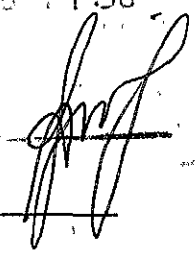


FOURTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

SENATE
OFFICE OF THE SECRETARY

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SENATE
S. No. 88



Introduced by Senator Richard J. Gordon

EXPLANATORY NOTE

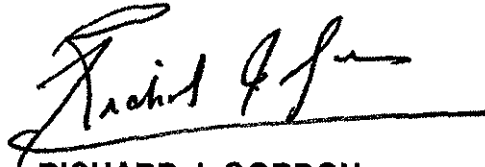
The Philippines is wealthy beyond imagining, in the richness of its history, culture and natural environment. But what have we done to fully utilize such capital in the development of our nation? Tourism is the only industry that can use such capital assets in a sustainable manner. Tourism is the fastest and most efficient way of generating foreign exchange, investments and employment. Tourism is an engine of growth that can empower our economy to alleviate the poverty of the Filipino people. Yet we have done too little to make tourism the centerpiece of the Philippine economy.

We have lagged far behind our neighbors in tourism. In 2001, Thailand and Malaysia had visitors in excess of 10 million, while Indonesia and Singapore had more than 5 million. Even Vietnam, a country ravaged by war and held back by a communist economy, surpassed the 2 million mark. Our nation, on the other hand, did not even break 2 million visitors that year. If one were to simply think of each tourist spending US\$1000 in our country, how much foreign exchange can be generated if we increase our tourist arrivals from 2 million to 10 million? How much cash will be generated, capital liberated, money invested and jobs created? How many Filipinos can be lifted up out of poverty? We do so much to encourage foreign investment in industry. But most, if not all, the money these investors make is sent back out to their countries. With tourism, however, we will be bringing the money in, and it will stay in.

Tourism is the largest industry in the world, with 700 million tourists a year, collectively spending hundreds of billions of dollars. We have been blessed by the accidents of fortune with resources to make us competitive in that market. For us to share and succeed in that market, all it takes for us is the will to do so.

Government must have the political will to devote its resources in pursuit of that goal, and must declare that tourism is an industry of national interest, and that it is our primary engine of growth and development. We must find our future in the Philippines.

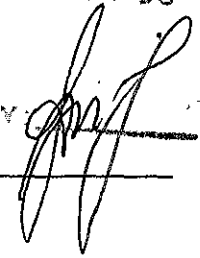
This bill seeks to change the philosophy of government toward tourism, and to create the necessary political and legal structures to make tourism grow rapidly and lift our people out from poverty, by giving them jobs and opportunities, and allowing them to live in pride and dignity. No longer will we need to send our people abroad, expose them to the dangers of war and the oppressions of alien cultures, in order to put food on our tables. This bill, if quickly passed into law, will be a key step in attaining the President's goals of ten million jobs for Filipinos during her term as the Chief Executive.

A handwritten signature in black ink, appearing to read "Richard J. Gordon", written over a horizontal line.

RICHARD J. GORDON

Senator

SENATE
S. No. 88



Introduced by Senator Richard J. Gordon

**AN ACT DECLARING A NATIONAL POLICY FOR TOURISM AS AN ENGINE
OF INVESTMENT, EMPLOYMENT, GROWTH AND NATIONAL DEVELOPMENT,
REORGANIZING THE DEPARTMENT OF TOURISM AND ITS ATTACHED
AGENCIES TO EFFECTIVELY AND EFFICIENTLY IMPLEMENT THAT POLICY,
PROVIDING NECESSARY INCENTIVES FOR INVESTMENT AND
APPROPRIATING FUNDS THEREFOR**

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

CHAPTER I. GENERAL PROVISIONS

1 SECTION 1. *Short Title.* - This Act shall be known as "The Tourism Act of 2007".

2 SEC. 2. *Declaration of Policy.* - The State declares tourism as an indispensable element
3 of the national economy and an industry of national interest and importance, which must be
4 harnessed as an engine of socio-economic growth and cultural affirmation to generate investment,
5 foreign exchange and employment, and to continue to mold an enhanced sense of national pride
6 for all Filipinos.

7 Towards this end, the State shall develop the country as a prime tourist hub in Asia, as well
8 as a center of world congresses and conventions, by promoting tourism anchored principally on the
9 country's history, culture and natural endowments. The State shall further encourage agri-tourism
10 for countryside development and preservation of rural life.

11 The State shall further promote a focused, sustainable, responsible and participative tourism
12 that is ecologically and culturally sensitive, economically viable, and ethically and socially equitable
13 for local communities.

14 SEC. 3. *Definition of Terms.* - The following terms, as used in this Act, are defined as
15 follows:

- 16 a. "Department" refers to the Department of Tourism created pursuant to Presidential Decree
17 No. 189, as amended;
- 18 b. "Secretary" refers to the Secretary of Tourism;
- 19 c. "Department of Budget and Management" (DBM) refers to the government agency created
20 pursuant to Executive Order No. 292 (1987);

- 1 d. "Department of Environment and Natural Resources" (DENR) refers to the government
2 agency created pursuant to Executive Order No. 192 (1986);
- 3 e. "Department of Finance" (DOF) refers to the government agency created pursuant to
4 Executive Order No. 127, (1986) as amended;
- 5 f. "Duty Free Philippines" (DFP) refers to the government agency created pursuant to
6 Executive Order No. 46 (1986);
- 7 g. "Duty Free Philippines Corporation" (DFPC) refers to the corporate entity created out of
8 DFP pursuant to this Act;
- 9 h. "Philippine Conventions and Visitors Corporation" (PCVC) refers to the corporate entity
10 created pursuant to Presidential Decree No. 867, as amended;
- 11 i. "Intramuros Administration" (IA) refers to the government agency created pursuant to
12 Presidential Decree No. 1616;
- 13 j. "Philippine Retirement Authority" (PRA) refers to the government agency created pursuant
14 to Executive Order No. 1037 (1985);
- 15 k. "Tourism Enterprise Zone Authority" (TEZA) refers to the government agency created
16 pursuant to this Act;
- 17 l. "Zone" refers to a Tourism Enterprise Zone created pursuant to this Act;
- 18 m. "Zone Operator" refers to a Tourism Enterprise Zone Operator;
- 19 n. "Registered Enterprise" shall refer to an enterprise located within a Zone that is duly-
20 registered with the TEZA;
- 21 o. "Philippine Tourism Authority" (PTA) refers to the existing implementation arm of the
22 Department of Tourism created pursuant to Presidential Decree No. 189, as amended;
- 23 p. "Tourism Philippines" (TP) shall refer to the body corporate created under this Act;
- 24 q. "Tourism enterprises" shall refer to facilities, services and attractions involved in tourism,
25 such as, but not limited to: travel and tour services; tourist transport services, whether for
26 land, sea or air; tour guides; adventure sports services, involving such sports as
27 mountaineering, spelunking, scuba diving, and other sports activities of significant tourism
28 potential; convention organizers; accommodation establishments, including but not limited
29 to hotels, resorts, apartelles, tourist inns, motels, pension houses, home stay operators;
30 tourism estate management services, restaurants, shops and department stores, sports
31 and recreational centers, spas, museums and galleries, theme parks, convention centers
32 and zoos;

- 1 r. "Primary tourism enterprises" shall refer to travel and tour services; land, sea and air
2 transport services exclusively for tourist use; accommodation establishments; convention
3 and exhibitions organizers; tourism estate management services; and such other
4 enterprises as may be identified by the Secretary, after due consultation with concerned
5 sectors;
- 6 s. "Secondary tourism enterprises" shall refer to all other tourism enterprises not covered by
7 the preceding subsection;
- 8 t. "Affected local government unit" shall refer to a province or city that has a Zone, or part
9 thereof, within its territorial jurisdiction;
- 10 u. "Greenfield Tourism Zone" refers to a new or pioneer development, as determined by the
11 TEZA; and
- 12 v. "Brownfield Tourism Zone" refers to an area with existing infrastructure or development as
13 determined by the TEZA.

14 CHAPTER II. TOURISM GOVERNANCE

15 Subchapter II-A. Structure of the Department

16 SEC. 4. *Mandate.* - The Department of Tourism, hereinafter referred to as the Department,
17 shall be the primary planning, programming, coordinating and implementing government agency in
18 the development of the tourism industry, both domestic and international, in coordination with
19 attached agencies, and other government instrumentalities.

