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Prepared jointly by the Committees on Tourism; Finance; Civil Service and Government Reorganization; and Ways and Means with Senators Gordon, Ejercito Estrada (J.), Angara, Defensor Santiago, Villar, Lacson and Recto as authors thereof

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 2005".

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

1 world. Its government and its people must devote resources to attract
2 tourists to generate investments, foreign exchange, employment and
3 national pride.

4 b. Tourism development must be sustainable. The state must protect and
5 preserve with pride not only our natural, historical and cultural
6 endowments, but more importantly the dignity of the Filipino people,
7 such that future generations of Filipinos will be proud of themselves,
8 and of their nation.

9 c. Tourism development must be coordinated. All government
10 departments, agencies and offices must realize the fundamental
11 importance of tourism as an engine of growth and must direct their
12 efforts to support the Department of Tourism in the creation of peace
13 and order, public infrastructure, and a proud culture that cultivates
14 tourism.

15 d. Tourism development must be responsive. Any investment made into
16 every tourism enterprise must result in real jobs for real people, in the
17 context of the needs of every affected community. Only by the
18 creation of real opportunities and real employment can people truly
19 benefit from the benefits of tourism development.

20 e. Tourism development must begin at home. Only when Filipinos come
21 to know and love their own country through domestic tourism and a
22 dynamic educational system can a culture of tourism truly be created,
23 allowing the Philippines and the Filipinos to truly take their place in,
24 and connect with the rest of, the world.

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

27 a. Department – Department of Tourism

28 b. Secretary – Secretary of Tourism

29 c. TEZA – Tourism Enterprise Zone Authority

30 d. Zone – Tourism Enterprise Zone

31 e. Zone Operator – Tourism Enterprise Zone Operator

32 f. Registered Enterprise – An enterprise located within a Zone that is
33 duly-registered with the TEZA

34 g. PTA – Philippine Tourism Authority

35 h. PCVC – Philippine Conventions and Visitors Corporation

36 i. DFP – Duty-Free Philippines

37 j. Tourism enterprises – shall refer to facilities, services and attractions
38 involved in tourism, such as, but not limited to: travel agents; tour

1 operators; tourist transport operators, whether for land, sea or air
2 transportation; tour guides; adventure sports operators, such as those
3 for mountaineering, spelunking, scuba diving and other water sports,
4 and other sports activities of significant tourism potential; convention
5 organizers; accommodation establishments, such as hotels, resorts,
6 apartelles, tourist inns, motels, pension houses, home stay operators;
7 restaurants, shops & department stores, sports & recreational centers,
8 spas, museums & galleries, theme parks, convention centers and
9 zoos.

- 10 k. Affected local government unit – shall refer to a province or city that
11 has a Zone, or part thereof, within its territorial jurisdiction.

12 CHAPTER II. TOURISM GOVERNANCE

13 Subchapter II-A. Structure of the Department

14 **SEC. 5. Mandate.** - The Department of Tourism shall be the primary
15 government agency charged with the responsibility of determining tourism
16 policies and programs to develop and regulate tourism, implement such policies
17 and programs on its own, through attached agencies, and in coordination with
18 other government instrumentalities, and instill in the Filipino the fundamental
19 importance of tourism in the generation of employment, investment and foreign
20 exchange.

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

- 23 a. Formulate policies, plans, programs and projects for tourism as an
24 engine of socio-economic and cultural growth.
- 25 b. Oversee and coordinate the implementation of tourism policy, plans
26 and projects.
- 27 c. In coordination with local governments, delegate to regional offices
28 specific powers and functions in the implementation of tourism
29 policies, plans and projects.
- 30 d. Call upon all agencies of Government to properly carry out their
31 programs in relation to and in coordination with the policies, plans and
32 projects of the Department, and to assist in the implementation of
33 tourism policies, plans and projects.
- 34 e. Represent the Government in all domestic and international
35 conferences, and in all multilateral or bilateral treaties and
36 international agreements, concerning tourism, and ensure
37 government's implementation and compliance with all obligations
38 arising there from, particularly those that facilitate travel by air, sea

