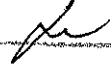


FOURTEENTH CONGRESS OF THE)
 REPUBLIC OF THE PHILIPPINES)
 First Regular Session)

7 JUL 26 2006

SENATE

RECEIVED BY: S.B. No. 1381

Introduced by Senator Loren Legarda

EXPLANATORY NOTE

This bill seeks to provide fiscal and non-fiscal incentives to registered enterprises in the tourism enterprise zones created herein to spur investments in the country, generate foreign exchange and employment, and promote tourism industry as an indispensable element of the national economy and an industry of national interest and importance.

In a paper prepared by the Senate Economic Planning Office in August 2006, the Philippine tourism industry had a sustained growth in international arrivals for most of the 1990s at a high of 2.2 million visitors in 1997. The trend was overturned in the subsequent years, with an average contraction of 5.1 percent from 1998 to 2001. In 2004 international arrivals grew by 20 percent with nearly 2.3 million arrivals. This continued in 2005 with the country having 2.6 million arrivals. But these figures fall short in comparison to other ASEAN nations, with Malaysia and Thailand posting tourist arrivals of 15.7 million and 11.7 million, respectively, in 2004. Vietnam's tourist arrivals, which used to lag behind the Philippines', surged ahead in 2000. It has since maintained its lead with 2.9 million arrivals in 2004.

According to the United Nations World Tourism Organization, the geographical expansion and labor intensive nature of the tourism sector provide a spread of employment which is particularly relevant in remote and rural areas where many of the poor live. Moreover, favorable climactic conditions at destinations are key attractions for tourists. In general, for all forms of tourism activities taking place outdoors, accurate climate and weather information is key for the planning and carrying out of trips and programs. Therefore tourism is an important element in both poverty reduction and climate change. The government and the private sector must therefore consider both in tourism development strategies.

In a country where agriculture remains to be the main source of livelihood in the rural areas and where small and medium enterprises (SMEs) represent the bulk of the economy, tourism's impact is particularly strong because it creates many direct and indirect jobs, offers a viable alternative to declining subsistence farming and promotes the development of a market economy where SMEs can expand. Likewise, there is now an increased awareness for developing ecological tourism zones in view of the environmental degradation that is prevalent in most areas in the country today. There is therefore a need to develop and promote tourism as a means to reduce poverty in the country and as an incentive to maintain the richness of its natural resources.

This bill seeks to address the need to tap tourism as a source of economic growth and an incentive to protect the environment by allowing the creation of tourism enterprises. Tourism enterprises are facilities, services and attractions involved in tourism, such as, but not limited to: travel agents; tour operators; tourist transport operators, whether for land, sea or air transportation; tour guides; adventure sports operators, such as those for mountaineering, spelunking, scuba diving and other water sports, and other sports activities of significant tourism potential; convention organizers; accommodation establishments, such as hotels, resorts, apartelles, tourist inns, motels, pension houses, home stay operators; restaurants, shops & department stores, sports & recreational centers, spas, museums & galleries, theme parks, convention centers and zoos. These enterprises shall be under the Tourism Enterprise Zone Authority created under this bill which shall be attached to the Department of Tourism for program and policy coordination.

Aside from the reinforced Department of Tourism, this proposed measure creates new bureaus to ensure the proper implementation of this bill once enacted into law: Bureau of Tourism Development Planning that will prepare a national tourism development plan, a Bureau of Tourism Coordination that will assist in the coordination with national government agencies, local government units, non-governmental organizations, and other private entities for the development and implementation of the national tourism plans and policies, and a Bureau of Tourism Standards, Regulations and Industry Manpower Development that will formulate and enforce standards for tourism enterprises, prescribing minimum levels of operating quality and efficiency in order to ensure that facilities, personnel and services are maintained in accordance with acceptable local and international standards.

Furthermore, this bill ensures a holistic government strategy in tourism promotion and development by rationalizing the functions of existing government agencies involved in tourism, to wit, the Philippine Tourism Authority (PTA), which will be renamed as the Philippine Tourism Assets Corporation, the Duty-Free Philippines Corporation, Film Development Council of the Philippines, Intramuros Administration, the National Parks Development Committee, Nayong Pilipino Foundation, the Philippine Retirement Authority, and the Philippine Tourism Assets Corporation.

Finally, this proposed legislation creates a body corporate to be known as Tourism Philippines that shall be responsible for marketing and promoting the Philippines domestically and internationally as a major global tourism destination, highlighting the uniqueness of its tourism products, development and assisting the development of such tourism products.

In view of the foregoing, immediate passage of this bill is earnestly requested.




LOREN LEGARDA
Senator

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

7 JUL 26 P3 26

SENATE

RECEIVED BY: 

S.B. No. 1381

Introduced by Senator Loren Legarda

AN ACT
DECLARING A NATIONAL POLICY FOR TOURISM AS THE PRIMARY 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

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

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

The Department of Tourism may call upon all government departments, agencies and offices to coordinate their efforts in the implementation of this policy by providing the necessary infrastructure, creating an atmosphere of peace, order and security, and inculcating within the people a culture of tourism, within a framework of sustainable development, such that the benefits of tourism will contribute to bringing an end to poverty.

SEC. 3. Declaration of Principles. - In the pursuit of this policy, the interpretation and implementation of this Act and all other laws, decrees, presidential issuances, and implementing rules and regulations on tourism, shall hereafter be governed by the following principles:

- A. Tourism development must be focused. The nation must seek to make the Philippines a premiere tourist destination in Asia, if not the world. Its government and its people must devote resources to attract tourists to generate investments, foreign exchange, employment and national pride
- B. Tourism development must be sustainable. The state must protect and preserve with pride not only our natural, historical and cultural endowments,

but more importantly the dignity of the Filipino people, such that future generations of Filipinos will be proud of themselves, and of their nation.

- C. Tourism development must be coordinated. All government departments, agencies and offices must realize the fundamental importance of tourism as an engine of growth and must direct their efforts to support the Department of Tourism in the creation of peace and order, public infrastructure, and a proud culture that cultivates tourism
- D. Tourism development must be responsive. Any investment made into every tourism enterprise must result in real jobs for real people, in the context of the needs of every affected community. Only by the creation of real opportunities and real employment can people truly benefit from the benefits of tourism development
- E. Tourism development must begin at home. Only when Filipinos come to know and love their own country through domestic tourism and a dynamic educational system can a culture of tourism truly be created, allowing the Philippines and the Filipinos to truly take their place in, and connect with the rest of, the world.