20 SEC. 5. *Powers and Functions.* - The Department shall have the following powers and
21 functions:

- 22 a. Formulate tourism policies, plans, and projects;
- 23 b. Supervise and coordinate the implementation of tourism policy, plans and projects;
- 24 c. In coordination with local governments, delegate to regional offices specific powers
25 and functions in the implementation of tourism policies, plans and projects;
- 26 d. Communicate to the President, the heads of departments, agencies and
27 instrumentalities of government, the impact upon tourism and the economy of
28 proposed governmental actions;
- 29 e. Represent the Government in all domestic and international conferences, and in all
30 multilateral or bilateral treaties and international agreements, concerning tourism, and
31 ensure government's implementation and compliance with all obligations arising
32 therefrom;
- 33 f. Effect the removal of unnecessary barriers to travel, the integration and
34 simplification of travel and tourist transport regulations, and ensure their efficient, fair
35 and courteous enforcement to assure expeditious and hospitable reception of all

1 visitors;

- 2 g. Issue timely advisories on the safety or viability of travel to particular places within
3 the Philippines;
- 4 h. In cooperation with appropriate government agencies and the private sector, support,
5 advance and promote the protection, maintenance and preservation of historical,
6 cultural and natural endowments;
- 7 i. In consultation with the private sector, formulate and promulgate rules and regulations
8 prescribing standards for the operation of tourism enterprises in accordance with the
9 highest relevant international standards;
- 10 j. Accredite and classify tourism enterprises, create standards for accreditation, and
11 impose reasonable penalties for violations of, or failure to obtain accreditation,
12 including recommending to the local government unit concerned the suspension or
13 prohibition of operation of a tourism enterprise, to maintain and improve standards of
14 operation and service;
- 15 k. Ensure the proper coordination, integration, prioritization and implementation of local
16 government tourism development plans with that of the national government;
- 17 l. Receive and investigate complaints concerning tourism enterprises, and act on such
18 complaints to properly implement the provisions of this Act;
- 19 m. Collect necessary fees and charges for the proper implementation of tourism policies,
20 plans and projects; and
- 21 n. Exercise such other powers and functions as are necessary or incidental to the
22 implementation of this Act.

23 SEC. 6. *Structure of the Department.* - The Department shall consist of the Department
24 Proper, Department Services, Bureaus and Offices and the Department's Regional Offices.

25 SEC. 7. *Department Proper.* - The Department Proper shall consist of the offices of the
26 secretary, undersecretaries and assistant secretaries.

27 SEC. 8. *Office of the Secretary.* - The Office of the Secretary shall consist of the Secretary
28 and his/her immediate staff.

29 SEC. 9. *Undersecretaries and Assistant Secretaries.* - The Secretary shall be assisted by
30 three (3) Undersecretaries, namely:

- 31 a. Undersecretary for Tourism Development, who shall be responsible for the Bureau of
32 Tourism Development Planning and Bureau of Tourism Coordination.
- 33 b. Undersecretary for Tourism Regulation, who shall be responsible for the Bureau of
34 Tourism Standards, Regulations and Industry Manpower Development, and all Regional
35 Offices; and

1 c. Undersecretary for Department Services.

2 There shall be at least three Assistant Secretaries to be appointed by the President.

3 SEC. 10. *Department Services.* – The Department Services shall consist of a financial and
4 management service, an administrative affairs service, and a legal affairs service.

5 SEC. 11. *Financial and Management Service.* - The Financial and Management
6 Service shall provide the Department with staff advice and assistance on budgetary, financial and
7 management matters and shall perform such other related functions as may be assigned or
8 delegated to it by the Secretary.

9 SEC. 12. *Administrative Affairs Service.* - The Administrative Service shall provide the
10 Department with staff advice and assistance on personnel information, records, communications,
11 supplies, equipment, collection, disbursements, security, other custodial work and such other
12 related duties and responsibilities as may be assigned or delegated to it by the Secretary.

13 SEC. 13. *Legal Affairs Service.* - The Legal Affairs Service shall provide the Department
14 with staff advice and assistance on all legal matters affecting the Department and perform such
15 other related functions as may be assigned or delegated to it by the Secretary.

16 SEC. 14. *Bureau of Tourism Development Planning.* - Recognizing the value of national
17 tourism development planning, the Bureau of Tourism Development Planning shall have the
18 following functions:

- 19 a. Prepare a National Tourism Development Plan identifying geographic areas with potential
20 tourism value, outlining approaches to developing such areas;
- 21 b. Provide continuing research and statistical analysis on the social and economic impact,
22 market and competition, standards and ethics of tourism, and such other data as necessary
23 basis for tourism policies and programs;
- 24 c. Formulate, in coordination with local government units, local tourism development plans
25 which are consistent with the National Tourism Development Plan; and
- 26 d. d. Monitor and evaluate the implementation of plans and programs of the Department and
27 of the local government units.

28 SEC. 15. *Bureau of Tourism Coordination.* - Recognizing that increased linkages are
29 necessary between various government offices and the private sector to properly implement
30 tourism policy, the Bureau of Tourism Coordination shall have the following functions:

- 31 a. Assist in the coordination with national government agencies, local government units,
32 non-governmental organizations, and other private entities for the development and
33 implementation of the national tourism plans and policies;
- 34 b. Call upon the assistance and support of any or all of the government agencies in the
35 implementation of the policies of the Department; and

1 c. Support the private sector in all tourism activities requiring governmental coordination.

2 SEC. 16. *Bureau of Tourism Standards, Regulations and Industry Manpower Development.* -

3 Recognizing the need for internationally competitive standards of facilities and services, the Bureau
4 of Tourism Standards, Regulations and Industry Manpower Development shall have the following
5 functions:

6 a. Formulate and enforce standards for the operation and maintenance of tourism
7 enterprises, prescribing minimum and progressive levels of operating quality and
8 efficiency consistent with local and international standards;

9 b. Coordinate with relevant tourism enterprise associations, including adventure sports
10 associations, in the formulation of rules and regulations, accreditation, and
11 enforcement;

12 c. Develop and enforce a comprehensive system of mandatory accreditation for primary
13 tourism enterprises, and voluntary accreditation for secondary tourism enterprises, in
14 accordance with prescribed guidelines and standards;

15 d. Establish a system of registration, information, linkage, and mutual assistance among
16 accredited tourism enterprises to enhance the value of accreditation and improve the
17 quality of service rendered by such enterprises;

18 e. In coordination with appropriate government agencies, conduct seminars on Philippine
19 history, culture, environment and related subjects;

20 f. Develop training courses and apprenticeship programs for tourist guides, and other
21 similar workers jointly with concerned tourism enterprises; and

22 g. Provide technical assistance, training and education programs to local governments,
23 tourism enterprises, and other entities to improve the quality tourism services.

24 SEC. 17. *Regional Offices.* - The Department shall establish, operate and maintain a
25 Regional Office in each of the administrative regions of the country. A Regional Office shall be
26 headed by a Regional Director and shall, within its administrative region, have the following
27 functions:

28 a. Implement and enforce laws, policies, plans, programs, rules and regulations of the
29 Department, particularly those relating to the accreditation of tourism enterprises
30 promulgated by the Department.

31 b. Coordinate with regional offices of other departments, bureaus, and agencies, local
32 government units, non-governmental organizations, and the regional offices of the
33 Department's attached agencies in the implementation of such laws, policies, plans
34 programs and rules and regulations.

35 c. Together with local government units, establish such tourist information and assistance

1 centers at strategic locations as are necessary to assist tourists and tourism enterprises.

2 Subchapter II-B. Rationalization of Functions

3 SEC. 18. *Reorganization of Offices.* - The Philippine Tourism Authority (PTA) is hereby
4 reorganized as the Tourism Enterprise Zone Authority, as hereinafter provided. The Philippine
5 Conventions and Visitors Corporation (PCVC) is hereby reorganized as Tourism Philippines, as
6 hereinafter provided.

7 The Bureaus for Domestic and International Tourism Promotions, and the Offices of Tourism
8 Information and Product Development of the Department are hereby absorbed into Tourism
9 Philippines.

10 SEC. 19. *Human Resources.* - Where certain functions are declared redundant on account
11 of the reorganization, the Department, the TEZA Board, and the Tourism Board shall provide for the
12 reassignment, insofar as practicable, of affected employees to similar positions within the
13 Department and its attached agencies, taking into consideration their skills and experience, without
14 loss of seniority or other rights and privileges. In any case, all relevant laws, decrees, executive
15 orders, rules and regulations concerning the rights of government employees in the reorganization
16 of an office shall be respected.