- 1 and land.
- 2 f. Effect the removal of unnecessary barriers to travel, the integration
3 and simplification of travel regulations, and ensure their efficient, fair
4 and courteous enforcement to assure expeditious and hospitable
5 reception of all visitors.
- 6 g. Issue timely advisories on the safety or viability of travel to particular
7 communities within the Philippines.
- 8 h. Participate at meetings of government agencies, offices, boards,
9 commissions or committees that may, directly or indirectly, affect
10 tourism, including but not limited to, transportation and travel, peace
11 and order, national emergencies and disaster coordination, public
12 utilities and other public infrastructure, foreign relations and
13 immigration.
- 14 i. In cooperation with appropriate government agencies and the private
15 sector, support, advance and promote the protection, maintenance
16 and preservation of historical, cultural and natural endowments.
- 17 j. In consultation with the private sector, formulate and promulgate rules
18 and regulations prescribing standards for the operation of tourism
19 enterprises in accordance with the highest relevant international
20 standards.
- 21 k. License, accredit and classify tourism enterprises, and when
22 necessary to maintain the quality of service, suspend or prohibit their
23 operation in accordance with duly promulgated rules and regulations.
- 24 l. Ensure the proper coordination, integration, prioritization and
25 implementation of local government tourism development plans with
26 that of the national government.
- 27 m. Receive and investigate complaints concerning tourism enterprises,
28 act on such complaints, and exercise quasi-judicial functions in the
29 process of accreditation, suspension, or prohibition of the operation of
30 tourism enterprises, and in such other processes necessary to
31 properly implement the provisions of this Act.
- 32 n. Collect necessary fees and charges for the proper implementation of
33 tourism policies, plans and projects.

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

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

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

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

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

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

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

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

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

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

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

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

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

- 30 a. Implement and enforce laws, policies, plans, programs, rules and
31 regulations of the Department, particularly those relating to the
32 accreditation of tourism enterprises promulgated by the Department.
- 33 b. Coordinate with regional offices of other departments, bureaus, and
34 agencies, local government units, non-governmental organizations, and
35 the regional offices of the Department's attached agencies in the
36 implementation of such laws, policies, plans programs and rules and
37 regulations.
- 38 c. Together with local government units, establish such tourist information

1 and assistance offices as are necessary to assist tourists and tourism
2 enterprises in all relevant matters.

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

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

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

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

17 a. *Exercise quasi-judicial functions in disputes relating to the system of*
18 *permits and accreditation, as provided herein.*

19 b. *Provide the Department with staff advice and assistance on all legal*
20 *matters affecting the Department and perform such other related*
21 *functions as may be assigned or delegated to it by the Secretary.*

22 **Subchapter II-B. Rationalization of Functions**

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

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

33 **SEC. 19. Human Resources.** - *Where certain functions are declared*
34 *redundant on account of the reorganization, the Department, the TEZA Board,*
35 *and the Tourism Board shall provide for the reassignment, insofar as practicable,*
36 *of affected employees to similar positions within the Department and its attached*
37 *agencies, taking into consideration their skills and experience, without loss of*
38 *seniority or other rights and privileges. In any case, all relevant laws, decrees,*

1 executive orders, rules and regulations concerning the rights of government
2 employees in the reorganization of an office shall be respected.

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

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

16 **SEC. 21. Retirement and Separation Compensation.** - Should any
17 employee be separated from government service on account of the
18 reorganization of the Department, said employee shall be entitled to claim
19 separation or retirement benefits as may be provided under existing laws
20 governing the civil service, as well as benefits granted under relevant laws,
21 presidential decrees and executive orders.

22 **SEC. 22. Foreign Field Offices.** - The operation and supervision of
23 foreign field offices of the Department of Tourism shall be transferred to Tourism
24 Philippines.

25 **Subchapter II-C. Attached Agencies and Corporations**

26 **SEC. 23. Other Attached Agencies.** - Tourism Philippines and the
27 Tourism Enterprise Zone Authority created herein below shall be attached to the
28 Department and shall be under the supervision of the Secretary for program and
29 policy coordination. Furthermore, the following agencies and corporations shall
30 be attached to the Department under the supervision of the Secretary for
31 program and policy coordination: the Duty-Free Philippines Corporation as
32 hereinafter provided; the Film Development Council of the Philippines, as created
33 under Republic Act No. 9167; the Intramuros Administration, created under
34 Presidential Decree No. 1616, as amended; the National Parks Development
35 Committee, created under Executive Order No. 30 (1963); the Nayong Pilipino
36 Foundation, created under Presidential Decree No. 37, as amended; the
37 Philippine Retirement Authority, created under Executive Order No. 1037, as
38 amended; and the Philippine Tourism Assets Corporation, created under

1 Presidential Decree No. 189. Except as hereinafter provided, each of the
2 attached agencies shall continue to operate under their respective charters.