SEC. 4. Definition of Terms. - The following terms, as used in this Act, are defined as follows:

- a. Department - Department of Tourism
- b. Secretary - Secretary of Tourism
- c. TEZA - Tourism Enterprise Zone Authority
- d. Zone - Tourism Enterprise Zone
- e. Zone Operator - Tourism Enterprise Zone Operator
- f. Registered Enterprise - An enterprise located within a Zone that is duly-registered with the TEZA
- g. PTA - Philippine Tourism Authority
- h. PCVC - Philippine Conventions and Visitors Corporation
- i. DFP - Duty-Free Philippines
- j. Tourism enterprises - shall refer to facilities, services and attractions involved in tourism, such as, but not limited to: travel agents; tour operators; tourist transport operators, whether for land, sea or air transportation; tour guides; adventure sports operators, such as those for mountaineering, spelunking, scuba diving and other water sports, and other sports activities of significant tourism potential; convention organizers; accommodation establishments, such as hotels, resorts, apartelles, tourist inns, motels, pension houses, home stay operators; restaurants, shops & department stores, sports & recreational centers, spas, museums & galleries, theme parks, convention centers and zoos.
- k. Affected local government unit - shall refer to A province or city that has a Zone, or part thereof, within its territorial jurisdiction

CHAPTER II. TOURISM GOVERNANCE

Subchapter II-A. Structure of the Department

SEC. 5. Mandate. - The Department of Tourism shall be the primary government agency charged with the responsibility of determining tourism policies and

programs to develop and regulate tourism, implement such policies and programs on its own, through attached agencies, and in coordination with other government instrumentalities, and instill in the Filipino the fundamental importance of tourism in the generation of employment, investment and foreign exchange.

SEC. 6. Powers and Functions. - The Department shall have the following powers and functions:

- a. Formulate policies, plans, programs, and projects for tourism as an engine of socio-economic and cultural growth
- b. Oversee and coordinate the implementation of tourism policy, plans and projects
- c. In coordination with local governments, delegate to regional offices specific powers and functions in the implementation of tourism policies, plans and projects
- d. Call upon all agencies of Government to properly carry out their programs in relation to and in coordination with the policies, plans and projects of the Department, and to assist in the implementation of tourism policies, plans and projects
- e. Represent the Government in all domestic and international conferences, and in all multilateral or bilateral treaties and international agreements, concerning tourism, and ensure government's implementation and compliance with all obligations arising there from, particularly those that facilitate travel by air, sea and land
- f. Effect the removal of unnecessary barriers to travel, the integration and simplification of travel regulations, and ensure their efficient, fair and courteous enforcement to assure expeditious and hospitable reception of all visitors
- g. Issue timely advisories on the safety or viability of travel to particular communities within the Philippines
- h. Participate at meetings of government agencies, offices, boards, commissions or committees that may, directly or indirectly, affect tourism, including but not limited to, transportation and travel, peace and order, national emergencies and disaster coordination, public utilities and other public infrastructure, foreign relations and immigration
- i. In cooperation with appropriate government agencies and the private sector, support, advance and promote the protection, maintenance and preservation of historical, cultural and natural endowments
- j. In consultation with the private sector, formulate and promulgate rules and regulations prescribing standards for the operation of tourism enterprises in accordance with the highest relevant international standards
- k. License, accredit and classify tourism enterprises, and when necessary to maintain the quality of service, suspend or prohibit their operation in accordance with duly promulgated rules and regulations
- l. Ensure the proper coordination, integration, prioritization and implementation of local government tourism development plans with that of the national government
- m. Receive and investigate complaints concerning tourism enterprises, act on such complaints, and exercise quasi-judicial functions in the process of accreditation, suspension, or prohibition of the operation of tourism enterprises, and in such other processes necessary to properly implement the provisions of this Act

- n. Collect necessary fees and charges for the proper implementation of tourism policies, plans and projects.

SEC. 7. Structure of the Department. - The Department shall consist of the Department Proper, Department Services, Bureaus and Offices and the Department's Regional Offices. The Department Proper shall consist of the Offices of the Secretary, Undersecretaries and Assistant Secretaries.

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

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

- a. Undersecretary for Tourism Development, who shall be responsible for the Bureau of Tourism Development Planning and Bureau of Tourism Coordination
- b. Undersecretary for Tourism Regulation, who shall be responsible for the Bureau of Tourism Standards, Regulations and Industry Manpower Development, and all Regional Offices
- c. Undersecretary for Internal Services.

There shall be such number of Assistant Secretaries appointed by the President as may be required by the operations of the Department.

SEC. 10. Bureau of Tourism Development Planning. - Recognizing the value of national tourism development planning, the Bureau of Tourism Development Planning shall have the following functions:

- a. Analyze specific geographical areas with potential tourism value leading to the preparation of a national tourism development plan
- b. Conduct research on the economic impact of tourism, and on necessary policies and programs for the sustainable tourism development of natural, cultural and historical endowments
- c. Formulate policies, programs and plans for national tourism development, coordinate with local government units for the formulation and preparation of local tourism development plans, and insure not only the integration of such local plans with that of the nation as provided under subchapter II-E below
- d. Monitor and evaluate the implementation of plans and programs of the Department and of local government units.

SEC. 11. Bureau of Tourism Coordination. - Recognizing increased linkages are necessary between various government offices and the private sector to properly implement tourism policy, the Bureau of Tourism Coordination shall have the following functions:

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

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

SEC. 12. Bureau of Tourism Standards, Regulations and Industry Manpower Development. - Recognizing the need for internationally competitive standards of service, the Bureau of Tourism Standards, Regulations and Industry Manpower Development shall have the following functions:

- a. Formulate and enforce standards for tourism enterprises, prescribing minimum levels of operating quality and efficiency in order to ensure that facilities, personnel and services are maintained in accordance with acceptable local and international standards
- b. Coordinate with relevant tourism enterprise associations, including adventure sports associations, in the formulation of rules and regulations, accreditation, and enforcement
- c. License, regulate, classify, and monitor the operation of tourism enterprises, accredit tourism enterprises that comply with prescribed standards through a mandatory system of accreditation, and penalize and prohibit the operation of tourism enterprises that fail to meet such standards, under such terms as provided under subchapter II-E below
- d. Establish a system of registration, information, linkage, and mutual assistance among accredited tourism enterprises to enhance the value of accreditation and improve the quality of service rendered by such enterprises
- e. Provide technical assistance, training and education programs to local governments, tourism enterprises, and other entities to improve the quality tourism services.

SEC. 13. Regional Offices. - The Department shall establish, operate and maintain a Regional Office in each of the administrative regions of the country. A Regional Office shall be headed by a Regional Director and shall, within its administrative region, have the following functions:

- a. Implement and enforce laws, policies, plans, programs, rules and regulations of the Department, particularly those relating to the accreditation of tourism enterprises promulgated by the Department
- b. Coordinate with regional offices of other departments, bureaus, and agencies, local government units, non-governmental organizations, and the regional offices of the Department's attached agencies in the implementation of such laws, policies, plans programs and rules and regulations
- c. Together with local government units, establish such tourist information and assistance offices as are necessary to assist tourists and tourism enterprises in all relevant matters.