17 SEC. 20. *Rationalization of Assets.* - The assets and liabilities of the Philippine Tourism
18 Authority shall be held in trust and managed by a special committee composed of the Secretaries
19 of Tourism, Budget and Management, and Finance. Within one hundred and twenty (120) days
20 from the effectivity of this Act, the committee shall prepare a report identifying all the assets of the
21 Philippine Tourism Authority, indicating their values, and recommendations on the proper
22 disposition of those assets.

23 When economically feasible and financially viable, assets may be assigned to the TEZA for
24 sale, lease and/or development into Zones, as hereinafter provided.

25 SEC. 21. *Retirement and Separation Compensation.* - Should any employee be separated
26 from government service on account of the reorganization of the Department, said employee shall
27 be entitled to claim such separation pay, retirement benefits, or such other benefits provided by
28 law, decree or executive order.

29 SEC. 22. *Foreign Field Offices.* - The operation and supervision of foreign field offices of the
30 Department of Tourism shall be transferred to Tourism Philippines.

31 Subchapter II-C. Attached Agencies and Corporations

32 SEC. 23. *Attached Agencies.* - Tourism Philippines and the Tourism Enterprise Zone
33 Authority created herein shall be attached to the Department and shall be under the supervision of
34 the Secretary for program and policy coordination. Furthermore, the following agencies and
35 corporations shall be attached to the Department under the supervision of the Secretary for

1 program and policy coordination: the Duty-Free Philippines Corporation as hereinafter provided;
2 the Intramuros Administration; the National Parks Development Committee, created under
3 Executive Order No. 30 (1963); the Nayong Pilipino Foundation, created under Presidential Decree
4 No. 37, as amended; and the Philippine Retirement Authority. Except as hereinafter provided, each
5 of the attached agencies shall continue to operate under their respective charters.

6 *SEC. 24. Duty-Free Philippines Corporation.* – The Duty Free Philippines System shall be
7 reorganized as a body corporate to be known as Duty-Free Philippines Corporation (DFPC),
8 which shall operate the duty and tax free merchandising system for tourists and generate
9 foreign exchange for the Philippines.

10 Duty-Free Philippines Corporation shall have the exclusive authority to operate, or to
11 contract out the operation of, stores and shops that would sell, among others, tax and duty-free
12 merchandise, goods and articles, in international airports and seaports, and in tourism enterprise
13 zones throughout the country, in a manner that:

- 14 1. Is competitive with international standards;
- 15 2. Effectively showcases Philippine culture, craftsmanship and industry; and
- 16 3. Efficiently and effectively generates foreign exchange.

17 The Duty Free Philippines Corporation and the operation of the duty free stores
18 and shops shall always remain in government control and shall not be bidded out to
19 private parties, except as provided for in Republic Act No. 6768, as amended, “An
20 Act Instituting A Balikbayan Program”. Such merchandise, goods and articles shall
21 be sold only to departing persons for their consumption abroad.

22 Such merchandise, goods and articles shall only be sold to persons
23 departing for abroad. Under such limitations, rules and regulations that may be
24 provided by the Department of Tourism and concurred in by the Department of
25 Finance, such merchandise, goods and articles may be sold passengers arriving into
26 the Philippines from abroad.

27 a. In the performance of its functions, Duty-Free Philippines shall have all the
28 general powers of a corporation established under the Batas Pambansa Blg. 68, the
29 Corporation Code in furtherance of its Charter.

30 b. Duty-Free Philippines shall be governed by a Board of Directors composed as
31 follows:

- 32 1. The Secretary of Tourism as Chairman;
- 33 2. The General Manager of Duty-Free Philippines as Vice-Chairman;
- 34 3. The Chief Operating Officer of Tourism Philippines;
- 35 4. The Administrator of Tourism Enterprise Zone Authority; and

1 5. Four persons appointed by the President with recognized competence in
2 business management, marketing, finance, tourism and related fields.

3 The General Manager shall be appointed by the Secretary of Tourism to
4 implement the plans, programs and policies of the Board of Directors. He/she
5 must have recognized competence in business management, marketing, finance,
6 tourism and related fields.

7 c. The properties, assets and funds currently being utilized by the present Duty-Free
8 Philippines system shall be considered as the capitalization of the new corporate
9 entity.

10 d. Consistent with the nature of its operations and primary function to operate as a tax
11 and duty free merchandising system, and to enable it to compete in the international
12 tax and duty free market, DFPC shall be entitled to the following tax exempt
13 privileges:

14 1. Duties and taxes, including excise and VAT, relative to the importation of
15 merchandise for sale;

16 2. Local taxes and fees imposed by the local government units; and

17 3. Income Taxation.

18 SEC. 25. *Intramuros Administration.* – In order to fully implement the mandate of the
19 Intramuros Administration under Presidential Decree No. 1616, as amended, the area delineated
20 as the Intramuros is hereby declared as a Tourism Enterprise Zone and the Intramuros
21 Administration its Zone operator, under the supervision of the TEZA. The delimitations of the
22 Intramuros may be modified by executive order, upon recommendation of the TEZA.

23 SEC. 26. *Philippine Retirement Authority.* - For purposes of policy and program
24 coordination, the Philippine Retirement Authority is hereby attached to the Department and placed
25 under the supervision of the Secretary. The Secretary shall be *ex-officio* Chairman of its Board of
26 Trustees.

27 SEC. 27. *Philippine Commission on Sports Scuba Diving.* - The Philippine Commission on
28 Sports Scuba Diving is hereby abolished and, to insure more stringent monitoring, its functions
29 shall be hereby assumed by the Bureau of Tourism Standards and Manpower Development.

30 Subchapter II-D. Control and Supervision of Areas of
31 Overlapping Jurisdictions

32 SEC. 28. *Rationalization of Tourism Zones, Areas and Spots.* - Any jurisdiction over any
33 tourism zone, area or spot previously vested by law, executive order or presidential decree on the
34 PTA or any other national government agency shall be vested in the Department.

35 In the interest of efficiency in supervision and in recognition of local autonomy, within one

1 year from the effectivity of this Act, the Department, through appropriate agreements, may transfer
2 control over a tourism zone, area or spot, or a portion thereof, to another agency or office of the
3 government, or to a local government unit.

4 Within ninety (90) days from the transfer of control, the relevant agencies, offices or local
5 government units shall prepare comprehensive plans for the use, development, preservation and
6 promotion of all tourism zones, areas, or spots, in a manner consistent with the tourism master
7 plan. Such plans shall be subject to the approval of the Department.

8 The Department shall exercise supervisory powers over such agency, office or local
9 government unit in accordance with the terms of the agreement of transfer, or the development
10 plan of the zone, area or spot. Where a national government agency or a local government unit
11 fails to implement the comprehensive plan approved by the Department, the Department may, after
12 due notice and hearing, revoke the agreement transferring control over the tourism zone, area or
13 spot.

14 *SEC. 29. National Integrated Protected Areas System and the National Eco-tourism Policy.*

15 - Within one year from the effectivity of this Act, the Department and the Department of
16 Environment and Natural Resources (DENR) shall identify areas covered by the National
17 Integrated Protected Areas System with ecotourism potential and prepare comprehensive plans for
18 the use, development, preservation and promotion of these areas subject to prior environmental
19 impact assessments. When practicable, and with the concurrence of the DENR, the Protected
20 Area, or portions thereof, and areas currently covered by the Ecotourism Policy proclaimed under
21 Executive Order No. 111 (1999), may be organized as Zones under the supervision of the TEZA,
22 as hereinafter provided.

23 Subchapter II-E. Shared Responsibilities of National and
24 Local Governments

25 *SEC. 30. Coordination between National and Local Governments.* - In view of the urgent
26 need to develop a national strategy for tourism development while giving due regard for the
27 principle of local autonomy the Department and the local governments shall integrate and
28 coordinate local and national plans for tourism development. The Department shall provide
29 financial and technical assistance, training and other capacity-building measures to local
30 governments for the preparation and implementation of tourism development plans, giving due
31 priority to areas that have been identified as strategic in the implementation of the national tourism
32 development plan. Local governments shall endeavor to implement such plans. Tourism
33 Philippines shall prioritize promotion and development assistance for local governments that
34 successfully adopt and implement their tourism development plans.

35 *SEC. 31. Local Tourism Development Planning.* - Local governments are encouraged to

1 utilize their powers under the Local Government Code to ensure the preparation and
2 implementation of a tourism development plan. They shall, insofar as practicable, draft tourism
3 development plans that integrate zoning, land use, infrastructure development, the national system
4 of standards for tourism enterprises, heritage and environmental protection imperatives in a
5 manner that encourages sustainable development.