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

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

- 13 1. Is competitive with international standards;
- 14 2. Effectively showcases Philippine culture, craftsmanship and
15 industry; and
- 16 3. Efficiently and effectively generates foreign exchange.

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

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

31 c. Duty-Free Philippines shall be governed by a Board of Directors
32 composed as follows:

- 33 1. The Secretary of Tourism as Chairman,
- 34 2. The General Manager of Duty-Free Philippines as Vice-
35 Chairman,
- 36 3. The Chief Operating Officer of Tourism Philippines,
- 37 4. The Administrator of Tourism Enterprise Zone Authority,
- 38 5. And four persons appointed by the President with recognized

1 competence in business management, marketing, finance, tourism
2 and related fields.

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

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

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

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

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

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

32 **SEC. 29. Philippine Tourism Assets Corporation.** - In lieu of the
33 mandate of the former Philippine Tourism Authority provided under Presidential
34 Decree No. 189, as amended, the Philippine Tourism Assets Corporation shall
35 hereinafter be specifically mandated to manage tourism enterprises it currently
36 operates with the specific goal of attaining self-sufficiency in its operations within
37 five years from the effectivity of this Act. Toward this end, it shall be entitled to
38 receive the amount of one hundred million pesos (PHP 100,000,000) from the

1 annual collections of travel taxes by way of subsidy for its operations for five (5)
2 years from the date of effectivity of this Act. Should it fail to attain self-sufficiency
3 at the end of that period, the corporation shall be dissolved and its assets
4 disposed. The proceeds of such a disposition of assets shall be set aside in a
5 trust fund as provided under Subchapter III-B, Section 50.

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

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

12 In the interest of efficiency in supervision and in recognition of local
13 autonomy, within one (1) year from the effectivity of this Act, the Department,
14 through appropriate agreements, may transfer control over a tourism zone, area
15 or spot, or a portion thereof, to another agency or office of the government, or to
16 a local government unit.

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

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

30 **SEC. 31. National Protected Areas System and the National Eco-**
31 **tourism Policy.** - Within one (1) year from the effectivity of this Act, the
32 Department and the Department of the Environment and Natural Resources
33 (DENR) shall identify areas covered by the National Integrated Protected Areas
34 System with ecotourism potential and prepare comprehensive plans for the use,
35 development, preservation and promotion of these areas. When practicable, and
36 with the concurrence of the DENR, the Protected Area, or portions thereof, and
37 areas currently covered by the Ecotourism Policy proclaimed under Executive

1 Order No. 111 (1999), may be organized as Zones under the supervision of the
2 TEZA, as hereinafter provided.

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

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

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

20 **SEC. 34. Licenses and Permits.** - Every local government unit with a
21 duly-prepared tourism development plan shall have the authority to grant
22 licenses and permits for the operation of tourism enterprises within their
23 respective jurisdictions. Where the local government has not prepared a tourism
24 development plan in coordination with the Department, the local government
25 shall be empowered only to issue provisional licenses and permits for the
26 operation of tourism enterprises. Such power to issue provisional licenses and
27 permits shall not exceed two (2) years from the approval of this Act. Thereafter,
28 any local government without a duly-prepared tourism development plan shall be
29 prohibited from issuing licenses or permits for the operation of tourism
30 enterprises.

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

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

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

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

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

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

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

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1 **CHAPTER III. TOURISM MARKETING AND PROMOTIONS**

2 **Subchapter III-A Tourism Philippines**

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

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

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

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

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

30 **SEC. 43. Elected Directors.** - The Tourism Congress as created under
31 Chapter VI, Section 85 shall elect from among its members the directors to
32 represent the tourism industry, specifically the following sectors:

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

1 Under the first election to implement this provision, the directors elected
2 from the first three (3) sectors as mentioned in this Subchapter, Section 43, shall
3 serve terms of three (3) years, while those from the last three (3) sectors shall
4 serve terms of two (2) years. Thereafter, all directors shall serve terms of two (2)
5 years. These directors must be Filipinos engaged in the management of a
6 business in the sectors they represent for at least five (5) years, and must remain
7 engaged in business in the sector they have been elected to represent
8 throughout their term of office.