SEC. 14. Internal Services. - The Internal Services shall consist of the following services, and such other services as may be established by law, decree or executive order, each of which shall be headed by a Service Chief.

SEC. 15. Financial and Management Service. - The Financial and Management Service shall provide the Department with staff advice and assistance on budgetary, financial and management matters and shall perform such other related functions as may be assigned or delegated to it by the Secretary.

SEC. 16. Administrative Affairs Service. - The Administrative Service shall provide the Department with staff advice and assistance on personnel information, records, communications, supplies, equipment, collection, disbursements, security, other custodial work and such other related duties and responsibilities as may be assigned or delegated to it by the Secretary.

SEC. 17. Legal Affairs Service. - The Legal Affairs Service shall:

- a. Exercise quasi-judicial functions in disputes relating to the system of permits and accreditation, as provided herein
- b. Provide the Department with staff advice and assistance on all legal matters affecting the Department and perform such other related functions as may be assigned or delegated to it by the Secretary.

Subchapter II-B. Rationalization of Functions

SEC. 18. Reorganization of Offices. - The Philippine Tourism Authority (PTA) created under Presidential Decree No. 189 as amended is hereby renamed as the Philippine Tourism Assets Corporation, as hereinafter provided. The Philippine Conventions and Visitors Corporation (PCVC) created under Presidential Decree No. 1448 as amended is hereby reorganized as Tourism Philippines as hereinafter provided.

The Bureaus for Domestic and International Tourism Promotions, and the Offices of Tourism Information and Product Development of the Department provided under the Administrative Code of 1987 are hereby absorbed within Tourism Philippines.

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

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

When economically feasible and financially viable, assets consisting of tracts of land may be assigned to the TEZA for sale, lease and/or development into Zones as hereinafter provided. All other assets, particularly those involving business operations, as well as liabilities and obligations shall continue to pertain to the Philippine Tourism Authority, which shall hereinafter be renamed the Philippine Tourism Assets Corporation.

SEC. 21. Retirement and Separation Compensation. - Should any employee be separated from government service on account of the reorganization of the Department, said employee shall be entitled to claim separation or retirement benefits as may be

provided under existing laws governing the civil service, as well as benefits granted under relevant laws, presidential decrees and executive orders.

SEC. 22. Foreign Field Offices. - The operation and supervision of foreign field offices of the Department of Tourism shall be transferred to Tourism Philippines.
Subsection II-C. Attached Agencies and Corporations

SEC. 23. Other Attached Agencies. - Tourism Philippines and the Tourism Enterprise Zone Authority created herein below shall be attached to the Department and shall be under the supervision of the Secretary for program and policy coordination. Furthermore, the following agencies and corporations shall be attached to the Department under the supervision of the Secretary for program and policy coordination: the Duty-Free Philippines Corporation as hereinafter provided, Film Development Council of the Philippines as created under Republic Act No. 9167, Intramuros Administration created under Presidential Decree No. 1616 as amended, the National Parks Development Committee created under Executive Order No. 30 (1963), Nayong Pilipino Foundation created under Presidential Decree No. 37, as amended, the Philippine Retirement Authority created under Executive Order No. 1037, as amended, and the Philippine Tourism Assets Corporation,, created under Presidential Decree No. 189. Except as hereinafter provided, each of the attached agencies shall continue to operate under their respective charters.

SEC. 24. Duty-Free Philippines Corporation. - A body corporate, "Duty Free Philippines Corporation", is hereby created to operate the duty and tax free merchandising system in the Philippines to augment the service facilities for tourists and to generate foreign exchange and revenue for the government, as established under Executive Order No. 46 (1986).

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

- a. Is competitive with international standards,
- b. Effectively showcases Philippine culture, craftsmanship and industry, and
- c. Efficiently and effectively generates foreign exchange.

Such merchandise, goods and articles shall only be sold to persons departing for abroad. Under such limitations, rules and regulations that may be provided by the Department of Tourism and concurred in by the Department of Finance, such merchandise, goods and articles may be sold to foreign tourists for consumption within a tourism zone, or to passengers arriving into the Philippines from abroad. The Department shall adopt appropriate rules to delimit the operations of Duty Free Philippines within Zones in a manner that allows the establishment, growth and development of other retailing and merchandising enterprises therein.

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

Duty Free Philippines shall be governed by a Board of Directors composed as follows:

- a. Secretary of Tourism as Chairman,
- b. General Manager of Duty Free Philippines as Vice-Chairman,

- c. Chief Operating Officer of Tourism Philippines,
- d. Administrator of Tourism Enterprise Zone Authority, and
- e. Four persons appointed by the President with recognized competence in business management, marketing, finance, tourism and related fields.

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

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

SEC. 25. Intramuros Administration. - Consistent with Presidential Decree No. 1616, Section 13 as amended, the Intramuros Administration is hereby authorized to administer Tourism Enterprise Zone incentives as provided under Chapter IV of this Act to enterprises within Intramuros as Intramuros is hereby declared a Tourism Enterprise Zone. In addition to such incentives, an enterprise engaged in the restoration of structures within Intramuros shall be entitled to a tax credit equivalent to the full cost of such restoration activities. The TEZA shall supervise the grant of incentives by the Intramuros Administration.

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

SEC. 27. The Film Development Council of the Philippines. - To further integrate national promotions efforts, the Film Development Council of the Philippines shall be attached to the Department, and the Secretary shall be its *ex-officio* Chairman. In the award of privileges under its charter, the Film Development Council shall give preference to films which highlight Philippine history and culture, particularly those which receive international recognition.

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

SEC. 29. Philippine Tourism Assets Corporation. - In lieu of the mandate of the former Philippine Tourism Authority provided under Presidential Decree No. 189 as amended, The Philippine Tourism Assets Corporation shall hereinafter be specifically mandated to manage tourism enterprises it currently operates with the specific goal of attaining self-sufficiency in its operations within five years from the effectivity of this Act. Toward this end, it shall be entitled to receive the amount of one hundred million pesos (PHP 100,000,000) from the annual collections of travel taxes by way of subsidy for its operations for five years from the date of effectivity of this Act. Should it fail to attain self-sufficiency at the end of that period, the corporation shall be dissolved and its assets disposed. The proceeds of such a disposition of assets shall be set aside in a trust fund as provided under Chapter III Section 50 below.

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

SEC. 30. Rationalization of Tourism Zones, Areas and Spots. - Any jurisdiction over any tourism zone, area or spot previously vested by law, executive order or presidential decree on the PTA or any other national government agency shall be vested in the Department.

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 control over a tourism zone, area or spot, or a portion thereof, to another agency or office of the government, or to a local government unit.

