

FIFTEENTH CONGRESS OF THE REPUBLIC  
OF THE PHILIPPINES  
*First Regular Session*

SENATE  
OFFICE OF THE SECRETARY

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SENATE

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S. No. 1036

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Introduced by Senator Manuel "Lito" M. Lapid

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### EXPLANATORY NOTE

Majority of the local pioneer players in the footwear industry in the country started their business in Marikina City and Rizal province. Given the recent surge of typhoons and flood that badly hit these said provinces and hampered the livelihood of thousands of local residents in Marikina City and Rizal province, there is a need to pump-prime their local economy and provide local income opportunities to the small-scale family owned footwear manufacturers in our country.

The local footwear industry is composed of 97 percent small-scale, family-owned enterprises which provide employment to at least 300,000 people creating 265 different components into the making of a pair of shoes from the glue to the nails, the heel, the raw hide, the leather, and the shoe lace. From the 1950s to the 1980s, the Philippine footwear industry experienced a boom owing to strong local and international demand. During these years, many Filipinos wore locally-made shoes and carried locally-made leather handbags and purses. In the past, the local footwear industry also supported the growth of other small establishments such as restaurants and other eateries where workers would get their evening snacks. The allied downstream industries also benefit from the boom of the footwear industry, such as local tanneries which produce the processed leather or animal hide needed in the manufacture of shoes. During the mid-1990s, the Philippines was a major shoe exporter to the United States and other countries. In 1994, the Philippines produced 10 million pairs of shoes enough to shoe the country. In 1997, the country's shoe exports earned nearly \$200 million.

Today, the local footwear industry produces less than 5 million pairs of shoes which serves just 10 percent of the national requirement. About 80 percent is served by imports from China, which accounts for 40 percent of total imports. At present, 80 percent of the Philippine market is dominated by imported shoes and leather products. Furthermore, the number of employees in the footwear industry, including those employed by the downstream allied sectors - from tannery to molding to adhesive producers - has dropped drastically to 5,000 from 300,000 in the 1980s to the 1990s. Unable to compete, many local footwear manufacturers have closed down given that exports in shoes are steadily falling. From 513 registered manufacturers in 1994, there are only 145 remaining in the country's shoe capital. The average production locally manufactured shoes has dwindled from 105,000 pairs of shoes a year in 1994 to 42,000 pairs in 2003.

Compared to foreign shoe companies that have access to government subsidies with which to invest in improving their technologies, the local industry continues to use traditional low-tech methods, relying on the skills and ingenuity of Filipino shoemakers.

The local shoemakers cannot compete on price alone as they are plagued with high production costs. About 75 percent of their manufacturing costs come from the sourcing and processing of raw materials such as leather hides, which they have to import since local tanneries were not developed enough to meet large-scale demand. It is estimated that around 80% of the components of finished local leather footwear for export are imported.

This proposed measure seeks for the creation of a National Footwear Training Academy (NFTA), under the direct supervision and control of the Department of Trade and Industry (DTI), which is envisioned to provide the highest quality training and research in the field of footwear production and its related downstream industries. The NFTA shall be a training institution committed to the pursuit of excellence through the provision of education, training, technology transfer and research and development (R&D) in the field of footwear industry. The Academy shall maintain a proactive environment wherein the latest methods and technologies in footwear production and tanning are applied to provide state-of-the-art and comprehensive training to develop the competitiveness of local manufacturers in the field of local footwear production.

This measure also mandates Land Bank of the Philippines (LBP) to formulate a Local Footwear Industry Modernization Credit Facility and Loan Package Window which will provide a low interest loans for local footwear manufacturers and suppliers seeking to improve and modernize their production facilities, equipment and services in order to revive and make competitive the local footwear industry in the country.

This proposed measure seeks to provide technical assistance mechanisms to the various key players in the local footwear industry in the country who are seeking to modernize and upgrade their production and manufacturing technologies and methods in order for them to be competitive in the marketplace.