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

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

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

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

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

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

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

12 **SEC. 49. Foreign and Domestic Promotions Offices.** - In the
13 implementation of its mandate, Tourism Philippines shall establish foreign and
14 domestic offices, which shall be responsible in their respective areas for
15 marketing and promotions, market research, and such other functions delegated
16 by the Board. Each office shall submit periodic reports to both the Tourism
17 Board and the Secretary on the performance of its functions. The head of each
18 Tourism Philippines foreign office shall be considered as a representative of the
19 Philippine government for matters related to tourism.

20 **Subchapter III-B Tourism Promotion and**
21 **Development Fund**

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

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

- 34 a. The investment earnings from the Tourism Promotion and
35 Development Trust.
- 36 b. The full amount of travel taxes less the statutory allocations for the
37 National Commission on Culture and the Arts, the Commission on
38 Higher Education and the Philippine Tourism Assets Corporation as

1 provided above.

- 2 c. An appropriation from the national government of five hundred million
3 pesos (PHP 500,000,000) annually for five (5) years representing the
4 budget formerly allocated to the Department of Tourism's Bureaus for
5 Domestic and International Promotions.
- 6 d. At least 50% of the net income of Duty Free Philippines, in lieu of its
7 statutory remittance to the National Government under Republic Act
8 No. 7656.
- 9 e. At least 25% of net income of the Philippine Amusements and
10 Gaming Corporation, to be taken from the share of the National
11 Government under Republic Act No. 7656.
- 12 f. At least 25% of the net income of international airport and seaports, to
13 be taken from the share of the National Government under Republic
14 Act No. 7656.
- 15 g. A minimal tourism fee which shall initially not exceed five US dollars
16 (USD 5) to be collected from foreign guests per night spent in
17 accommodation establishments, to be collected by said
18 establishments and remitted to Tourism Philippines. The amount
19 shall be initially fixed and maybe revised from time to time by the
20 Board. In determining and reviewing the fee, the Board shall consider
21 the level of accreditation of the establishment, its location and its
22 market.

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

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

35 **SEC. 52. Special Contingency Fund.** - At the beginning of each year,
36 ten percent (10%) of the allocation for promotions and marketing shall be set
37 aside as a special contingency fund to provide Tourism Philippines with sufficient
38 resources to undertake marketing and promotions activities to encourage

1 sustained tourism interest in the Philippines in the event of emergencies which
2 may adversely affect the tourism industry. The Special Contingency Fund shall
3 only be utilized upon a two-thirds vote of all the members of the Tourism Board
4 upon a resolution recognizing the existence of an emergency and authorizing the
5 release of the fund. Any balance at the end of each year in the Special
6 Contingency Fund shall be returned to the Tourism Promotion and Development
7 Fund.

8 **CHAPTER IV. TOURISM ENTERPRISE ZONES**

9 **Subchapter IV-A Tourism Enterprise Zones**

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

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

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

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

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

- 34 a. Features which satisfy the requisites for the designation of a Zone
35 enumerated under Section 53 of this Chapter.
- 36 b. Areas for infrastructure development, for investment, and for
37 preservation, as well as the kind of development, nature of
38 investment, or the sustainable activities allowed within preserved

1 areas, respectively.

- 2 c. Medium and long-term studies on market trends, and corresponding
- 3 development strategies for the Zone.
- 4 d. Studies on the economic impact of development within the Zone and
- 5 in surrounding communities.
- 6 e. Studies on the environmental, cultural and social carrying capacity of
- 7 the Zone and surrounding communities.
- 8 f. Design plans for structures which incorporate design and sustainability
- 9 principles from local architecture and the surrounding environment.

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

16 Lands identified as part of a Zone shall be exempt from the coverage of
17 the Urban Development and Housing Program Act of 1992 (Republic Act No.
18 7279) and the Comprehensive Agrarian Reform Law (Republic Act No. 6657).
19 The TEZA shall, in coordination with the Department of Land Reform, adopt the
20 necessary rules and regulations to implement this provision.

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

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

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

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

5 **Subchapter IV-B. Tourism Enterprise Zone Authority**

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

9 **SEC. 58. Mandate.** - The TEZA shall supervise the cultural, economic
10 and environmentally sustainable development of Zones. Pursuant thereto, it
11 shall have the sole and exclusive jurisdiction to issue permits and licenses for the
12 regulation of commercial activity, and enforce environmental and cultural
13 heritage, zoning and traffic, and construction laws within Zones. It shall also
14 coordinate with appropriate agencies and government units for the facilitation of
15 investments, and the development of communities surrounding or adjoining
16 Zones.