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

The Department shall exercise supervisory powers over such agency, office or local government unit in accordance with the terms of the agreement of transfer, or the development plan of the zone, area or spot. Where a national government agency or a local government unit fails to implement the comprehensive plan approved by the Department, the Department may, after due notice and hearing, revoke the agreement transferring of control over the tourism zone, area or spot. Where a local government unit is involved, the Department may also exercise powers provided under subchapter II-E below.

SEC. 31. National Protected Areas System and the National Eco-tourism Policy. - Within one (1) year from the effectivity of this Act, the Department and the Department of the Environment and Natural Resources shall identify areas covered by the National Integrated Protected Areas System with ecotourism potential and prepare comprehensive plans for the use, development, preservation and promotion of these areas. When practicable, and with the concurrence of the Department of the Environment and Natural Resources, the Protected Area or portions thereof, and areas currently covered by the Eco-tourism Policy proclaimed under Executive Order No. 111 (1999), may be organized as Zones under the supervision of the TEZA as hereinafter provided.

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

SEC. 32. Coordination between National and Local Governments. - In view of the urgent need to develop a national strategy for tourism development within a framework for decentralized governance in areas outside of Zones created under Chapter IV of this Act, the Department and local governments shall integrate and coordinate local and national plans for tourism development. Recognizing the strategic developmental value of tourism spearheaded by the national government, and the significant role local governments play in tourism development, greater coordination and support are required between national and local governments to truly implement a national policy for tourism. The Secretary, in the exercise of his/her rule making powers as required by the needs of industry regulation, shall have the power to identify the enterprises covered by this subchapter.

SEC. 33. Tourism Development Planning. - Local governments shall coordinate with the Department for the preparation and implementation of tourism development plans for their respective jurisdictions.

SEC. 34. Licenses and Permits. - Every local government unit with a duly-prepared tourism development plan shall have the authority to grant licenses and permits for the operation of tourism enterprises within their respective jurisdictions. Where the local government has not prepared a tourism development plan in coordination with the Department, the local government shall be empowered only to issue provisional licenses and permits for the operation of tourism enterprises. Such power to issue provisional licenses and permits shall not exceed two years from the approval of this Act. Thereafter, any local government without a duly-prepared tourism development plan shall be prohibited from issuing licenses or permits for the operation of tourism enterprises.

The local government shall not renew any license or permit of any tourism enterprise that has failed to obtain or has lost accreditation from the Department.

The Department shall, on its own or upon complaint, have the authority to review the grant of such licenses and permits to ensure that the tourism development master plan is properly implemented. The Department is further empowered to require the relevant local government unit to adopt necessary measures and impose reasonable penalties to insure the proper implementation of the tourism development master plan.

SEC. 35. Mandatory Accreditation. - In addition to the permits and licenses issued by the local government, every tourism enterprise shall, on a regular basis, obtain accreditation from the Department in relation to the quality of facilities and standard of service offered by such enterprise. Where an enterprise fails to obtain or qualify for accreditation, the Department shall notify the enterprise, giving it sufficient time to obtain accreditation, or to address deficiencies observed in the accreditation process. Where the enterprise still fails to obtain or qualify despite due notice, the Department shall notify the relevant local government unit of the fact, requiring it to take appropriate action against the enterprise, which may include monitoring, investigation, imposition of fines, or the suspension or cancellation of its license or permit. Where the local government fails to act within fifteen (15) days from receipt of notice, the Department shall be empowered to suspend or cancel the license or permit to operate of the enterprise.

SEC. 36. Supervision over Local Governments. - Where the local government unit fails to act as required under this subchapter, after proper notice and hearing the Department shall take necessary action, which may include:

- a. Suspension of services rendered by the Department and its attached agencies to the local government
- b. Suspension of the power of the local government to issue licenses and permits for tourism enterprises.
- c. Imposition of reasonable fines and penalties against the responsible local government executive and subordinates.
- d. Elevation of the matter to the President in the latter's exercise of supervision over local governments.

SEC. 37. Local Government Capabilities Enhancement. - The Department shall develop support and training programs to enhance the capacities and capabilities of local governments to monitor and administer tourism activities, and enforce tourism laws, rules and regulations in their respective jurisdictions. Funding for such programs shall be shared between the Department and the local government.

SEC. 38. Reports. - Every local government unit shall periodically report to the Department on the status of tourism, plans and programs, tourist arrivals, and tourism enterprises, among others, within their jurisdictions.

CHAPTER III. TOURISM MARKETING AND PROMOTIONS

Subchapter III-A Tourism Philippines

SEC. 39. Tourism Philippines. - Under the supervision of the Secretary and attached to the Department for purposes of program and policy coordination shall be a body corporate known as Tourism Philippines.

SEC. 40. Mandate. - Tourism Philippines shall be responsible for marketing and promoting the Philippines domestically and internationally as a major global tourism destination, highlighting the uniqueness of its tourism products, development and assisting the development of such tourism products.

SEC. 41. Board of Directors. - Tourism Philippines shall be governed and its powers exercised by a Board of Directors (the "Tourism Board"), composed as follows:

- a. The Department Secretary, as chairperson
- b. The Tourism Philippines Chief Operating Officer, as vice-chairperson
- c. The General Manager of Duty Free Philippines
- d. A representative from the Philippine Amusements and Gaming Corporation
- e. A representative from the international airports and seaports providing the largest contribution to the Tourism Development Fund as provided under Section 52 below
- f. Five directors elected by the Tourism Congress as provided under Section 43 below

SEC. 42. The Chief Operating Officer. - Tourism Philippines shall have a Chief Operating Officer who shall be Filipino with a degree in business, law, tourism, public administration, or relevant fields, and have demonstrated expertise therein. He/she must have been engaged in the managerial capacity for at least five (5) years prior to his/her appointment. The Chief Operating Officer shall be elected by a majority of the members of the Tourism Board, and shall serve at its pleasure.

SEC. 43. Elected Directors. - The Tourism Congress as created under Chapter VI, Section 44 shall elect from among its members the directors to represent the tourism industry, specifically the following sectors:

- a. air, sea and land tourist transportation operators;
- b. hotel and resort and other accommodation enterprises;
- c. tour operators;
- d. travel agents;
- e. conventions organizers; and
- f. other tourism enterprises.

Under the first election to implement this provision, the directors elected from the first three sectors above-mentioned shall serve terms of three years, while those from the last three sectors shall serve terms of two years. Thereafter, all directors shall serve terms of two years. These directors must be Filipinos engaged in the management

of a business in the sectors they represent for at least five (5) years, and must remain engaged in business in the sector they have been elected to represent throughout their term of office.

SEC. 44. Powers of Tourism Philippines. - Tourism Philippines shall have all powers of a corporation provided under the Batas Pambansa Blg. 68, the Corporation Code. Furthermore, it shall also have the following powers:

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

SEC. 45. Meetings of the Board. - The Tourism Board shall meet at least once a month at the Tourism Philippines' principal office unless the Board had previously agreed in writing to meet at another location.

