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SENATE
Res. No. **1339**

SECRETARY WV

Introduced by Senator Alan Peter "Compañero" S. Cayetano

RESOLUTION DIRECTING THE COMMITTEE ON WAYS AND MEANS TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE FAILURE OF THE BUREAU OF CUSTOMS TO ADDRESS REVENUE LEAKAGES AND THE POSSIBLE MEASURES THAT CAN BE IMPLEMENTED BY THE BUREAU OF CUSTOMS TO PLUG SUCH LEAKAGES AND IMPROVE COLLECTION EFFICIENCY, SUCH AS, BUT NOT LIMITED TO, THE IMPLEMENTATION OF THE PRE-SHIPMENT INSPECTION SCHEME, AND THE NAGGING PROBLEM OF PORT CONGESTION

WHEREAS, Section 13, Article XII of the 1987 Philippine Constitution states that, "The State shall pursue a trade policy that serves the general welfare and utilizes all forms and arrangements of exchange on the basis of equality and reciprocity";

WHEREAS, the Bureau of Customs (BOC) is mandated to, among others, (a) assess and collect lawful revenues from imported articles and all other dues, fees, charges, fines and penalties accruing under the tariff and customs laws, and (b) prevent and suppress smuggling and other frauds upon the customs;

WHEREAS, in his 2013 State of the Nation Address, President Benigno Simeon C. Aquino III stated that the government was losing Php200 billion every year due to smuggling;

WHEREAS, according to the International Monetary Fund, the extent of smuggling in the Philippines has reached US\$284.70 billion for the period 2002 to 2007 alone;

WHEREAS, based on data from the United Nations Commodity Trade Statistics Database, the amount of exports to the Philippines as recorded by originating countries DO NOT MATCH the amount of imports recorded in our

country, such that according to a study made by the Federation of Philippine Industries covering data from 2009, the import value of the top 24 countries exporting to the Philippines was under-reported by US\$14 billion, with the import figures of the top three trading partners under-reported as follows:

Japan	US\$2.47 billion
United States of America	US\$284.64 million
China	US\$4.52 billion

WHEREAS, according to the Federation of Philippine Industries, the under-reported import value of US\$ 14 billion translates to Php 119.7 million total revenue loss to the country due to uncollected duties and value-added tax;

WHEREAS, the BOC has consistently failed to reach its collection targets by an average shortfall of P43.2 billion per year from 2010 to 2013;

WHEREAS, the BOC's total collection for 2014 was at least 9.5% short of the P408.1 billion official target for the year;

WHEREAS, an article in the Philippine Daily Inquirer on 14 July 2014 states that Finance Undersecretary Carlo Carag reported to Finance Secretary Cesar Purisima in a confidential memo that the BOC's collection effort has been on a steady decline since January 2014, with a negative growth of -14.38 percent declining further to -16 percent in May 2014;

WHEREAS, the uncollected duties and taxes due to smuggling and BOC inefficiency could have been used by the government to finance programs and services beneficial to the public such that the Php 41.13 billion shortfall in 2014 could already have sent 1.37 million college scholars to school, constructed 685,500 houses, or built 1,645 kilometers of road;

WHEREAS, aside from revenue leakages and economic adverse effects, hazardous wastes have also been able to enter our country such that in June 2013, 50 containers declared as "recyclable plastic", which turned out to be tonnes of household waste, including used plastic diapers, were able to enter the country from Canada;

WHEREAS, the chronic congestion at the Port of Manila has reached its peak in 2014, with port utilization rate reaching 105 percent when the ideal port utilization is only 70 percent;

WHEREAS, the congestion at the Port of Manila has been proven to be detrimental to the economy. The Philippine Economic Zone Authority said that port congestion was a factor in 20,000 layoffs of private-sector workers in economic zones located in Manila's neighboring provinces. In addition, the Bureau of Internal Revenue said that the 11 percent drop in tax revenues in August 2014 is partly attributable to the congestion at the Port of Manila. The National Economic and

Development Authority also said that the government lost some Php70 billion due to port congestion from April to September 2014 alone;

WHEREAS, in the World Bank's Ease of Doing Business Index, the Philippines dropped nine places from 86th place in 2014 to 95th place in 2015, primarily because of its poorer ranking in the Trading Across Borders category. It was reported that it takes an average of 15 days to complete import procedures in the Philippines. In contrast, in Singapore, which ranks first in the Ease of Doing Business ranking, it only takes four days to complete all import procedures;

WHEREAS, considering that the term of President Aquino shall end in one and a half year's time, institutional measures must be put into place immediately; otherwise, the government will lose more potential revenues, and the BOC will continue to fail to meet its revenue targets and stray from the "Matuwid na Daan" advocated by President Aquino;

WHEREAS, in an article published in The Philippine Star on 20 February 2015, former BOC Commissioner Titus Villanueva suggested that, among other measures, the revival of the pre-shipment inspection of goods from the country of origin to determine the correct valuation and classification of imported goods can provide a long term solution to plug revenue leakages, minimize graft and corruption, and police the entry of hazardous wastes into our country;

WHEREAS, former BOC Commissioner Rozzano Rufino Biazon, prior to his resignation, also submitted a proposal, which calls for documentation on shipments of imported goods at their ports of origin;

WHEREAS, former BOC Commissioner John Phillip P. Sevilla announced in a public forum at the Development Bank of the Philippines last May 2014 the return of the pre-shipment inspection program effective 01 June 2014;

WHEREAS, the BOC subsequently announced the postponement of the implementation of the pre-shipment inspection program due to port congestion concerns;

WHEREAS, the BOC has yet to implement the pre-shipment inspection program until now;

WHEREAS, former BOC Commissioner Sevilla pledged to introduce customs reforms in 2015 to further shore up revenues while putting a stop to unscrupulous activities of some importers. However, he recently resigned from his post due to alleged political pressures;

WHEREAS, newly-appointed BOC Commissioner Albert Lina vowed that he will clean up the BOC and will continue the reform programs started by his predecessor;

WHEREAS, other possible measures to improve the performance of the BOC, aside from the pre-shipment inspection program, can be solicited from stakeholders if they are given the proper forum to present their inputs;

RESOLVED, *as it is hereby resolved by the Philippine Senate*, that the Committee on Ways and Means conduct an inquiry, in aid of legislation, on the failure of the Bureau of Customs to address revenue leakages and the possible measures that can be implemented by the Bureau of Customs, such as, but not limited to, the implementation of the pre-shipment inspection scheme, and the nagging problem of port congestion, with the end in view of plugging such leakages and improving the collection efficiency of the Bureau of Customs.

Adopted,



ALAN PETER "COMPAÑERO" S. CAYETANO

Senator