6 SEC. 32. *National Tourism Development Planning.* - The Department of Tourism, in
7 coordination with its attached agencies and local government units, shall continuously update the
8 existing national tourism development plan in view of evolving needs and capabilities of local
9 governments and the domestic and global tourism market.

10 SEC. 33. *Reports.* - Every provincial or city local government unit shall periodically report
11 to the Department on the status of tourism, plans and programs, tourist arrivals, and tourism
12 enterprises, among others, within their jurisdictions.

13 SEC. 34. *Accreditation.* - In order to encourage global competitiveness, strengthen data
14 gathering and research on tourism, as well as facilitate the promotion of individual enterprises and
15 the industry as a whole, primary tourism enterprises shall be periodically required to obtain
16 accreditation from the Department as to the quality of their facilities and standard of services.
17 accreditation shall be voluntary for secondary tourism enterprises.

18 Under such a system of accreditation, the Department shall evolve a system of standards
19 for such enterprises that adheres, insofar as practicable, to those recognized internationally.

20 The Department shall act on complaints regarding accredited tourism enterprises, and after
21 notice and hearing, may impose fines, downgrade, suspend or revoke accreditation for violation of
22 the terms of accreditation.

23 When an enterprise fails to obtain or loses accreditation, the National Government shall
24 notify the relevant local government to take appropriate action in relation to an enterprise's
25 licenses and permits to operate.

26 The Department may, under such relevant terms and conditions stipulated, delegate the
27 enforcement of the system of accreditation to local governments that have adopted and
28 successfully implemented their tourism development plan.

29 SEC. 35. *Local Government Capabilities Enhancement.* - The Department shall develop
30 support and training programs to enhance the capacities and capabilities of local governments to
31 monitor and administer tourism activities, and enforce tourism laws, rules and regulations in their
32 respective jurisdictions. Funding for such programs shall be shared between the Department and
33 the local government.

34 SEC. 36. *Value of Accreditation.* - The Department shall develop a system that enhances
35 the value of accreditation among primary and secondary tourism enterprises. Accredited

1 enterprises shall be preferred in promotional, training and other programs of the Department and
2 its attached agencies.

3 Accredited enterprises shall, insofar as practicable, in obtaining relevant services, give due
4 preference to other accredited enterprises.

5 The Department shall develop an integrated system of accreditation with government
6 agencies and instrumentalities that independently accredit tourism and other enterprises in order to
7 reduce the regulatory and financial burden on the private sector.

8 CHAPTER III. TOURISM MARKETING AND PROMOTIONS

9 Subchapter III-A Tourism Philippines

10 SEC. 37. *Tourism Philippines.* - Under the supervision of the Secretary and attached to the
11 Department for purposes of program and policy coordination shall be a body corporate known as
12 *Tourism Philippines.*

13 SEC. 38. *Mandate.* - Tourism Philippines shall be responsible for marketing and promoting
14 the Philippines domestically and internationally as a major global tourism destination, highlighting
15 the uniqueness of its tourism products, and assisting the development of such tourism products.

16 Further, it shall also be responsible for marketing the Philippines as a major convention
17 destination in Asia. To this end, it shall take care of attracting, promoting, facilitating, and servicing
18 large-scale events, international fairs and conventions, congresses, sports competitions and
19 expositions.

20 SEC. 39. *Board of Directors.* - Tourism Philippines shall be governed and its powers
21 exercised by a Board of Directors the ("Tourism Board"), composed as follows:

- 22 a. The Department Secretary, as chairperson;
- 23 b. The Tourism Philippines Chief Operating Officer, as vice-chairperson;
- 24 c. The General Manager of Duty-Free Philippines Corporation;
- 25 d. A representative from the Philippine Amusements and Gaming Corporation;
- 26 e. A representative from the international airport or seaport providing the largest
27 contribution to the Tourism Development Fund as provided under Subchapter III-B,
28 Section 49;
- 29 f. One representative each from the League of Cities of the Philippines and the League of
30 Provinces of the Philippines;
- 31 g. One representative from the Union of Local Authorities of the Philippines (ULAP);
- 32 h. One representative from the Regional Tourism Councils; and
- 33 i. Eight directors elected by the Tourism Congress as provided below.

34 SEC. 40. *The Chief Operating Officer.* - Tourism Philippines shall have a Chief Operating
35 Officer who shall be Filipino with a degree in business, law, tourism, public administration, or

1 relevant fields, and have demonstrated expertise therein. He/she must have been engaged in the
2 managerial capacity for at least five (5) years prior to his/her appointment. The Chief Operating
3 Officer shall be elected by a majority of the members of the Tourism Board, and shall serve at its
4 pleasure.

5 *SEC. 41. Elected Directors.* - The Tourism Congress as created under Chapter VI, Section
6 85 shall elect from among its members the directors to represent the tourism industry, specifically
7 the following sectors:

- 8 a. Accommodation enterprises;
- 9 b. Travel and tour services;
- 10 c. Air and sea tourist transport services;
- 11 d. Land tourist transport services;
- 12 e. Conventions and exhibitions organizers; and
- 13 f. Three representatives from other tourism enterprises.

14 All directors shall serve terms of two years. These directors must be Filipinos engaged in
15 the management of a business in the sectors they represent for at least five years, and must
16 remain engaged in business in the sector they have been elected to represent throughout their
17 term of office.

18 *SEC. 42. Powers of Tourism Philippines.* - Tourism Philippines shall have all the powers of a
19 corporation provided under Batas Pambansa Blg. 68, the Corporation Code. Furthermore, it shall
20 also have the following powers:

- 21 a. Contract loans, indebtedness, credit and issue commercial papers and bonds, in any
22 local or convertible foreign currency from international financial institutions, foreign
23 government entities, and local or foreign private commercial banks or similar institutions
24 under terms and conditions prescribed by law, rules and regulations;
- 25 b. Execute any deed of guarantee, mortgage, pledge, trust or assignment of any property
26 for the purpose of financing the programs and projects deemed vital for the early
27 attainment of its goals and objectives, subject to the provisions of the Constitution
28 (Article VII, Section 20, and Article XII, Section 2, paragraphs (4) and (5));
- 29 c. Receive donations, grants, bequests and assistance of all kinds from local and foreign
30 governments and private sectors and utilize the same;
- 31 d. Extend loans, provide grants and other forms of financial assistance for manpower
32 training, heritage preservation, infrastructure development, and other programs of the
33 Department; and
- 34 e. Obtain the services of local and foreign consultants, and enter into contracts locally and
35 abroad in the performance of its functions.

1 SEC. 43. *Meetings of the Board.* - The Tourism Board shall meet at least once a month at the
2 Tourism Philippines' principal office unless the Board had previously agreed in writing to meet at
3 another location.

4 SEC. 44. *Internal Structure.* - The Tourism Board shall have the power to determine its
5 operational and staffing structure in a manner that will allow it to best implement its mandate.

6 SEC. 45. *Capitalization.* – From the collections of travel taxes, the national government
7 shall set aside an amount of two hundred fifty million pesos (PhP 250,000,000) to capitalize the
8 operations of Tourism Philippines.

9 SEC. 46. *Strategic Marketing Plan.* - Tourism Philippines shall draft comprehensive short-,
10 medium- and long-term marketing plans for the Philippines as a destination for travel, business and
11 investment, particularly tourism investment. It shall coordinate, insofar as practicable, with relevant
12 agencies of government and the private sector in the preparation of such plans.

13 Such plans shall be duly approved by the Tourism Board. The Chief Operating Officer shall
14 ensure that the marketing plans are duly implemented, and shall periodically report to the Tourism
15 Board the status of their implementation. He/she shall also coordinate to ensure that the other
16 agencies of government and the private sector which assisted in the preparation of marketing plans
17 perform their respective duties under the plans.

18 SEC. 47. *Foreign and Domestic Promotions Offices.* - In the implementation of its mandate,
19 Tourism Philippines shall establish foreign and domestic offices, which shall be responsible in their
20 respective areas for marketing and promotions, market research, and such other functions
21 delegated by the Board. Each office shall submit periodic reports to both the Tourism Board and
22 the Secretary on the performance of its functions.