SEC. 46. Internal Structure. - The Tourism Board shall have the power to determine its operational and staffing structure in a manner that will allow it to best implement its mandate.

SEC. 47. Capitalization. From the collections of travel taxes, the national government shall set aside an amount of two hundred fifty million pesos (PhP 250,000,000) to capitalize the operations of Tourism Philippines.

SEC. 48. Strategic Marketing Plan. - Tourism Philippines shall draft comprehensive short-, medium- and long-term marketing plans for the Philippines as a destination for travel, business and investment, particularly tourism investment. It shall coordinate, insofar as practicable, with relevant agencies of government and the private sector in the preparation of such plans.

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

SEC. 49. Foreign and Domestic Promotions Offices. In the implementation of its mandate, Tourism Philippines shall establish foreign and domestic offices, which

shall be responsible in their respective areas for marketing and promotions, market research, and such other functions delegated by the Board. Each office shall submit periodic reports to both the Tourism Board and the Secretary on the performance of its functions. The head of each Tourism Philippines foreign office shall be considered as a representative of the Philippine government for matters related to tourism.

Subchapter III-B Tourism Promotion and Development Fund

SEC. 50. Tourism Promotion and Development Trust. - Should the Philippine Tourism Assets Corporation fail to attain self-sufficiency as provided under Chapter II, Section 29 above, Tourism Promotion and Development Trust shall hereby be established from the proceeds of the sale of its assets. The Trust shall be managed by a government-owned bank or financial institution selected by the Tourism Board and approved by the President. Said bank or institution shall report on a quarterly basis to the Secretary and the Joint Congressional Tourism Oversight Committee the status and profitability of the Trust.

SEC. 51. Tourism Promotion and Development Fund. - The proceeds of the following shall be placed in a special Tourism Promotion and Development Fund to finance the activities of Tourism Philippines:

- a. The investment earnings from the Tourism Promotion and Development Trust
- b. The full amount of travel taxes less the statutory allocations for the National Commission on Culture and the Arts, the Commission on Higher Education and the Philippine Tourism Assets Corporation as provided above
- c. An appropriation from the national government of five hundred million pesos (PHP 500,000,000) annually for five years representing the budget formerly allocated to the Department of Tourism's Bureaus for Domestic and International Promotions
- d. At least 50% of the net income of Duty Free Philippines, in lieu of its statutory remittance to the National Government under Republic Act No. 7656
- e. At least 25% of net income of the Philippine Amusements and Gaming Corporation, to be taken from the share of the National Government under Republic Act No. 7656
- f. At least 25% of the net income of international airport and seaports, to be taken from the share of the National Government under Republic Act No. 7656
- g. A minimal tourism fee which shall initially not exceed five US dollars (USD 5) to be collected from foreign guests per night spent in accommodation establishments, to be collected by said establishments and remitted to Tourism Philippines. The amount shall be initially fixed and maybe revised from time to time by the Board. In determining and reviewing the fee, the Board shall consider the level of accreditation of the establishment, its location and its market.

In no case shall promotions and marketing activities receive less than fifty percent (50%) of the annual utilization of the Fund. Not more than ten percent (10%) of the Fund shall be used for all other administrative and operating expenses of Tourism Philippines. The unallocated portion of the Fund shall be utilized by the Tourism Philippines in coordination with the Department to fund manpower training programs, particularly the grant of scholarships to trainings and courses abroad to enhance local skills and knowledge relevant to tourism, heritage preservation, and infrastructure development, among others.

The collections of travel taxes, portions of the net income of government corporations and other enterprises, and all other fees and collections provided under this section due Tourism Philippines shall be remitted directly to Tourism Philippines.

SEC. 52. Special Contingency Fund. At the beginning of each year, ten percent (10%) of the allocation for promotions and marketing shall be set aside as a special contingency fund to provide Tourism Philippines with sufficient resources to undertake marketing and promotions activities to encourage sustained tourism interest in the Philippines in the event of emergencies which may adversely affect the tourism industry. The Special Contingency Fund shall only be utilized upon a two-thirds vote of all the members of the Tourism Board upon a resolution recognizing the existence of an emergency and authorizing the release of the fund. Any balance at the end of each year in the Special Contingency Fund shall be returned to the Tourism Promotion and Development Fund.

Chapter IV. Tourism Enterprise Zones

Subchapter IV-A Tourism Enterprise Zones

SEC. 53. Tourism Enterprise Zones. - Any geographic area with the following characteristics may be designated as a Zone:

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

SEC. 54. Designation. - The designation of a Zone may be proposed to the Tourism Enterprise Zone Authority by the national government, city governments, provincial governments with the consent of component municipalities, private initiative, or by joint ventures between the public and private sectors.

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

SEC. 55. Development Planning. - Each application for designation as a Zone shall be accompanied by a Zone development plan which shall, consistent with principles of economic, cultural and environmentally sustainable development, specifically identify:

- a. Features which satisfy the requisites for the designation of a Zone enumerated under Section 53 of this Chapter
- b. Areas for infrastructure development, for investment, and for preservation, as well as the kind of development, nature of investment, or the sustainable activities allowed within preserved areas, respectively
- c. Medium and long-term studies on market trends, and corresponding development strategies for the Zone
- d. Studies on the economic impact of development within the Zone and in surrounding communities

- e. Studies on the environmental, cultural and social carrying capacity of the Zone and surrounding communities
- f. Design plans for structures which incorporate design and sustainability principles from local architecture and the surrounding environment

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

Lands identified as part of a Zone shall be exempt from the coverage of the Urban Development and Housing Program Act of 1992 (Republic Act No. 7279) and the Comprehensive Agrarian Reform Law (Republic Act No. 6657). The TEZA shall, in coordination with the Department of Land Reform, adopt the necessary rules and regulations to implement this provision.

SEC. 56. Operation of the Zone. The Zone proponent shall establish a corporate entity to administer the Zone and supervise activities within the Zone. The designation of a Zone does not vest ownership of the resources therein upon the Zone Operator. Where the Zone Operator possesses rights to land or other resources within the Zone, the Zone Operator shall be entitled to exercise such rights as allowed by existing laws in a manner consistent with the duly-approved development plan as provided under Section 55 above.

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

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

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

Subchapter IV-B. Tourism Enterprise Zone Authority

SEC. 57. The Tourism Enterprise Zone Authority. Under the supervision of the Secretary shall be a body corporate known as the Tourism Enterprise Zone Authority (TEZA).

