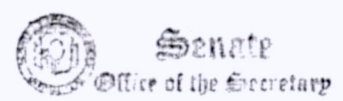


SEVENTEENTH CONGRESS OF THE ]  
REPUBLIC OF THE PHILIPPINES ]  
*Third Regular Session* ]



'18 AUG -2 P6 58

SENATE  
S.B. No. 1909

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*J*

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**Introduced by SEN. WIN T. GATCHALIAN**

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**AN ACT  
FURTHER AMENDING REPUBLIC ACT NO. 4566  
TO PROMOTE COMPETITION AND INVESTMENTS IN THE  
CONSTRUCTION CONTRACTING SERVICES INDUSTRY,  
AND FOR OTHER PURPOSES**

**EXPLANATORY NOTE**

Through its linkages with other industries, the construction industry in the Philippines plays a vital role to national economic development as a provider of production inputs and as consumer of services and products from other sectors.

However, nationality requirement in the granting of licenses has created a substantial barrier to entry of new contractors, thereby, hindering the growth of the construction industry. A survey of the Philippine Construction Accreditation Board's data on licenses issued annually show a very low rate of entry for both new domestic players and foreign firms, which is indicative of how competition in the construction industry remained limited throughout the years.<sup>1</sup> Essentially, these government restrictions on foreign participation

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<sup>1</sup> Philippine Competition Commission's Policy Note No.1, Series of 2017, entitled "Anti-competitive Effects of Regulatory Restrictions: The Case of the Construction Sector."

in the construction industry create distortions that reduce competitive pressure, rewards poor performance, and distort incentives to innovate.

In this light, the Philippine government has to balance the need to supervise and regulate the construction industry for public safety with the need to ensure a level-playing field that would generate growth due to the considerable scope for learning-by-doing, knowledge generation, expansion of product variety, and an upgrade on product quality in the construction industry. Therefore, this proposed bill seeks to provide a level playing field and extend equal opportunities to eligible and qualified domestic and foreign contractors, by removing barriers to entry of new players, including government restrictions that hinder potential economic growth.

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



**WIN GATCHALIAN**



**SEVENTEENTH CONGRESS**  
Third Regular Session

'18 AUG -2 P 6:58

**Senate Bill No. 1909**

RECEIVED BY \_\_\_\_\_

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Introduced by Senator Sherwin T. Gatchalian

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**AN ACT**  
**FURTHER AMENDING REPUBLIC ACT NO. 4566**  
**TO PROMOTE COMPETITION AND INVESTMENTS IN THE**  
**CONSTRUCTION CONTRACTING SERVICES INDUSTRY,**  
**AND FOR OTHER PURPOSES**

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

1           **SECTION 1.** A new Section 2 of Republic Act No. 4566 (R.A. 4566),  
2 otherwise known as the "Contractors' License Law," is hereby inserted to  
3 read as follows:  
4

5           "SEC. 2. STATEMENT OF POLICY. – THE STATE RECOGNIZES  
6 THE VITAL ROLE OF CONTRACTORS IN THE DELIVERY OF  
7 RELIABLE, SAFETY-COMPLIANT AND QUALITY CONSTRUCTION,  
8 BUILDING AND ENGINEERING THAT ARE FUNDAMENTAL TO  
9 NATIONAL DEVELOPMENT.  
10

11           GIVEN THE COUNTRY'S DEVELOPMENT OBJECTIVES, THERE  
12 IS A NEED TO SUPERVISE AND REGULATE THE PRACTICE OF  
13 CONSTRUCTION CONTRACTING FOR PUBLIC SAFETY, AND TO  
14 PROMOTE COMPETITION IN THE CONSTRUCTION INDUSTRY  
15 FOR ITS DEVELOPMENT AND GROWTH AND THE UPGRADING  
16 OF CONSTRUCTION CAPABILITY IN THE COUNTRY."  
17

18           **SECTION 2.** Section 9 of R.A. 4566 is hereby amended to insert the  
19 definition of new terms and to read as follows:  
20

21           "Sec. 9. Definition of terms. As used in this Act,  
22

23           (A) "Persons" include an individual, firm, partnership,  
24 corporation, association or other organization, or any combination  
25 of any thereof, REGARDLESS OF NATIONALITY OR CITIZENSHIP.