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

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

- 26 a. The Department Secretary, as chairperson
- 27 b. The Administrator of the Tourism Enterprise Zone Authority, as vice-
28 chairperson
- 29 c. The Undersecretary for Tourism Development
- 30 d. A representative from the Department of Environment and Natural
31 Resources
- 32 e. A representative from the Department of Labor and Employment
- 33 f. A representative from the Department of Trade and Industry
- 34 g. Four directors to be appointed by the President as provided in
35 Subchapter IV-B, Section 61.

36 **SEC. 60. Administrator.** - The TEZA Administrator must be a Filipino
37 with a bachelor's degree in business, law, tourism; public administration, urban
38 planning, or other relevant fields, and have demonstrated expertise therein.

1 He/she must have been engaged in a managerial capacity for at least five (5)
2 years prior to his/her appointment. He/she shall be appointed by the President
3 and shall have a term of office of five (5) years.

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

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

10 These directors must be Filipinos engaged in management in the sectors
11 they represent for at least five (5) years, and have recognized expertise in their
12 respective sectors. These directors shall serve terms of four (4) years. However,
13 the first directors appointed under this provision shall respectively serve four (4),
14 three (3), two (2) and one (1) years.

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

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

- 22 a. Adopt rules and regulations necessary for the implementation of the
23 provisions of this Chapter.
- 24 b. Enter into, make, perform and carry out contracts of every class, kind
25 and description which are necessary or incidental to the realization of
26 its purposes with any person, firm or corporation, private or public,
27 and with foreign government entities.
- 28 c. Contract loans, indebtedness and credit, issue commercial papers
29 and bonds, in any local or convertible foreign currency from
30 international financial institutions, foreign government entities, and
31 local or foreign private commercial banks or similar institutions under
32 such terms and conditions prescribed by law, rules and regulations.
- 33 d. Execute any deed of guarantee, mortgage, pledge, trust or
34 assignment of any property for the purpose of financing the programs
35 and projects deemed vital for the early attainment of its goals and
36 objectives, subject to the provisions of Article VII, Section 20, and
37 Article XII, Section 2, paragraphs (4) and (5) of the Constitution.
- 38 e. Construct, own or lease, operate and maintain infrastructure

1 facilities, and grant franchises for, and supervise the operation of,
2 public utilities within Zones.

- 3 f. Undertake, or authorize the undertaking of reclamation projects
4 within Zones.
- 5 g. Receive donations, grants, bequests and assistance of all kinds
6 from local and foreign governments and private sectors and utilize
7 the same.
- 8 h. Exercise eminent domain.
- 9 i. Coordinate with the local government units and other government
10 offices for the provision of basic services, utilities and infrastructure
11 required by Zones.
- 12 j. Review and approve proposals for the designation of Zones based
13 on criteria provided herein and approve, facilitate and assist in the
14 organization of Zone Operators.
- 15 k. Supervise the operations of Zone Operators, review and enforce
16 their development plans, and establish and implement other policies,
17 plans and programs for the development and operation of Zones.
- 18 l. Register, monitor and regulate enterprises seeking to invest and
19 operate within a Zone, and approve and grant incentives to such
20 registered enterprises as provided under this Act.
- 21 m. Collect taxes as provided under Section 77 below, and necessary
22 fees to defray administrative and operational expenses, and impose
23 penalties and fines for violations of duly promulgated rules and
24 regulations.

25 TEZA shall be deemed a government infrastructure corporation
26 under the provisions of the Administrative Code of 1987 (Executive Order No.
27 292, Book IV, Chapter 13, Section 58).

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

- 34 a. Subject to the approval of the TEZA Board, determine the structure,
35 staffing pattern, and personnel complement of TEZA.
- 36 b. Coordinate with the Philippine National Police for the proper
37 maintenance of peace and order within Zones.
- 38 c. Ensure that all Zone Operators properly perform their functions and

1 duties in accordance with this Act, TEZA implementing rules and
2 regulations, and all other relevant laws and executive issuances.