SEC. 58. Mandate. - The TEZA shall supervise the cultural, economic and environmentally sustainable development of Zones. Pursuant thereto, it shall have the sole and exclusive jurisdiction to issue permits and licenses for the regulation of commercial activity, and enforce environmental and cultural heritage, zoning and traffic, and construction laws within Zones. It shall also coordinate with appropriate

agencies and government units for the facilitation of investments, and the development of communities surrounding or adjoining Zones.

Supervisory jurisdiction over all tourism enterprises outside of Zones shall be shared between local governments and the Department, as provided under Chapter II, subchapter C of this Act. Where investments in tourism enterprises are to be made in areas outside of Zones, they shall continue to be supervised by the relevant investment agency, subject to the Department's notification and approval.

SEC. 59. Board of Directors. - The TEZA shall be governed and its powers exercised by a Board of Directors (the "TEZA Board"), composed as follows:

- a. The Department Secretary, as chairperson
- b. The Administrator of the Tourism Enterprise Zone Authority, as vice-chairperson
- c. The Undersecretary for Tourism Development
- d. A representative from the Department of Environment and Natural Resources
- e. A representative from the Department of Labor and Employment
- f. A representative from the Department of Trade and Industry
- g. Four directors to be appointed by the President as provided in Section 61 below.

SEC. 60. Administrator. - The TEZA Administrator must be a Filipino with a bachelor's degree in business, law, tourism, public administration, urban planning, or other relevant fields, and have demonstrated expertise therein. He/she must have been engaged in a managerial capacity for at least five (5) years prior to his/her appointment. He/she shall be appointed by the President and shall have a term of office of five (5) years.

SEC. 61. Directors Appointed by the President. - The President shall appoint directors to represent each of the following sectors:

- a. Real estate development and land use planning;
- b. Hotels, resorts and other accommodation establishments;
- c. Air, sea and land tourism transport operators;
- d. Other tourism enterprises.

These directors must be Filipinos engaged in management in the sectors they represent for at least five (5) years, and have recognized expertise in their respective sectors. These directors shall serve terms of four (4) years. However, the first directors appointed under this provision shall respectively serve four, three, two and one years.

SEC. 62. Meetings of the Board. - The TEZA Board shall meet at least once a month at the TEZA's principal office unless the TEZA Board had previously agreed in writing to meet at another location.

SEC. 63. General Powers and Functions of the TEZA. - The TEZA Board shall have the general powers of a corporation as provided under Batas Pambansa Blg. 68, the Corporation Code. Furthermore, it shall also have the following powers:

- a. Adopt rules and regulations necessary for the implementation of the provisions of this Chapter

- b. Enter into, make, perform and carry out contracts of every class, kind and description which are necessary or incidental to the realization of its purposes with any person, firm or corporation, private or public, and with foreign government entities
- c. Contract loans, indebtedness and credit, issue commercial papers and bonds, in any local or convertible foreign currency from international financial institutions, foreign government entities, and local or foreign private commercial banks or similar institutions under such terms and conditions prescribed by law, rules and regulations
- d. Execute any deed of guarantee, mortgage, pledge, trust or assignment of any property for the purpose of financing the programs and projects deemed vital for the early attainment of its goals and objectives, subject to the provisions of Article VII, Section 20, and Article XII, Section 2, paragraphs (4) and (5) of the Constitution
- e. Construct, own or lease, operate and maintain infrastructure facilities, and grant franchises for, and supervise the operation of, public utilities within Zones
- f. Undertake, or authorize the undertaking of reclamation projects within Zones
- g. Receive donations, grants, bequests and assistance of all kinds from local and foreign governments and private sectors and utilize the same
- h. Exercise eminent domain
- i. Coordinate with local government units and other government offices for the provision of basic services, utilities and infrastructure required by Zones
- j. Review and approve proposals for the designation of Zones based on criteria provided herein and approve, facilitate and assist in the organization of Zone Operators
- k. Supervise the operations of Zone Operators, review and enforce their development plans, and establish and implement other policies, plans and programs for the development and operation of Zones
- l. Register, monitor and regulate enterprises seeking to invest and operate within a Zone, and approve and grant incentives to such registered enterprises as provided under this Act
- m. Collect taxes as provided under Section 77 below, and necessary fees to defray administrative and operational expenses, and impose penalties and fines for violations of duly promulgated rules and regulations.

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

SEC. 64. Powers and Functions of the Administrator. - The Administrator shall implement the policies, plans and programs of TEZA Board, and shall periodically report to the TEZA Board the status of their implementation. The TEZA Administrator shall also recommend to the TEZA Board all necessary acts to properly supervise the operations of Zone Operators. In addition, he/she shall have the following specific powers and responsibilities:

- a. Subject to the approval of the TEZA Board, determine the structure, staffing pattern, and personnel complement of TEZA
- b. Coordinate with the Philippine National Police for the proper maintenance of peace and order within Zones

- c. Ensure that all Zone Operators properly perform their functions and duties in accordance with this Act, TEZA implementing rules and regulations, and all other relevant laws and executive issuances
- d. Receive all protests, complaints, and claims concerning Zone Operators, and make recommendations to the TEZA Board for appropriate action
- e. Enforce all legal easements along seashores, lakeshores, riverbanks, among others, to allow free and open access thereto and aid in the proper development of the national patrimony
- f. Require owners of houses, buildings or other structures constructed without the necessary permit whether constructed on public or private lands within Zones, to remove or demolish such houses, buildings, structures within sixty (60) days after notice and upon failure of such owner to remove or demolish such house, building or structure within said period, the TEZA Administrator or his/her authorized representative may summarily cause its removal or demolition at the expense of the owner, any existing law, decree, executive order and other issuances or part thereof to the contrary notwithstanding
- g. Take such emergency measures as may be necessary to avoid or mitigate the impact of fires, floods, storms and other natural or public calamities upon persons or properties within Zones and adjoining communities.

SEC. 65. Capitalization. - From the annual collections of travel taxes, the national government shall appropriate the sum of two hundred fifty million pesos (PhP 250,000,000.00) for the capitalization of TEZA.

SEC. 66. Registration. Business enterprises within a Zone must be registered with TEZA to avail of the incentives and benefits provided for in this Act.

SEC. 67. One-stop Shop Processing. - TEZA shall establish offices where prospective Zone investors can register to obtain the incentives and benefits under this Act, and obtain all necessary permits and licenses from all national and local government offices. All government agencies shall coordinate with TEZA for the issuance of such permits and licenses.

SEC. 68. Investigation and Inquiries. - Upon a written formal complaint made under oath, which on its face provides reasonable basis to believe that some anomaly or irregularity might have been committed within the Zone, the TEZA Administrator shall have the power to inquire into and investigate the conduct of Zone Operators, registered enterprises, or their employees. For that purpose, he/she may subpoena witnesses, administer oaths, and compel the production of books, papers, and other evidence. The TEZA Administrator may also grant immunity from prosecution to any person whose testimony or whose possessions of documents or other evidence is necessary or convenient to determine the truth in any investigation conducted by him/her or under his/her authority.