23 Subchapter III-B Tourism Promotion and
24 Development Fund

25 SEC. 48. *Tourism Promotion and Development Trust.* – The Tourism Promotion and
26 Development Trust shall hereby be established from the proceeds of the sale or lease of the assets
27 of the Philippine Tourism Authority. The Trust shall be managed by a government-owned bank or
28 financial institution selected by the Tourism Board and approved by the President. Said bank or
29 institution shall report on a quarterly basis to the Secretary and the Joint Congressional Tourism
30 Oversight Committee the status and profitability of the Trust.

31 SEC. 49. *Tourism Promotion and Development Fund.* - The proceeds of the following shall
32 be placed in a special Tourism Promotion and Development Fund to finance the activities of
33 Tourism Philippines:

- 34 a. The investment earnings from the Tourism Promotion and Development Trust;
35 b. The full amount of travel taxes less the statutory allocation for the National

1 Commission on Culture and the Arts;

- 2 c. An appropriation from the national government of not less than five hundred million
3 pesos (PHP 500,000,000) annually for at least five years;
- 4 d. At least 50% of the net income of Duty Free Philippines, in lieu of its statutory
5 remittance to the National Government under Republic Act No. 7656;
- 6 e. At least 25% of net income of the Philippine Amusements and Gaming Corporation, to
7 be taken from the share of the National Government under Republic Act No. 7656;
8 and
- 9 f. At least 25% of the net income of international airport and seaports, to be taken from
10 the share of the National Government under Republic Act No. 7656.

11 In no case shall promotions and marketing activities receive less than fifty percent (50%)
12 of the annual utilization of the Fund. Not more than ten percent (10%) of the Fund shall be used for
13 all other administrative and operating expenses of Tourism Philippines. The unallocated portion of
14 the Fund shall be earmarked by the Tourism Philippines as follows:

- 15 a. For use by TEZA in the development of Tourism Enterprise
16 Zones;
- 17 b. The Department, to enhance its programs for development planning,
18 heritage preservation, and infrastructure development, and manpower training
19 including but not limited to scholarships for trainings and courses abroad to enhance
20 skills and acquire relevant knowledge and skills, among others, or;
- 21 c. Such other purposes as may contribute to the development of the tourism
22 industry.

23 The collections of travel taxes, and portions of the net income of government corporations
24 and other enterprises provided under this section due Tourism Philippines shall be remitted directly
25 to Tourism Philippines on a quarterly basis.

26 SEC. 50. *Special Contingency Fund.* - At the beginning of each year, ten percent (10%) of
27 the allocation for promotions and marketing shall be set aside as a special contingency fund to
28 provide Tourism Philippines with sufficient resources to undertake marketing and promotions
29 activities to encourage sustained tourism interest in the Philippines in the event of emergencies
30 which may adversely affect the tourism industry. The Special Contingency Fund shall only be
31 utilized upon a two-thirds vote of all the members of the Tourism Board upon a resolution
32 recognizing the existence of an emergency and authorizing the release of the fund. Any balance at
33 the end of each year in the Special Contingency Fund shall be returned to the Tourism Promotion
34 and Development Fund.

1 CHAPTER IV. TOURISM ENTERPRISE ZONES

2 Subchapter IV-A Tourism Enterprise Zones

3 SEC. 51. *Tourism Enterprise Zones.* - Any geographic area
4 with the following characteristics may be designated as a Zone:

- 5 a. Capable of being defined into one contiguous territory;
- 6 b. With areas of historical and cultural significance, environmental beauty, or existing or
7 potential integrated leisure facilities within its bounds or within reasonable distances
8 from it;
- 9 c. Having, or potentially having, strategic access through transportation infrastructure,
10 and reasonable connection with utilities infrastructure systems;
- 11 d. Possessing sufficient area to be further utilized for bringing in new investments in
12 tourism establishments and services; and
- 13 e. Possessing strategic location to catalyze the socio-economic development of
14 neighboring communities.

15 SEC. 52. *Designation.* - The designation of a Zone may be proposed to the Tourism
16 Enterprise Zone Authority by the national government, city governments, provincial governments
17 with the consent of component municipalities, private initiative, or by joint ventures between the
18 public and private sectors.

19 Zones shall not proliferate in a manner that diminishes their strategic economic and
20 developmental value to the national economy.

21 SEC. 53. *Development Planning.* - Each application for designation as a Zone shall be
22 accompanied by a Zone development plan which shall, consistent with principles of economic,
23 cultural and environmentally sustainable development, specifically identify:

- 24 a. Features which satisfy the requisites for the designation of a Zone enumerated under
25 Section 53 of this Chapter;
- 26 b. Areas for infrastructure development, for investment, and for preservation, as well as
27 the kind of development, nature of investment, or the sustainable activities allowed
28 within preserved areas, respectively;
- 29 c. Medium and long-term studies on market trends, and corresponding development
30 strategies for the Zone;
- 31 d. Studies on the economic impact of development within the Zone and in surrounding
32 communities;
- 33 e. Studies on the environmental, cultural and social carrying capacity of the Zone and
34 surrounding communities; and
- 35 f. Design plans for structures which incorporate design and sustainability principles from

1 local architecture and the surrounding environment.

2 No Zone shall be designated without a duly approved development plan by TEZA. Any
3 deviation or modification from the development plan shall require the prior authorization of TEZA.
4 TEZA may cause the suspension of granted incentives, withdrawal of recognition as a Zone
5 Operator, as well as impose reasonable fines and penalties, upon Zone Operators and responsible
6 persons for any failure to properly implement the approved development plan.

7 Lands identified as part of a Zone shall qualify for exemption from the coverage of the
8 Urban Development and Housing Program Act of 1992 (Republic Act No. 7279) and the
9 Comprehensive Agrarian Reform Law (Republic Act No. 6657) subject to rules and regulations to
10 be crafted by the TEZA, the Housing and Urban Development Coordinating Council and the
11 Department of Agrarian Reform.

12 SEC. 54. *Operation of the Zone.* - The Zone proponent shall establish a corporate entity
13 to administer the Zone and supervise activities within the Zone. The designation of a Zone does
14 not vest ownership of the resources therein upon the Zone Operator. Where the Zone Operator
15 possesses rights to land or other resources within the Zone, the Zone Operator shall be entitled to
16 exercise such rights as allowed by existing laws in a manner consistent with the duly-approved
17 development plan as provided above.

18 Where rights to land and other resources within the Zone are vested in a private third party,
19 the Zone Operator shall encourage the private third party to participate in policy, planning and
20 program development and implementation by encouraging their registration as tourism enterprises
21 where appropriate, and through the judicious administration of incentives and provision of services.

22 Except as herein provided, the local government units which comprise, overlap, embrace or
23 include a Zone in their territorial jurisdictions shall retain their basic autonomy and identity in
24 accordance with Republic Act No. 7160, the Local Government Code of 1991.

25 The government shall encourage, provide incentives, and facilitate private sector
26 participation in the construction and operation of the public utilities and infrastructure in and around
27 Zones using any of the schemes allowed under the Build Operate and Transfer Law (Republic Act
28 No. 6957, as amended).

29 Subchapter IV-B. Tourism Enterprise Zone Authority

30 SEC. 55. *The Tourism Enterprise Zone Authority.* - Under the supervision of the Secretary
31 shall be a body corporate known as the Tourism Enterprise Zone Authority (TEZA).

32 SEC. 56. *Mandate.* - The TEZA shall supervise the cultural, economic and environmentally
33 sustainable development of Zones. Pursuant thereto, it shall have the sole and exclusive
34 jurisdiction to issue permits and licenses for the regulation of commercial activity, and enforce
35 environmental and cultural heritage, zoning and traffic, and construction laws within Zones. It shall

1 also coordinate with appropriate agencies and government units for the facilitation of investments,
2 and the development of communities surrounding or adjoining Zones.

3 Tourism enterprises outside of zones shall be governed by the provisions of
4 the Local Government Code. The Department shall exercise powers of accreditation over said
5 enterprises as provided under this Act.

6 **SEC. 57. Board of Directors.** - The TEZA shall be governed and its powers exercised by a
7 Board of Directors (hereinafter referred to as the "TEZA Board"), composed as follows:

- 8 a. The Department Secretary, as chairperson;
- 9 b. The Administrator of the Tourism Enterprise Zone Authority, as vice-chairperson;
- 10 c. The Undersecretary for Tourism Development;
- 11 d. A representative from the Department of Environment and Natural Resources;
- 12 e. A representative from the Department of Labor and Employment;
- 13 f. A representative from the Department of Trade and Industry;
- 14 g. A representative from the Department of the Interior and Local Government;
- 15 h. One representative each from the League of Cities of the Philippines and the League
16 of Provinces of the Philippines;
- 17 i. The chairperson of the National Commission of Culture and the Arts; and
- 18 j. Five directors elected by the Tourism Congress as provided below.