In view of the urgent need to pump-prime the economies of cities and provinces hit by the surge of typhoons and floods in our country, the passage of this measure is earnestly sought.



**MANUEL "LITO" M. LAPID**  
*Senator*

**SENATE**

S. No. 1036

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Introduced by Senator Manuel "Lito" M. Lapid

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**AN ACT**  
**ESTABLISHING A COMPREHENSIVE PROGRAM TO REVIVE THE LOCAL FOOTWEAR INDUSTRY IN THE COUNTRY, ESTABLISHING THE NATIONAL FOOTWEAR TRAINING ACADEMY (NFTA), APPROPRIATING FUNDS THEREFORE AND FOR OTHER PURPOSES**

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

**SECTION 1. Short Title.** - This Act shall be known as the "**Local Footwear Industry Competitiveness Act of 2010**".

**SEC. 2. Declaration of Policy.** -- It is hereby declared the policy of the State to recognize the indispensable role of the private sector, encourage private enterprises, and provide incentives to needed investments. The State shall also stimulate and encourage the pursuit of creative endeavors by its citizens.

Towards these ends, the State shall exert efforts to strengthen the country's creative local industries through a business environment conducive to the development of creativity, ingenuity and innovativeness and geared towards a sustainable growth of our local industries.

As such, the State shall provide the mechanisms to maintain, update, and improve the scientific knowledge, technical skill and competence of our production workers in the local footwear industry.

Furthermore, the State shall give priority to research and development on the aspect of footwear industry in the country, using as practicable local indigenous resources to promote competitiveness and local employment.

**SEC. 3. Establishment of a National Footwear Training Academy (NFTA).** - There is hereby established and created a National Footwear Training Academy (NFTA), hereinafter referred to as the "Academy", under the direct supervision

and control of the Secretary of the Department of Trade and Industry (DTI), which is envisioned to provide the highest quality training and research in the field of footwear production and its related downstream industries.

The National Footwear Training Academy (NFTA) shall be a training institution committed to the pursuit of excellence through the provision of education, training, technology transfer and research and development (R&D) in the field of footwear. The Academy shall maintain a proactive environment wherein the latest methods and technologies in footwear production and tanning are applied to provide state-of-the-art and comprehensive training to develop the competitiveness of manufacturers in local footwear production.

**SEC. 4. Objectives.** - The Academy shall be established to serve the following objectives:

- a) To train and make competitive footwear manufacturing companies, entrepreneurs, footwear distributors, suppliers and various stakeholders in the footwear industry and its related downstream industries;
- b) To serve as the primary training institution in the country in footwear production and manufacturing that will provide the enabling mechanisms to revive and make the industry competitive;
- c) To train key players in the footwear industry and provide them with the latest footwear production technologies and methods;
- d) To serve as a Center for Excellence in the provision of comprehensive and state-of-the-art training and technical assistance;
- e) To serve as the primary research arm of the government in footwear science and manufacturing and serve as an authoritative source of information;
- f) To upgrade quality standards and cost efficiency in the production of footwears.

**SEC. 5. Powers and Functions.** - The Academy shall have all legal powers appertaining to a juridical person, particularly the following:

- a) to sue and be sued;
- b) to enter into contracts;
- c) to hold real and personal property as may be necessary for its mandated purposes;
- d) to mortgage, lease, sell, transfer, convey and otherwise dispose of the same;
- e) to solicit and receive public and private donations and contributions related to footwear production and manufacturing;

- f) to accept and receive real and personal property by gift, devise or bequest;
- g) to levy and collect minimal dues and fees from its trainees for its services;
- h) to adopt a seal and to alter the same;
- i) to have offices and conduct its affairs in the Metro Manila area and elsewhere;
- j) to make and adopt by-laws, rules and regulations not inconsistent with the laws of the Philippines; and
- k) to do all such acts and things as may be necessary or proper to carry into effect and promote the purposes for which it was organized.

The seal and emblem of the National Footwear Training Academy (NFTA) shall be kept in its national office.