3           (F) "LICENSE" REFERS TO AUTHORITY GRANTED BY THE  
4 PHILIPPINE CONTRACTORS ACCREDITATION BOARD (THE  
5 "BOARD") WITH CONFORMITY WITH THE CONSTRUCTION  
6 INDUSTRY AUTHORITY OF THE PHILIPPINES (CIAP) FOR A  
7 PERSON TO ENGAGE IN CONSTRUCTION CONTRACTING IN  
8 THE PHILIPPINES WITHIN THE SCOPE AND FIELD OF ITS  
9 LICENSE CLASSIFICATION FOR THE PERIOD OF ITS VALIDITY.  
10 IT SHALL BE MAINTAINED THROUGH ANNUAL RENEWAL,  
11 UNLESS SUSPENDED, CANCELLED OR REVOKED.  
12

13           (G) "ACCREDITATION" REFERS TO THE STATUS  
14 CONFERRED ON A LICENSED CONSTRUCTOR BY THE  
15 CONSTRUCTION INDUSTRY AUTHORITY OF THE PHILIPPINES  
16 (THE "AUTHORITY"), INDICATING THE PERFORMANCE AND  
17 EXPERIENCE OF THE CONSTRUCTOR AS BEING IN ACCORD  
18 WITH STANDARDS SET BY THE BOARD."  
19

20           **SECTION 3.** Article III of RA 4566 shall be retitled as Practice of  
21 Construction Contracting, and Section 16 thereof is hereby amended to read  
22 as follows:  
23

24           "SEC. 16. SCOPE OF PRACTICE. - CONSTRUCTION  
25 CONTRACTING SERVICE SHALL EMBRACE THE SERVICES IN  
26 RELATION TO ANY OR ALL OF THE FOLLOWING PRINCIPAL  
27 CLASSIFICATIONS:  
28

- 29                   (a) General engineering contracting
- 30                   (b) General building contracting; and
- 31                   (c) Specialty contracting."  
32

33           **SECTION 4.** A new Section 17 is hereby inserted to read as follows:  
34

35           "SEC. 17. WHO MAY PRACTICE CONSTRUCTION  
36 CONTRACTING. - ONLY PERSONS, REGARDLESS OF  
37 NATIONALITY OR CITIZENSHIP, PROPERLY LICENSED AND  
38 REGISTERED WITH THE BOARD IN CONFORMITY WITH THE  
39 AUTHORITY MAY PRACTICE CONSTRUCTION CONTRACTING IN  
40 THE PHILIPPINES."  
41

42           **SECTION 5.** A new Section 18 is hereby inserted to read as follows:  
43

44           "SEC. 18. FOREIGN RECIPROCITY. - NO FOREIGN  
45 CONTRACTOR SHALL BE GRANTED A LICENSE TO PRACTICE  
46 CONSTRUCTION CONTRACTING IN THE PHILIPPINES, UNLESS  
47 THE COUNTRY OR STATE OF WHICH THE FOREIGN  
48 CONTRACTOR IS A SUBJECT OR CITIZEN, SPECIFICALLY  
49 PERMITS FILIPINO CONTRACTORS TO PRACTICE WITHIN ITS

1 TERRITORIAL LIMITS ON THE SAME BASIS AS THE SUBJECTS  
2 OR CITIZENS OF SAID FOREIGN COUNTRY OR STATE UNDER  
3 RECIPROCITY AND UNDER INTERNATIONAL AGREEMENTS;  
4 PROVIDED FURTHER, THAT SUCH FOREIGN CONTRACTOR  
5 SHALL DULY ESTABLISH ITS BUSINESS IN THE PHILIPPINES,  
6 AND SHALL ENSURE TECHNOLOGY TRANSFER AND CAPACITY  
7 BUILDING OF LOCAL CONTRACTORS. ”

8  
9 **SECTION 6.** The succeeding sections of R.A. 4566 are hereby  
10 renumbered accordingly.

11  
12 **SECTION 7.** Implementing Rules and Regulations. – The Board, in  
13 conformity with the Authority, and in consultation with concerned sectors  
14 shall issue or revise implementing rules and regulations within thirty (30)  
15 days from the effectivity of this Act.

16  
17 **SECTION 8.** *Separability Clause.* – If any portion of this Act is declared  
18 invalid or unconstitutional, the portions or provisions which are not affected  
19 shall remain valid and subsisting.

20  
21 **SECTION 9.** *Repealing Clause.* – All laws, decrees, executive  
22 issuances, rules and regulations inconsistent with this Act are hereby  
23 repealed or modified accordingly.

24  
25 **SECTION 10.** *Effectivity.* – This Act shall take effect fifteen (15) days  
26 after its publication in the Official Gazette or in a newspaper of general  
27 circulation.

28  
29 *Approved.*