19 **SEC. 58. Administrator.** - The TEZA Administrator must be a Filipino with a bachelor's
20 degree in business, law, tourism, public administration, urban planning, or other relevant fields, and
21 have demonstrated expertise therein. He/she must have been engaged in a managerial capacity
22 for at least five (5) years prior to his/her appointment. He/she shall be appointed by the President
23 and shall have a term of office of five (5) years.

24 **SEC. 59. Directors Elected by the Tourism Congress.** – The Tourism Congress shall elect
25 directors to represent each of the following sectors:

- 26 a. Tourism estate managers;
- 27 b. Hotels, resorts and other accommodation establishments;
- 28 c. Air, sea and land tourism transport services; and
- 29 d. Two representatives from other tourism enterprises.

30 These directors must be Filipinos engaged in management in the sectors they represent for
31 at least five years, and have recognized expertise in their respective sectors. These directors shall
32 serve terms of four years.

33 **SEC. 60. Meetings of the Board.** - The TEZA Board shall meet at least once a month at the
34 TEZA's principal office unless the TEZA Board had previously agreed in writing to meet at another
35 location.

1 SEC. 61. *General Powers and Functions of the TEZA.* - The TEZA Board
2 shall have the general powers of a corporation as provided under Batas Pambansa Blg. 68, the
3 Corporation Code. Furthermore, it shall also have the following powers:

- 4 a. Adopt rules and regulations necessary for the implementation of the provisions of this
5 Chapter;
- 6 b. Enter into, make, perform and carry out contracts of every class, kind and description
7 which are necessary or incidental to the realization of its purposes with any person,
8 firm or corporation, private or public, and with foreign government entities;
- 9 c. Contract loans, indebtedness and credit, issue commercial papers and bonds, in any
10 local or convertible foreign currency from international financial institutions, foreign
11 government entities, and local or foreign private commercial banks or similar
12 institutions under such terms and conditions prescribed by law, rules and regulations;
- 13 d. Execute any deed of guarantee, mortgage, pledge, trust or assignment of any
14 property for the purpose of financing the programs and projects deemed vital for the
15 early attainment of its goals and objectives, subject to the provisions of Article VII,
16 Section 20, and Article XII, Section 2, paragraphs (4) and (5) of the Constitution;
- 17 e. In coordination with local government units and/or appropriate agencies concerned, to
18 construct, own or lease, operate and maintain infrastructure facilities, and grant
19 franchises for, and supervise the operation of, public utilities within Zones;
- 20 f. Undertake, or authorize the undertaking of reclamation projects within Zones;
- 21 g. Receive donations, grants, bequests and assistance of all kinds from local and
22 foreign governments and private sectors and utilize the same;
- 23 h. Exercise eminent domain;
- 24 i. Coordinate with the local government units and other government offices for the
25 provision of basic services, utilities and infrastructure required by Zones;
- 26 j. Review and approve proposals for the designation of Zones based on criteria
27 provided herein and approve, facilitate and assist in the organization of Zone
28 Operators;
- 29 k. Supervise the operations of Zone Operators, review and enforce their development
30 plans, and establish and implement other policies, plans and programs for the
31 development and operation of Zones;
- 32 l. Register, monitor and regulate enterprises seeking to invest and operate within a
33 Zone, and approve and grant incentives to such registered enterprises as provided
34 under this Act; and
- 35 m. Collect taxes as provided under Section 74 below, and necessary fees to defray

1 administrative and operational expenses, and impose penalties and fines for
2 violations of duly promulgated rules and regulations.

3 TEZA shall be deemed a government infrastructure corporation under the provisions of
4 the Administrative Code of 1987 (Executive Order No. 292, Book IV, Chapter 13, Section 58).

5 SEC. 62. *Powers and Functions of the Administrator.* - The Administrator shall implement
6 the policies, plans and programs of TEZA Board, and shall periodically report to the TEZA Board
7 the status of their implementation. The TEZA Administrator shall also recommend to the TEZA
8 Board all necessary acts to properly supervise the operations of Zone Operators. In addition,
9 he/she shall have the following specific powers and responsibilities:

- 10 a. Subject to the approval of the TEZA Board, determine the structure, staffing pattern,
11 and personnel complement of TEZA;
- 12 b. Coordinate with the Philippine National Police for the proper maintenance of peace and
13 order within Zones;
- 14 c. Ensure that all Zone Operators properly perform their functions and duties in
15 accordance with this Act, TEZA implementing rules and regulations, and all other
16 relevant laws and executive issuances;
- 17 d. Receive all protests, complaints, and claims concerning Zone Operators, and make
18 recommendations to the TEZA Board for appropriate action;
- 19 e. Enforce all legal easements along seashores, lakeshores, riverbanks, among others, to
20 allow free and open access thereto and aid in the proper development of the national
21 patrimony; and
- 22 f. Take such emergency measures as may be necessary to avoid or mitigate the impact
23 of fires, floods, storms and other natural or public calamities upon persons or properties
24 within Zones and adjoining communities.

25 SEC. 63. *Capitalization.* - From the collections of travel taxes, the national government shall
26 appropriate the sum of two hundred fifty million pesos (PhP 250,000,000.00) for the capitalization
27 of TEZA.

28 SEC. 64. *Registration.* - Business enterprises within a Zone must be registered with
29 TEZA to avail of the incentives and benefits provided for in this Act.

30 SEC. 65. *One-stop Shop Processing.* - TEZA shall establish offices where prospective Zone
31 investors can register to obtain the incentives and benefits under this Act, and obtain all necessary
32 permits and licenses from all national and local government offices. All government agencies shall
33 coordinate with TEZA for the issuance of such permits and licenses.

34 SEC. 66. *Investigation and Inquiries.* - Upon a written formal complaint made under oath,
35 which on its face provides reasonable basis to believe that some anomaly or irregularity might have

1 been committed within the Zone, the TEZA Administrator shall have the power to inquire into and
2 investigate the conduct of Zone Operators, registered enterprises, or their employees. For that
3 purpose, he/she may subpoena witnesses, administer oaths, and compel the production of books,
4 papers, and other evidence.

5 Subchapter IV-C. Zone Administration

6 SEC. 67. *Administration of Zones.* - Each Zone shall be administered and supervised by a
7 Zone Operator. A Zone Operator shall be an entity duly incorporated under general Philippine law,
8 whose capital may be provided by the national government, one or more city and/or provincial
9 governments, and/or private entities.

10 SEC. 68. *Articles of Incorporation and By laws of Zone Operators.* - Except as provided
11 herein and as may be provided by rules and regulations duly promulgated by TEZA, each Zone
12 Operator may draft its articles of incorporation and by-laws in accordance with the Corporation
13 Code.

14 SEC. 69. *Boards of Directors and Consultative Bodies of Zone Operators.* - The seats of the
15 Board of Directors of a Zone Operator shall be allocated pro-rata according to the respective
16 capital contributions of the Zone Operator's shareholders.

17 Zone Operators are encouraged to reserve seats on their Boards of Directors for special
18 interest groups relevant to their Zones, such as those representing environmental, religious,
19 cultural communities, Zone investors, Zone residents, and other interests. In any case, Zone
20 Operators shall form consultative bodies for such special interest groups to assist it in the
21 formulation and implementation of policies, plans and projects.

22 SEC. 70. *Zone Administration.* - The Board of Directors of each Zone Operator shall
23 appoint its Zone Administrator. The Zone Administrator shall be responsible for implementing the
24 policies, plans and projects of the Zone Operator Board of Directors. TEZA shall provide guidelines
25 on the necessary educational and practical qualifications required of a Zone Administrator. In
26 addition to such qualifications, all Zone Administrators must undergo, complete and pass a training
27 program created by the Department to provide Zone Administrators with knowledge and skills
28 relevant to the operation of the Zone.

29 SEC. 71. *Civil Dispute Resolution.* - TEZA shall establish a civil dispute mediation office to
30 effectively and efficiently resolve civil disputes within the Zone where at least one (1) of the parties
31 to the dispute was temporarily residing in the Zone at the time the dispute arose, and is still
32 residing within the Zone at the time the complaint was filed with the mediation office. No civil
33 dispute may be filed in court without having undergone mediation proceedings as provided under
34 this section except in extraordinary cases where a party may suffer irreparable damage.