**SEC. 6. *Personal Conduct of Students and Faculty*** - The National Footwear Training Academy (NFTA) is a training and research institution that strives to maintain a safe and healthy environment and which promotes learning in a professional and challenging setting. Trainees are expected to exercise tolerance and to respect and celebrate differences among individuals. At no time will the academy tolerate:

- a) Harassment of any kind
- b) Racial, religious or sexual slurs
- c) Inappropriate language
- d) Damage to property
- e) Any action which jeopardizes the comfort, safety or health of others

**SEC. 7. *NFTA Academic Board***. - The academy shall have an Academic Board composed of the Administrator, the Dean of the Corps of Professors, the Head Training Officer and the Heads of the Departments.

The Administrator and Head Training Officer of the Academy shall be appointed by the President of the Republic of the Philippines.

The Academic Board shall have the power to confer certificates and diplomas to all trainees, upon the satisfactory completion of the approved course of studies, under such rules and regulations as the Secretary of the Department of Trade and Industry (DTI) may prescribe.

Other diplomas that may be needed in the future will be conferred, provided that the Academic Board shall determine these degrees in consonance with the needs of the footwear industry in the country. The Academy shall develop these courses and the necessary expertise as the need arises.

**SEC. 8. Sources of Funds.** - The funds of the National Footwear Training Academy shall be derived from dues and assessments, donations, bequests, contributions of its students and trainees, as well as income from conventions, seminars, corporate trainings and other fund raising activities.

**SEC. 9. Technical Assistance and Grants.** - The Academy, subject to the approval of the Secretary of the Department of Trade and Industry (DTI), shall establish a program to award grants and/or technical assistance to eligible entities, enterprises, entrepreneurs and corporations that have submitted their application for the purpose of assisting key players in the footwear industry upgrade or modernize their facilities and/or production methods and technologies.

The NFTA shall require from the proponents the following information:

- a) A description of the product lines of the intended beneficiary of the technical assistance grant;
- b) A description on how the technical assistance grants will improve quality of production and products manufactured by the intended beneficiary; and
- c) Any additional information that the NFTA may require, consistent with the provisions of this Act.

**SEC. 10. Appropriations.** - There is hereby appropriated the amount of Thirty Million pesos (Php30,000,000) for the construction and establishment of the National Footwear Training Academy (NFSA) which shall be incorporated in the General Appropriations of the Department of Trade and Industry (DTI).

Thereafter, the improvements, personnel expense and other necessary expenses for the operation and maintenance of the Academy shall be included in the annual General Appropriations of the DTI.

**SEC. 11. Local Footwear Industry Modernization Credit Facility and Loan Package.** - The Land Bank of the Philippines (LBP) is hereby mandated to formulate a Local Footwear Industry Modernization Credit Facility and Loan Package Window which shall provide low interest loans for local footwear manufacturers and suppliers seeking to improve and modernize their production facilities, equipment and services in order to revive and make competitive the local footwear industry in the country.

Within six (6) months from the date of effectivity of this Act, the Land Bank of the Philippines is mandated to formulate the necessary guidelines, procedures and requirements for the various stakeholders to avail of the Local Footwear Industry Modernization Credit Facility and Loan Package Window, as mandated under this Act.

**SEC. 12. *Implementing Rules and Regulations (IRR).*** - Within six (6) months from the date of effectivity of this Act, the Department of Trade and Industry (DTI) shall promulgate necessary implementing rules and regulations to implement the provisions of this Act.

**SEC. 13. *Repealing Clause.*** - All Laws, decrees, executive orders, rules and regulations or parts thereof not consistent with the provisions of this Act are hereby repealed or modified accordingly.

**SEC. 14. *Separability Clause.*** - If any provision or part of this Act, or the application thereof to any person or circumstance, is held unconstitutional or invalid, the remainder of this Act shall not be affected thereby.

**SEC. 15. *Effectivity Clause.*** - This Act shall take effect fifteen (15) days from the date of its complete publication in the Official Gazette or in at least two (2) newspapers of general circulation.

***Approved,***