Subchapter IV-C. Zone Administration

SEC. 69. Administration of Zones. - Each Zone shall be administered and supervised by a Zone Operator. A Zone Operator shall be an entity duly incorporated under general Philippine law, whose capital may be provided by the national government, one or more city and/or provincial governments, and private entities.

SEC. 70. Articles of Incorporation and By laws of Zone Operators. - Except as provided herein and may be provided by rules and regulations duly promulgated by

TEZA, each Zone Operator may draft its articles of incorporation and by-laws as it sees fit.

SEC. 71. Boards of Directors and Consultative Bodies of Zone Operators. - The seats of the Board of Directors of a Zone Operator shall be allocated pro-rata according to the respective capital contributions of the Zone Operator's shareholders.

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

SEC. 72. Zone Administration. - The Board of Directors of each Zone Operator shall appoint its respective Zone Administrator. The Zone Administrator shall be responsible for implementing the policies, plans and projects of the Zone Operator Board of Directors.

TEZA shall provide guidelines on the necessary educational and practical qualifications required of a Zone Administrator. In addition to such qualifications, all Zone Administrators must undergo, complete and pass a training program created by the Department to provide Zone Administrators with knowledge and skills relevant to the operation of the Zone.

SEC. 73. Civil Dispute Resolution. - TEZA shall establish a civil dispute mediation office to effectively and efficiently resolve civil disputes within the Zone where at least one of the parties to the dispute was temporarily residing in the Zone at the time the dispute arose, and is still residing within the Zone at the time the complaint was filed with the mediation office. No civil dispute may be filed in court without having undergone mediation proceedings as provided under this section.

SEC. 74. Labor Dispute Resolution. - To resolve disputes between employees and employers for any violation of the Labor Code (Presidential Decree No. 442, as amended), the TEZA, in coordination with the Department of Labor and Employment, shall establish special labor dispute resolution offices within or near each Zone to effectively and efficiently resolve disputes between registered enterprises and their employees. Any other agency charged with the enforcement of the Labor Code or its rules and regulations shall not acquire jurisdiction over any dispute involving a registered enterprise unless such a complaint has undergone labor dispute mediation through such offices, and that such mediation has failed.

In order to promote a stable investment climate, realizing the critical role tourism plays in the Philippine economy, and recognizing that the right to strike may be regulated by law, employees of registered enterprises shall be prohibited from engaging in strikes or strike-related activity within five years from the registration of the enterprise.

Subchapter IV-D. Incentives for Zone Operators and Locators

SEC. 75. Grant and Administration of Incentives. - Recognizing the strategic economic importance of tourism, the necessity that investments within Zones be properly coordinated with environmental, cultural and developmental imperatives, and fundamental differences between the export manufacturing and tourism industries, TEZA shall have sole and exclusive jurisdiction to grant the incentives hereinafter provided, and administer them through Zone Operators, in a manner that ensures that incentives properly encourage the development of tourism enterprises within Zones, consistent with TEZA's mandate to ensure the cultural, economic and environmentally sustainable development of the Zones.

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

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

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

SEC. 76. Fiscal Incentives Available to Zone Operators and Registered Enterprises. - The following incentives may, in the discretion of the TEZA Board, be granted to registered enterprises within Zones:

- a. Income Tax Holiday. New enterprises shall, from the start of operations, not be subject to any tax on income for a period of six years. This income tax holiday may be extended if the enterprise undertakes a substantial expansion or upgrade of its facilities prior to the expiration of the first six years. This extension shall consider the cost of such expansion or upgrade in relation to the original investment, but shall in no case exceed an additional six years.

An existing enterprise shall be entitled to avail of a non-extendible income tax holiday if it undertakes an extensive expansion or upgrade of facilities. Such an income tax holiday shall consider the cost of such expansion or upgrade in relation to the original investment, but shall in no case exceed six years.

- b. Gross Income Taxation. In lieu of all other national and local taxes, license fees, imposts and assessments, except real estate taxes and such fees as may be imposed by the TEZA, a new enterprise shall pay a tax of 3% on its gross income, which shall be distributed as follows:
 1. One-third to be proportionally allocated among affected local governments;
 2. One-third to the national government; and
 3. One-third to the TEZA for the funding of its operations and its programs in Zones, which shall include the protection, maintenance and enrichment of the environment, tangible cultural and historical heritage, and the

intangible cultural heritage of communities within and surrounding Zones.

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

- c. Goods and Services. Subject to rules and regulations which properly define goods and services necessary for various kinds of tourism enterprises, registered enterprises shall be entitled to the following:
 1. Importation of goods actually consumed in the course of services actually rendered by or through registered enterprises within a Zone shall be exempt one hundred percent (100%) of all taxes and customs duties; *Provided however*, That no goods shall be imported for the purpose of operating a wholesale or retail establishment in competition with Duty-free Philippines
 2. A tax credit equivalent to all national internal revenue taxes paid on all locally-sourced goods and services directly or indirectly used by the registered enterprise for services actually rendered within the Zone.
- d. Social Responsibility Incentive. A registered enterprise shall be entitled to a tax credit equivalent to a reasonable percentage, not exceeding fifty percent (50%), of the cost of environmental protection or cultural heritage preservation activities, sustainable livelihood programs for local communities, and other similar activities it undertakes.

SEC. 77. Non-fiscal Incentives Available to Zone Operators and Locators. - The following incentives may, in the discretion of the TEZA Board, be granted to registered enterprises within Zones:

- a. Employment of foreign nationals. A registered enterprise may employ foreign nationals in executive, supervisory, technical or advisory positions for such reasonable periods and under such terms as may be provided by the TEZA Board, with due regard for the proper protection and representation of foreign investments in registered enterprises, and the need to ensure easy travel into and out of the Philippines by such nationals and their immediate families
- b. Special Investor's Resident Visa. Under such terms as may be provided by the TEZA Board, a foreign national who shall have made an investment with a value of at least fifty thousand US dollars (US\$ 50,000) in a registered enterprise shall be entitled to a Special Investor's Resident Visa. With such Visa, the foreign national shall be entitled to reside in the Philippines while his/her investment subsists
- c. Foreign Currency Transactions. Subject to the provisions of Section 74 of Republic Act No. 265 as amended
- d. Repatriation of Investments. In the case of foreign investments, the right to repatriate the entire proceeds of the liquidation of the investment in the currency in which the investment was originally made and at the exchange rate prevailing at the time of repatriation.