35 Subchapter IV-D. Incentives for Zone Operators and Locators

1 SEC. 73. *Grant and Administration of Incentives.* - Recognizing the strategic economic
2 importance of tourism, the necessity that investments within Zones be properly coordinated with
3 environmental, cultural and developmental imperatives, and fundamental differences between the
4 export manufacturing and tourism industries, TEZA shall have sole and exclusive jurisdiction to
5 grant the incentives hereinafter provided.

6 In the formulation of rules and regulations defining and implementing the incentives
7 hereinafter provided, and without derogating from the incentives granted herein, TEZA may
8 coordinate with the Board of Investments and other government agencies or entities responsible
9 for the grant and administration of incentives to assist in the development of a rationalized national
10 investment incentive policy. In the grant of incentives, it shall give equal preference to large
11 investments and those with great potential for employment generation and those of local small and
12 medium enterprises.

13 TEZA shall further coordinate with the Bureau of Customs and the Bureau of Internal
14 Revenue in the preparation and enforcement of rules and regulations to prevent the abuse of these
15 incentives.

16 The jurisdiction of TEZA in the grant and administration of incentives cannot be impliedly
17 repealed or modified.

18 SEC. 74. *Fiscal Incentives Available to Zone Operators and Registered Enterprises.* - The
19 following incentives may, in the discretion of the TEZA Board, be granted to registered tourism
20 enterprises within Zones:

- 21 a. Income Tax Holiday. *New enterprises in Greenfield and Brownfield Tourism*
22 *Zones shall, from the start of operations, not be subject to any tax on income for a*
23 *period of six years. This income tax holiday may be extended if the enterprise*
24 *undertakes a substantial expansion or upgrade of its facilities prior to the expiration of*
25 *the first six years. This extension shall consider the cost of such expansion or*
26 *upgrade in relation to the original investment, but shall in no case exceed an*
27 *additional six (6) years.*

28 An existing enterprise in a Brownfield Tourism Zone shall be entitled to avail of
29 a non-extendible income tax holiday if it undertakes an extensive expansion or
30 upgrade of facilities. Such an income tax holiday shall consider the cost of such
31 expansion or upgrade in relation to the original investment, but shall in no case
32 exceed six (6) years.

- 33 b. Gross Income Taxation. *In lieu of all other national and local taxes, license fees,*
34 *imposts and assessments, except real estate taxes and such fees as may be*
35 *imposed by the TEZA, a new enterprise shall pay a tax of three percent (3%) on its*

1 gross income, which shall be distributed as follows:

- 2 1. One-third to be proportionally allocated among affected local governments;
- 3 2. One-third to the national government; and
- 4 3. One-third to the TEZA for the funding of its operations and its programs in Zones,
5 which shall include the protection, maintenance and enrichment of the
6 environment, tangible cultural and historical heritage, and the intangible cultural
7 heritage of communities within and surrounding Zones.

8 Gross income as used herein is defined under Republic Act No. 8424 (The
9 National Internal Revenue Code), Section 27(A) and further defined under
10 relevant rules and regulations.

11 c. Capital Investment and Equipment. Subject to rules and regulations which properly
12 define capital investments and equipment necessary for various kinds of tourism
13 enterprises, registered enterprises shall be entitled to an exemption of one hundred
14 percent of all taxes and customs duties on importations of capital equipment.

15 d. Goods and Services. Subject to rules and regulations which properly define goods
16 and services necessary for various kinds of tourism enterprises, registered
17 enterprises shall be entitled to the following:

- 18 1. Importation of goods actually consumed in the course of services actually
19 rendered by or through registered enterprises within a Zone shall be exempt one
20 hundred percent (100%) of all taxes and customs duties; *Provided however*, That
21 no goods shall be imported for the purpose of operating a wholesale or retail
22 establishment in competition with Duty-Free Philippines.
- 23 2. A tax credit equivalent to all national internal revenue taxes paid on all locally-
24 sourced goods and services directly or indirectly used by the registered
25 enterprise for services actually rendered within the Zone.

26 e. Social Responsibility Incentive. A registered enterprise shall be entitled to a tax
27 deduction equivalent to a reasonable percentage, not exceeding fifty percent (50%),
28 of the cost of environmental protection or cultural heritage preservation activities,
29 sustainable livelihood programs for local communities, and other similar activities it
30 undertakes.

31 **SEC. 75. Non-fiscal Incentives Available to Zone Operators and Locators.** - The following
32 incentives may, in the discretion of the TEZA Board, be granted to registered tourism enterprises
33 within Zones:

- 34 a. Employment of foreign nationals. A registered enterprise may employ foreign
35 nationals in executive, supervisory, technical or advisory positions for such

1 reasonable periods and under such terms as may be provided by the TEZA Board,
2 with due regard for the proper protection and representation of foreign investments
3 *in registered enterprises, and the need to ensure easy travel into and out of the*
4 *Philippines by such nationals and their immediate families.*

5 b. Special Investor's Resident Visa. Under such terms as may be provided by the
6 TEZA Board, a foreign national who shall have made an investment with a value of
7 at least Two hundred thousand US dollars (US\$ 200,000) in a registered enterprise
8 shall be entitled to a Special Investor's Resident Visa. With such Visa, the foreign
9 national shall be entitled to reside in the Philippines while his/her investment
10 subsists.

11 c. Foreign Currency Transactions. Subject to the provisions of Section 74 of
12 Republic Act No. 265 as amended:

13 1. Repatriation of Investments. In the case of foreign investments, the right to
14 repatriate the entire proceeds of the liquidation of the investment in the
15 currency in which the investment was originally made and at the exchange rate
16 prevailing at the time of repatriation.

17 2. Remittance of Foreign Exchange. The right to remit earnings from a foreign
18 investment in the currency in which the investment was originally made and at
19 the exchange rate prevailing at the time of remittance.

20 3. Foreign Loans and Contracts. The right to remit at the exchange rate
21 prevailing at the time of remittance such sums as may be necessary to meet
22 the payments of interest and principal on foreign loans and foreign obligations
23 arising from technological assistance contracts.

24 d. Requisition of Investment. There shall be no requisition of the property of enterprises
25 or represented by investment, except in the event of war or national emergency,
26 and only for the duration thereof. In any case, the affected person shall be entitled
27 to just compensation, and shall have the right to repatriate such compensation as
28 provided in paragraph c above.

29 e. Lease and Ownership of Land. Without prejudice to existing laws regulating the
30 ownership of land by individuals and corporations, and consistent with the
31 provisions of the Investor's Lease Act (Republic Act No. 7652), lands and buildings
32 in each Zone may be leased to foreign investors for a period not exceeding fifty (50)
33 years, renewable once for a period of not more than twenty-five (25) years. The
34 leasehold right acquired under long-term contracts may be sold, transferred or
35 assigned, subject to the conditions set forth under the Investor's Lease Act.

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CHAPTER V. INCREASED TOURIST ACCESS

SEC. 76. *International and Domestic Tourist Travel.* - The Department, thru the development of an inter-modal international and domestic land, sea, and air access system, in coordination with relevant government agencies, shall increase and improve the accessibility of the Philippines to domestic and foreign tourists. Realizing the critical importance of a liberalized civil aviation environment in the development of the country's international and domestic tourism sector:

- a. The Secretary shall be *ex officio* Chairman of the Civil Aviation Board;
- b. The Secretary shall be *ex officio* Chairman of the Manila International Airport Authority and the governing boards of other international airports. The Secretary shall be authorized to appoint a representative to the Board of Directors of each international seaport of the Philippines; and
- c. To enhance the standards of transportation services for tourist use, the Department and the relevant government agency shall develop an integrated, one-stop shop system for the speedy issuance of franchises and accreditation for tourism transport operators.

SEC. 77. *Visas.* - The Department and the Departments of Justice and of Foreign Affairs shall develop a system of visas that encourages the arrival and longer stay of tourists in the Philippines

CHAPTER VI. CREATING A CULTURE OF TOURISM

SEC. 78. *Tourism Coordinating Council.* - A council shall be formed consisting of the Department Secretary, as chairman; representatives from the Tourism Congress; the heads of other agencies attached to the Department; the Secretaries of the Departments of Transportation and Communication, Public Works and Highways, Foreign Affairs, Environment and Natural Resources, Education, Interior and Local Government, and Labor and Employment; and the heads of the Philippine National Police, Bureaus of Immigration, National Historical Institute, National Commission for Culture and the Arts, Philippine Amusements and Gaming Corporation, the Leagues of Local Governments, and such other government agencies that the President may designate, that shall serve as a coordinating body for national tourism development efforts.