- 3 d. Receive all protests, complaints, and claims concerning Zone
4 Operators, and make recommendations to the TEZA Board for
5 appropriate action.
- 6 e. Enforce all legal easements along seashores, lakeshores, riverbanks,
7 among others, to allow free and open access thereto and aid in the
8 proper development of the national patrimony.
- 9 f. Require owners of houses, buildings or other structures constructed
10 without the necessary permit whether constructed on public or private
11 lands within Zones, to remove or demolish such houses, buildings,
12 structures within sixty (60) days after notice and upon failure of such
13 owner to remove or demolish such house, building or structure within
14 said period, the TEZA Administrator or his/her authorized
15 representative may summarily cause its removal or demolition at the
16 expense of the owner, any existing law, decree, executive order and
17 other issuances or part thereof to the contrary notwithstanding.
- 18 g. Take such emergency measures as may be necessary to avoid or
19 mitigate the impact of fires, floods, storms and other natural or public
20 calamities upon persons or properties within Zones and adjoining
21 communities.

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

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

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

33 **SEC. 68. Investigation and Inquiries.** - Upon a written formal complaint
34 made under oath, which on its face provides reasonable basis to believe that
35 some anomaly or irregularity might have been committed within the Zone, the
36 TEZA Administrator shall have the power to inquire into and investigate the
37 conduct of Zone Operators, registered enterprises, or their employees. For that
38 purpose, he/she may subpoena witnesses, administer oaths, and compel the

1 production of books, papers, and other evidence. The TEZA Administrator may
2 also grant immunity from prosecution to any person whose testimony or whose
3 possessions of documents or other evidence is necessary or convenient to
4 determine the truth in any investigation conducted by him/her or under his/her
5 authority.

6 **Subchapter IV-C. Zone Administration**

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

12 **SEC. 70. Articles of Incorporation and By laws of Zone Operators.** -
13 Except as provided herein and may be provided by rules and regulations duly
14 promulgated by TEZA, each Zone Operator may draft its articles of incorporation
15 and by-laws as it sees fit.

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

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

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

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

35 **SEC. 73. Civil Dispute Resolution.** - TEZA shall establish a civil dispute
36 mediation office to effectively and efficiently resolve civil disputes within the Zone
37 where at least one (1) of the parties to the dispute was temporarily residing in the
38 Zone at the time the dispute arose, and is still residing within the Zone at the time

1 the complaint was filed with the mediation office. No civil dispute may be filed in
2 court without having undergone mediation proceedings as provided under this
3 section.

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

14 In order to promote a stable investment climate, realizing the critical role
15 tourism plays in the Philippine economy, and recognizing that the right to strike
16 may be regulated by law, employees of registered enterprises shall be prohibited
17 from engaging in strikes or strike-related activity within five (5) years from the
18 registration of the enterprise.

19 **Subchapter IV-D. Incentives for Zone Operators and Locators**

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

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

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

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

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

6 a. Income Tax Holiday. New enterprises shall, from the start of
7 operations, not be subject to any tax on income for a period of six (6)
8 years. This income tax holiday may be extended if the enterprise
9 undertakes a substantial expansion or upgrade of its facilities prior to
10 the expiration of the first six (6) years. This extension shall consider
11 the cost of such expansion or upgrade in relation to the original
12 investment, but shall in no case exceed an additional six (6) years.

13 An existing enterprise shall be entitled to avail of a non-
14 extendible income tax holiday if it undertakes an extensive expansion
15 or upgrade of facilities. Such an income tax holiday shall consider
16 the cost of such expansion or upgrade in relation to the original
17 investment, but shall in no case exceed six (6) years.

18 b. Gross Income Taxation. In lieu of all other national and local taxes,
19 license fees, imposts and assessments, except real estate taxes and
20 such fees as may be imposed by the TEZA, a new enterprise shall
21 pay a tax of three percent (3%) on its gross income, which shall be
22 distributed as follows:

- 23 1. One-third to be proportionally allocated among affected local
24 governments;
- 25 2. One-third to the national government; and
- 26 3. One-third to the TEZA for the funding of its operations and its
27 programs in Zones, which shall include the protection,
28 maintenance and enrichment of the environment, tangible cultural
29 and historical heritage, and the intangible cultural heritage of
30 communities within and surrounding Zones.

31 Gross income as used herein is defined under Republic
32 Act No. 8424 (The National Internal Revenue Code), Section
33 27(A) and further defined under relevant rules and regulations.