- e. Remittance of Foreign Exchange. The right to remit earnings from a foreign investment in the currency in which the investment was originally made and at the exchange rate prevailing at the time of remittance.
- f. Foreign Loans and Contracts. The right to remit at the exchange rate prevailing at the time of remittance such sums as may be necessary to meet the payments of interest and principal on foreign loans and foreign obligations arising from technological assistance contracts
- g. Freedom from Expropriation. There shall be no expropriation by the government of the property of a registered enterprise or represented by investments except for public use or in the interest of national welfare or defense. In any case, the affected person shall be entitled to just compensation, and shall have the right to repatriate such compensation as provided in paragraph c above
- h. Requisition of Investment. There shall be no requisition of the property of enterprises or represented by investment, except in the event of war or national emergency, and only for the duration thereof. In any case, the affected person shall be entitled to just compensation, and shall have the right to repatriate such compensation as provided in paragraph c above
- i. Lease of Land. Consistent with the provisions of the Investor's Lease Act (Republic Act No. 7652), lands and buildings in each Zone may be leased to foreign investors for a period not exceeding fifty (50) years, renewable once for a period of not more than twenty-five (25) years. The leasehold right acquired under long-term contracts may be sold, transferred or assigned, subject to the conditions set forth under the Investor's Lease Act.

CHAPTER V. INCREASED TOURIST ACCESS

SEC. 78. International Tourist Travel. - The department shall utilize its powers to increase and improve the accessibility of the Philippines to foreign tourists. Realizing the critical importance fast, friendly and flexible travel plays in the development of tourism:

- a. The Secretary shall be 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
- c. Unless otherwise provided by relevant international agreements, or curtailed by the requirements of national security, emergencies or crises, short stay visas for the entry of tourists shall be valid for a minimum of thirty (30) days. The Secretary shall further have the power to allow the visa free entry for up to thirty (30) days for particular nationalities or classes of tourists.

SEC. 79. Domestic Tourist Travel. - Transportation for tourist use must first obtain the approval of the Department prior to the issuance of a certificate of public convenience from the pertinent agency of government. Only taxis accredited by the Department shall be authorized to pick up passengers at international and domestic airports.

CHAPTER VI. CREATING A CULTURE OF TOURISM

SEC. 80. Tourism Coordinating Council. - A council shall be formed consisting of the Department Secretary, as chairman, his/her undersecretaries, the TEZA

Administrator, the Tourism Philippines Chief Operating Officer, 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, Internal Revenue and Customs, National Historical Institute, National Commission for Culture and the Arts, Philippine Sports Commission, 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. 81. 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 assist in the creation of a culture of tourism, specifically through the enhancement of education in languages, history and culture.

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

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

SEC. 82. Peace and Order. - Under the supervision of the Philippine National Police and in coordination with local government units, the Department shall establish a Tourism Security Force to assist the Philippine National Police in maintaining peace and order within areas of high tourism traffic. The Department shall ensure the training of members of the Force in cultural sensitivity, languages and relevant laws.

Security arrangements within particular Zones shall be the responsibility of the Zone Operator.

SEC. 83. Funding Grassroots Tourism Enterprises. - Insofar as allowed by applicable laws and their respective charters, government owned and controlled banks and financial institutions shall provide microfinance schemes for the assistance and development of small and medium scale enterprises in the tourism industry.

SEC. 84. Congressional Oversight. - An oversight committee consisting of five members each from both houses of Congress shall constitute a Joint Congressional Oversight Committee responsible for overseeing the implementation of this Act. The Oversight Committee shall be composed of representatives from each House from their respective Committees of Tourism; Government Corporations and Public Enterprises; Environment; Education, Arts and Culture; and Local Governments.

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

SEC. 85. The Tourism Congress. - Within thirty 30 days from the effectivity of this Act, the Secretary shall convene a Tourism Congress of representatives of all accredited tourism enterprises to serve as the private sector consultative body to assist the government in the development, implementation and coordination of Philippine tourism policy.

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

CHAPTER VII. MISCELLANEOUS PROVISIONS

SEC. 86. Personnel and Compensation. - The employees of TEZA, Tourism Philippines and DFP, including the TEZA Administrator, Tourism Philippines Chief Operating Officer, and DFP General Manager, shall be covered by the salary standardization law. However, their respective Boards of Directors shall be empowered to grant bonuses and other incentives in consideration of the financial condition of the corporation, its success in generating sales, investments or in meeting tourist arrival targets, as the case may be.

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

SEC. 87. Reportorial Requirements. - All attached agencies of the Department shall submit a quarterly report to the Secretary and to the Joint Congressional Oversight Committee on Tourism on the implementation of their respective programs.

SEC. 88. Budgetary Approval. - All attached agencies of the Department shall submit their annual budgets to the Secretary for his/her approval, and shall furnish copies of the same to the Joint Congressional Oversight Committee on Tourism.

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

SEC. 89. Other Incentives. Tourism enterprises not located within Zones shall, upon approval by the Department, be entitled to avail of any economic incentives found under existing laws, such as the Omnibus Investments Code, Foreign Investments Act, Special Economic Zone Act of 1995, the Bases Conversion and Development Act, among others.

Subject to rules and regulations jointly promulgated by the Department and the relevant government agency, such as the Board of Investments or the Philippine Economic Zone Authority, an existing accommodation establishment not located within a Zone shall be entitled to claim an income tax holiday for up to six years for any significant expansion, renovations or upgrades in its facilities in relation to the amount

of the original investment. They shall also be entitled to import capital equipment free of taxes and duties when necessary for such expansion, renovation or upgrades.

The Department and the Department of Trade and Industry shall promulgate rules and regulations to govern the relationship between Zones created under this Act, and economic zones created under Republic Acts No. 7227 or 7916, as amended, where an area comprising a Zone overlaps, falls within or encompasses that of an economic zone; *Provided*, That such rules and regulations shall consider the special nature and requirements of tourism in relation to other industries, establishments and operations in economic zones.

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

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

SEC. 90. Implementing Rules and Regulations. - Except as otherwise provided, the Secretary of Tourism shall have the power to issue rules and regulations to implement this Act.

SEC. 91. Repealing Clause. - The provisions of Executive Orders No. 292 (The Administrative Code of 1987, as amended), Presidential Decree No. 189, as amended, (creating the Philippine Tourism Authority), Presidential Decree No. 1448, as amended, (creating the Philippine Convention and Visitors Corporation), the Labor Code (Presidential Decree No. 442, as amended), the Local Government Code (Republic Act No. 7160), Presidential Decree No. 1616 (Creating the Intramuros Administration), and all other laws, presidential decrees, executive orders, proclamations and administrative regulations inconsistent with the provisions of this Act are hereby amended, modified, superseded or repealed accordingly.

SEC. 92. Separability Clause. - In the event that any provision of this Act or parts thereof be declared unconstitutional, such declaration shall not affect the validity of the other provisions.

SEC. 93. Effectivity Clause. - This Act shall take effect one month after the completion of its publication in a newspaper of general circulation.

Approved,