

SENATE

'19 SEP -4 P1:22

S.B. No. 1008

REC'D BY 

Introduced by SEN. WIN GATCHALIAN

**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 a consumer of services and products from other sectors.

However, the 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 shows a very low rate of entry for both new domestic players and foreign firms, which is indicative of how competition in the construction industry has remained limited throughout the years.¹ Essentially, these government restrictions on foreign participation in the construction industry create distortions that

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

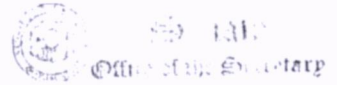
reduce competitive pressure, reward poor performance, and distort incentives to innovate.

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.



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Be it enacted by the Senate and the 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 read
3 as follows:

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

9

10 GIVEN THE COUNTRY'S DEVELOPMENT OBJECTIVES, THERE IS
11 A NEED TO SUPERVISE AND REGULATE THE PRACTICE OF
12 CONSTRUCTION CONTRACTING FOR PUBLIC SAFETY, AND TO
13 PROMOTE COMPETITION IN THE CONSTRUCTION INDUSTRY

1 FOR ITS DEVELOPMENT AND GROWTH AND THE UPGRADING
2 OF CONSTRUCTION CAPABILITY IN THE COUNTRY.”

3
4 Sec. 2. Section 9 of R.A. 4566 is hereby amended to insert the following
5 definition of new terms and to read as follows:

6 “Sec. 9. Definition of Terms. As used in this Act,

7 (A) “Persons” include an individual, firm, partnership,
8 corporation, association or other organization, or any combination
9 of any thereof, REGARDLESS OF NATIONALITY OR CITIZENSHIP.

10 x x x

11 (F) “LICENSE” REFERS TO AUTHORITY GRANTED BY THE
12 PHILIPPINE CONTRACTORS ACCREDITATION BOARD (THE
13 “BOARD”) WITH CONFORMITY WITH THE CONSTRUCTION
14 INDUSTRY AUTHORITY OF THE PHILIPPINES (CIAP) FOR A
15 PERSON TO ENGAGE IN CONSTRUCTION CONTRACTING IN THE
16 PHILIPPINES WITHIN THE SCOPE AND FIELD OF ITS LICENSE
17 CLASSIFICATION FOR THE PERIOD OF ITS VALIDITY. IT SHALL
18 BE MAINTAINED THROUGH ANNUAL RENEWAL, UNLESS
19 SUSPENDED, CANCELLED OR REVOKED.

20 (G) “ACCREDITATION” REFERS TO THE STATUS
21 CONFERRED ON A LICENSED CONSTRUCTOR BY THE
22 CONSTRUCTION INDUSTRY AUTHORITY OF THE PHILIPPINES
23 (THE “AUTHORITY”), INDICATING THE PERFORMANCE AND
24 EXPERIENCE OF THE CONSTRUCTOR AS BEING IN ACCORD
25 WITH STANDARDS SET BY THE BOARD.”

26
27 Sec. 3. Article III of R.A. 4566 shall be retitled as Practice of
28 Construction Contracting, and Section 16 thereof is hereby amended to read
29 as follows:

30 “SEC. 16. SCOPE OF PRACTICE. – CONSTRUCTION
31 CONTRACTING SERVICE SHALL EMBRACE THE SERVICES IN
32 RELATION TO ANY OR ALL OF THE FOLLOWING PRINCIPAL
33 CLASSIFICATIONS:

- 1 (a) General engineering contracting
2 (b) General building contracting; and
3 (c) Specialty contracting.”
4

5 Sec. 4. A new Section 17 is hereby inserted to read as follows:

6 “SEC. 17. WHO MAY PRACTICE CONSTRUCTION CONTRACTING.
7 – ONLY PERSONS, REGARDLESS OF NATIONALITY OR
8 CITIZENSHIP, PROPERLY LICENSED AND REGISTERED WITH
9 THE BOARD IN CONFORMITY WITH THE AUTHORITY MAY
10 PRACTICE CONSTRUCTION CONTRACTING IN THE
11 PHILIPPINES.”
12

13 Sec. 5. A new Section 18 is hereby inserted to read as follows:

14 “SEC. 18. FOREIGN RECIPROCITY. - NO FOREIGN CONTRACTOR
15 SHALL BE GRANTED A LICENSE TO PRACTICE CONSTRUCTION
16 CONTRACTING IN THE PHILIPPINES, UNLESS THE COUNTRY OR
17 STATE OF WHICH THE FOREIGN CONTRACTOR IS A SUBJECT
18 OR CITIZEN, SPECIFICALLY PERMITS FILIPINO CONTRACTORS
19 TO PRACTICE WITHIN ITS TERRITORIAL LIMITS ON THE SAME
20 BASIS AS THE SUBJECTS OR CITIZENS OF SAID FOREIGN
21 COUNTRY OR STATE UNDER RECIPROCITY AND UNDER
22 INTERNATIONAL AGREEMENTS; PROVIDED FURTHER, THAT
23 SUCH FOREIGN CONTRACTOR SHALL DULY ESTABLISH ITS
24 BUSINESS IN THE PHILIPPINES, AND SHALL ENSURE
25 TECHNOLOGY TRANSFER AND CAPACITY BUILDING OF LOCAL
26 CONTRACTORS. ”
27

28 Sec. 6. The succeeding sections of R.A. 4566 are hereby renumbered
29 accordingly.
30

31 Sec. 7. *Implementing Rules and Regulations.* – The Board, in conformity
32 with the Authority, and in consultation with concerned sectors shall issue or

1 revise implementing rules and regulations within thirty (30) days from the
2 effectivity of this Act.

3

4 Sec. 8. *Separability Clause.* – If any portion of this Act is declared invalid
5 or unconstitutional, the portions or provisions which are not affected shall
6 remain valid and subsisting.

7

8 Sec. 9. *Repealing Clause.* – All laws, decrees, executive issuances, rules
9 and regulations inconsistent with this Act are hereby repealed or modified
10 accordingly.

11

12 Sec. 10. *Effectivity.* – This Act shall take effect fifteen (15) days after its
13 publication in the Official Gazette or in a newspaper of general circulation.

14

15 Approved,