34 c. Capital Investment and Equipment. Subject to rules and regulations
35 which properly define capital investments and equipment necessary
36 for various kinds of tourism enterprises, registered enterprises shall
37 be entitled to the following:

- 38 1. Accelerated depreciation at a rate twice as fast as the normal rate

1 in accordance with the provisions of the NIRC; *Provided*, That the
2 taxpayer notifies in writing the Commissioner of Internal Revenue
3 at the beginning of the depreciation period as to what depreciation
4 rate allowed thereunder shall be used by it.

5 2. Importations of capital equipment shall be exempt one hundred
6 percent (100%) of all taxes and customs duties.

7 d. Goods and Services. Subject to rules and regulations which properly
8 define goods and services necessary for various kinds of tourism
9 enterprises, registered enterprises shall be entitled to the following:

10 1. Importation of goods actually consumed in the course of
11 services actually rendered by or through registered enterprises
12 within a Zone shall be exempt one hundred percent (100%) of all
13 taxes and customs duties; *Provided however*, That no goods
14 shall be imported for the purpose of operating a wholesale or
15 retail establishment in competition with Duty-Free Philippines.

16 2. A tax credit equivalent to all national internal revenue taxes paid
17 on all locally-sourced goods and services directly or indirectly
18 used by the registered enterprise for services actually rendered
19 within the Zone.

20 e. Social Responsibility Incentive. A registered enterprise shall be
21 entitled to a tax credit equivalent to a reasonable percentage, not
22 exceeding fifty percent (50%), of the cost of environmental protection
23 or cultural heritage preservation activities, sustainable livelihood
24 programs for local communities, and other similar activities it
25 undertakes.

26 **SEC. 77. Non-fiscal Incentives Available to Zone Operators and**

27 **Locators**. - The following incentives may, in the discretion of the TEZA Board, be
28 granted to registered enterprises within Zones:

29 a. Employment of foreign nationals. A registered enterprise may
30 employ foreign nationals in executive, supervisory, technical or
31 advisory positions for such reasonable periods and under such
32 terms as may be provided by the TEZA Board, with due regard for
33 the proper protection and representation of foreign investments in
34 registered enterprises, and the need to ensure easy travel into and
35 out of the Philippines by such nationals and their immediate
36 families.

37 b. Special Investor's Resident Visa. Under such terms as may be
38 provided by the TEZA Board, a foreign national who shall have

1 made an investment with a value of at least fifty thousand US
2 dollars (US\$ 50,000) in a registered enterprise shall be entitled to
3 a Special Investor's Resident Visa. With such Visa, the foreign
4 national shall be entitled to reside in the Philippines while his/her
5 investment subsists.

6 c. Foreign Currency Transactions. Subject to the provisions of
7 Section 74 of Republic Act No. 265 as amended:

8 1. Repatriation of Investments. In the case of foreign
9 investments, the right to repatriate the entire proceeds of the
10 liquidation of the investment in the currency in which the
11 investment was originally made and at the exchange rate
12 prevailing at the time of repatriation.

13 2. Remittance of Foreign Exchange. The right to remit earnings
14 from a foreign investment in the currency in which the
15 investment was originally made and at the exchange rate
16 prevailing at the time of remittance.

17 3. Foreign Loans and Contracts. The right to remit at the
18 exchange rate prevailing at the time of remittance such sums
19 as may be necessary to meet the payments of interest and
20 principal on foreign loans and foreign obligations arising from
21 technological assistance contracts.

22 d. Freedom from Expropriation. There shall be no expropriation by
23 the government of the property of a registered enterprise or
24 represented by investments except for public use or in the interest
25 of national welfare or defense. In any case, the affected person
26 shall be entitled to just compensation, and shall have the right to
27 repatriate such compensation as provided in paragraph c above.

28 e. Requisition of Investment. There shall be no requisition of the
29 property of enterprises or represented by investment, except in the
30 event of war or national emergency, and only for the duration
31 thereof. In any case, the affected person shall be entitled to just
32 compensation, and shall have the right to repatriate such
33 compensation as provided in paragraph c above.

34 f. Lease of Land. Consistent with the provisions of the Investor's
35 Lease Act (Republic Act No. 7652), lands and buildings in each
36 Zone may be leased to foreign investors for a period not exceeding
37 fifty (50) years, renewable once for a period of not more than twenty-
38 five (25) years. The leasehold right acquired under long-term

1 contracts may be sold, transferred or assigned, subject to the
2 conditions set forth under the Investor's Lease Act.

