fuel Expense/Revenue Ratio

A Fuel Expense/Revenue Ratio of 20% shall be initially adopted. This shall be reviewed and amended, if necessary, on an annual basis. The review and amendment shall be undertaken during the month of June after submission of the Annual Reports of the interisland liner shipping companies covering the previous calendar year.

IV
Percent Change in Fuel Prices

The computed percent change in fuel prices of the Conference of Interisland Shipowners and Operators (CISO) shall be used initially as the industry standard. Changes corresponding to the differences in the fuel type utilized by various sectors of the industry shall be introduced as changes are undertaken in the rate level as structure.

V
Procedure for Implementation

The interisland liner shipping operators cannot unilaterally adjust their rates. The MARINA will automatically adjust the rates with the issuance of the appropriate Order/Memorandum Circular increasing/decreasing the rates within five (5) working days after the increase/decrease in fuel prices.

+ 10%/ — 15% Limit on the Fork Tariff

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The + 10%/ — 15% limit on the fork tariff is hereby adopted but shall be implemented only on January 1993.

These guidelines shall take effect fifteen (15) days after its publication in the Official Gazette or a newspaper of general circulation.

Adopted: 6 May 1992

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