The Council shall prepare 5-year strategic plans to develop and enhance a culture of tourism. It shall also approve an annual infrastructure development plan that shall promote access to and from airports and seaports, and Zones and other tourism destinations which shall be accorded priority by the relevant infrastructure agencies of the national government.

SEC. 79. *Education.* - The Department shall work closely with the Department of Education for the development of educational programs for the primary and secondary educational levels that

1 assist in the creation of a culture of tourism, specifically through the enhancement of education in
2 languages, history and culture.

3 The Department shall also work closely with the Commission for Higher Education in the
4 regulation of colleges and universities that grant undergraduate and postgraduate degrees in
5 tourism.

6 The Technology and Skills Manpower Development Administration is hereby mandated to
7 develop programs, in conjunction with the Department, for the training of tourism entrepreneurs by
8 providing programs for languages, history and cultural appreciation, and small business
9 management.

10 SEC. 80. *Peace and Order.* – The Philippine National Police shall establish a Tourism
11 Security Force to assist in maintaining peace and order within areas of high tourism traffic. The
12 Department shall ensure the training of members of the Force in cultural sensitivity, languages and
13 relevant laws.

14 SEC. 81. *Funding Grassroots Tourism Enterprises.* - Insofar as allowed by applicable laws
15 and their respective charters, government-owned and controlled banks and financial institutions
16 shall provide microfinance schemes for the assistance and development of small and medium
17 scale enterprises in the tourism industry.

18 SEC. 82. *Congressional Oversight.* - An oversight committee consisting of five members
19 each from both houses of Congress shall constitute a Joint Congressional Oversight Committee
20 responsible for overseeing the implementation of this Act. The Oversight Committee shall be
21 composed of representatives from each House from their respective Committees of Tourism;
22 Government Corporations and Public Enterprises; Environment; Education, Arts and Culture; and
23 Local Governments.

24 The Secretary shall report to the Oversight Committee on a monthly basis the latest
25 statistics on tourism arrivals and other relevant data. He/she shall also report on a quarterly basis
26 the status of implementation of this Act.

27 SEC. 83. *The Tourism Congress.* - Within thirty (30) days from the effectivity of this Act, the
28 Secretary shall convene a Tourism Congress of representatives of all accredited tourism
29 enterprises to serve as the private sector consultative body to assist the government in the
30 development, implementation and coordination of Philippine tourism policy.

31 Under a constitution adopted and ratified by the Congress, it shall elect its officers and
32 establish a secretariat, both for the Congress as a whole and for component sectors. It shall also
33 elect such representatives as required under this Act.

34 CHAPTER VII. MISCELLANEOUS PROVISIONS

35 SEC. 84. *Personnel and Compensation.* - The employees and management of TEZA,

1 Tourism Philippines and DFPC shall be exempt from the coverage of the Salary Standardization
2 Law.

3 Subject to existing constitutional and legal prohibitions on double compensation for Board
4 members in an *ex-officio* capacity, the members of the TEZA Board, Tourism Board, DFP Board
5 shall not be entitled to compensation, but may receive reasonable per diems for attendance at
6 regular and special Board meetings.

7 SEC. 85. *Reportorial Requirements.* - All attached agencies of the Department shall submit
8 a quarterly report to the Secretary and to the Joint Congressional Oversight Committee on Tourism
9 on the implementation of their respective programs.

10 SEC. 86. *Budgetary Approval.* - All attached agencies of the Department shall submit their
11 annual budgets to the Secretary for his/her approval, and shall furnish copies of the same to the
12 *Joint Congressional Oversight Committee on Tourism.*

13 The budgets of TEZA, Tourism Philippines and DFP reported to the Joint Congressional
14 Oversight Committee must contain detailed information on the compensation and benefits received
15 by their employees.

16 SEC. 87. *Other Incentives.* -

17 a. Tourism enterprises not located within Zones shall, upon approval by the
18 Department, be entitled to avail of any economic incentives found under existing laws,
19 such as the Omnibus Investments Code, Foreign Investments Act, Special Economic
20 Zone Act of 1995, the Bases Conversion and Development Act, among others.

21 *Importation of transportation and the accompanying spare parts of new and*
22 *expanding tourism-registered enterprises shall be exempt from customs duties and*
23 *national taxes: Provided, That they are not manufactured domestically in sufficient*
24 *quantity, of comparable quality and at reasonable prices, and that they are reasonably*
25 *needed and will be used exclusively by an accredited tourism enterprise.*

26 *Subject to rules and regulations jointly promulgated by the Department and*
27 *the relevant government agency, such as the Board of Investments or the Philippine*
28 *Economic Zone Authority, an existing accommodation establishment not located within*
29 *a Zone shall be entitled to claim an income tax holiday for up to six (6) years for any*
30 *significant expansion, renovations or upgrades in its facilities in relation to the amount*
31 *of the original investment. They shall also be entitled to import capital equipment free*
32 *of taxes and duties when necessary for such expansion, renovation or upgrades.*

33 b. The Department and the Department of Trade and Industry shall promulgate rules and
34 regulations to govern the relationship between Zones created under this Act, and
35 economic zones created under Republic Acts No. 7227 or 7916, as amended, where

1 an area comprising a Zone overlaps, falls within or encompasses that of an economic
2 zone; *Provided*, That such rules and regulations shall consider the special nature and
3 requirements of tourism in relation to other industries, establishments and operations
4 in economic zones.

5 c. The investment incentives offered under this Act shall be without prejudice to availing
6 other incentives provided under other laws, decrees, and presidential issuances.
7 However, where such other laws, decrees or presidential issuances *provide for similar*
8 *or identical benefits*, the beneficiary may only elect to avail of the benefit provided
9 *under one particular law, decree or presidential issuance*.

10 d. Local governments are likewise encouraged to provide incentives for tourism
11 enterprises through, among others, reductions in applicable real estate taxes, and
12 waivers of fees and charges, among others. Should a local government grant such
13 incentives, it shall report the same to the Department and Tourism Philippines to
14 assist in the marketing and promotions of investment in that local government.

15 e. The grant of fiscal and other incentives to enterprises not located within Tourism
16 Enterprise Zones shall be governed by the following provisions:

17 1. Tourism enterprises may avail of incentives provided under Executive Order No.
18 226 (1987), the *Omnibus Investments Code*, provided that:

19 1.1 Tourism activities shall always be included in the investments priority
20 plan;

21 1.2 Rules and regulations concerning the grant of incentives to tourism
22 enterprises shall be jointly formulated by the Board of Investments and the
23 Department;

24 1.3 The income tax holiday provided under section 39.1 of the Omnibus
25 Investments Code shall also apply to existing accommodation enterprises
26 undergoing substantial expansions, renovations or upgrades of facilities; and

27 1.4 *Accredited tourism enterprises* shall be entitled to import
28 transportation and accompanying spare parts free of taxes and duties, provided
29 that such transportation shall be exclusively used by the enterprise in its
30 operations, and provided further that such are not manufactured domestically in
31 sufficient quantity, comparable quality and prices.

32 2. Tourism enterprises located in special economic zones created under Republic
33 Act No. 7916 or by special charter shall continue to be governed by the same.

34 f. The incentives offered under this Act shall be without prejudice to the availment of
35 other incentives provided under other laws, such as, but not limited to, those

1 concerning infrastructure, or micro-, small- and medium enterprises. However, where
2 such laws provide for similar benefits as those contained herein, the beneficiary may
3 elect to avail of the benefit provided only under one particular law, decree or issuance.

4 SEC. 88. *Implementing Rules and Regulations.* - Except as otherwise provided, the
5 Secretary of Tourism shall have the power to issue rules and regulations to implement this Act.

6 SEC. 89. *Repealing Clause.* - The provisions of Executive Orders No. 292 (The
7 Administrative Code of 1987, as amended), Presidential Decree No. 189, as amended (Creating
8 the Philippine Tourism Authority), Presidential Decree No. 1448, as amended (Creating the
9 Philippine Convention and Visitors Corporation), the Local Government Code (Republic Act No.
10 7160), Presidential Decree No. 1616 (Creating the Intramuros Administration), and all other laws,
11 presidential decrees, executive orders, proclamations and administrative regulations inconsistent
12 with the provisions of this Act are hereby amended, modified, superseded or repealed accordingly.

13 SEC. 90. *Separability Clause.* - In the event that any provision of this Act or parts thereof be
14 declared unconstitutional, such declaration shall not affect the validity of the other provisions.

15 SEC. 91. *Effectivity Clause.* - This Act shall take effect one month after the completion of its
16 publication in a newspaper of general circulation

 Approved,