3 CHAPTER V. INCREASED TOURIST ACCESS

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

- 8 a. The Secretary shall be Chairman of the Civil Aviation Board.
- 9 b. The Secretary shall be *ex officio* Chairman of the Manila International
10 Airport Authority and the governing boards of other international
11 airports. The Secretary shall be authorized to appoint a
12 representative to the Board of Directors of each international seaport
13 of the Philippines.
- 14 c. Unless otherwise provided by relevant international agreements, or
15 curtailed by the requirements of national security, emergencies or
16 crises, short stay visas for the entry of tourists shall be valid for a
17 minimum of thirty (30) days. The Secretary shall further have the
18 power to allow the visa free entry for up to thirty (30) days for
19 particular nationalities or classes of tourists.

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

25 CHAPTER VI. CREATING A CULTURE OF TOURISM

26 **SEC. 80. Tourism Coordinating Council.** - A council shall be formed
27 consisting of the Department Secretary, as chairman, his/her undersecretaries,
28 the TEZA Administrator, the Tourism Philippines Chief Operating Officer,
29 representatives from the Tourism Congress, the heads of other agencies
30 attached to the Department, the Secretaries of the Departments of
31 Transportation and Communication, Public Works and Highways, Foreign Affairs,
32 Environment and Natural Resources, Education, Interior and Local Government,
33 and Labor and Employment, and the heads of the Philippine National Police,
34 Bureaus of Immigration, Internal Revenue and Customs, National Historical
35 Institute, National Commission for Culture and the Arts, Philippine Sports
36 Commission, Philippine Amusements and Gaming Corporation, the Leagues of
37 Local Governments, and such other government agencies that the President may

1 designate, that shall serve as a coordinating body for national tourism
2 development efforts.

3 The Council shall prepare 5-year strategic plans to develop and enhance
4 a culture of tourism. It shall also approve an annual infrastructure development
5 plan that shall promote access to and from airports and seaports, and Zones and
6 other tourism destinations which shall be accorded priority by the relevant
7 infrastructure agencies of the national government.

8 **SEC. 81. Education.** - The Department shall work closely with the
9 Department of Education for the development of educational programs for the
10 primary and secondary educational levels that assist in the creation of a culture
11 of tourism, specifically through the enhancement of education in languages,
12 history and culture.

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

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

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

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

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

33 **SEC. 84. Congressional Oversight.** - An oversight committee consisting
34 of five (5) members each from both houses of Congress shall constitute a Joint
35 Congressional Oversight Committee responsible for overseeing the
36 implementation of this Act. The Oversight Committee shall be composed of
37 representatives from each House from their respective Committees of Tourism;

1 Government Corporations and Public Enterprises; Environment; Education, Arts
2 and Culture; and Local Governments.

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

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

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

15 **CHAPTER VII. MISCELLANEOUS PROVISIONS**

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

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

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

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

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

1 **SEC. 89. Other Incentives. -**

- 2 a. Tourism enterprises not located within Zones shall, upon approval by
3 the Department, be entitled to avail of any economic incentives found
4 under existing laws, such as the Omnibus Investments Code, Foreign
5 Investments Act, Special Economic Zone Act of 1995, the Bases
6 Conversion and Development Act, among others.

7 Subject to rules and regulations jointly promulgated by the
8 Department and the relevant government agency, such as the Board
9 of Investments or the Philippine Economic Zone Authority, an existing
10 accommodation establishment not located within a Zone shall be
11 entitled to claim an income tax holiday for up to six (6) years for any
12 significant expansion, renovations or upgrades in its facilities in
13 relation to the amount of the original investment. They shall also be
14 entitled to import capital equipment free of taxes and duties when
15 necessary for such expansion, renovation or upgrades.

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

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

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

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

1 **SEC. 91. Repealing Clause.** - The provisions of Executive Orders No.
2 292 (The Administrative Code of 1987, as amended), Presidential Decree No.
3 189, as amended, (Creating the Philippine Tourism Authority), Presidential
4 Decree No. 1448, as amended, (Creating the Philippine Convention and Visitors
5 Corporation), the Labor Code (Presidential Decree No. 442, as amended), the
6 Local Government Code (Republic Act No. 7160), Presidential Decree No. 1616
7 (Creating the Intramuros Administration), and all other laws, presidential decrees,
8 executive orders, proclamations and administrative regulations inconsistent with
9 the provisions of this Act are hereby amended, modified, superseded or repealed
10 accordingly.

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

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

16 Approved,