



## HOUSE OF REPRESENTATIVES

H. No. 5229

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BY REPRESENTATIVES CHATTO, ALMARIO, ANGARA, NOGRALES, COSCOLLUELA, VELARDE, TEODORO, DEL MAR, DOMOGAN, UMALI (C.), VILLANUEVA, RODRIGUEZ, SANTIAGO (N.), SUSANO, SILVERIO, FUA, LAGDAMEO, ABANTE, CODILLA, ZIALCITA, NICOLAS, VILLAR, TIENG, GATCHALIAN, MIRAFLORES, DE GUZMAN, ERMITA-BUHAIN AND NAVA, PER COMMITTEE REPORT NO. 1322

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AN ACT DECLARING A NATIONAL POLICY ON TOURISM AS THE PRIMARY ENGINE OF INVESTMENT, EMPLOYMENT, GROWTH AND NATIONAL DEVELOPMENT AND STRENGTHENING THE DEPARTMENT OF TOURISM AND ITS ATTACHED AGENCIES, AND APPROPRIATING FUNDS THEREFOR

*Be it enacted by the Senate and 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 2008”.

SEC. 2. *Objectives.* – The development, promotion and advancement of tourism as an indispensable element of the national economy must be

1   harnessed as an engine of socioeconomic growth to generate investment,  
2   foreign exchange and employment. The State shall therefore seek to:

3       (a) Ensure the development of Philippine tourism that is for and by the  
4   Filipino people, conserve and promote their heritage, national identity and  
5   sense of unity;

6       (b) Recognize sustainable tourism development as integral to the  
7   national socioeconomic development efforts to improve the quality of life of  
8   the Filipino people, providing the appropriate attention and support for the  
9   growth of the industry;

10      (c) Promote a tourism industry that is ecologically sustainable,  
11   responsible, participative, culturally sensitive, economically viable, and  
12   ethically and socially equitable for local communities;

13      (d) Create a favorable image of the Philippines within the international  
14   community, thereby strengthening the country's attraction as a tourism  
15   destination and eventually paving the way for other benefits that may result  
16   from a positive global view of the country; and

17      (e) Develop the country as a prime tourist hub in Asia, as well as a  
18   center of world congresses and conventions, by promoting tourism anchored  
19   principally on the country's history, culture and natural endowments.

20      SEC. 3. *National Tourism Policy.* – Pursuant to the above declaration,  
21   the State hereby adopts the following policies:

22      (a) Develop a national tourism action plan and work for its adoption  
23   and implementation by national and local governments;

24      (b) Encourage activities and programs which promote tourism  
25   awareness, preserve the country's diverse cultures and heritage, and instill a  
26   sense of history and a culture of tourism among the youth and the populace;

27      (c) All things being equal, grant preferential treatment to the  
28   employment of Filipino nationals in tourism-related enterprises;

1           (d) Provide full government assistance by way of competitive  
2 investment incentives, long-term development fund and other financing  
3 schemes extended to Filipino-owned enterprises;

4           (e) *Ensure that tourism development protects and promotes the general*  
5 *well-being of the Filipino people, particularly in the area of investment, to*  
6 *include the monitoring and prevention of any act of profiteering or speculation*  
7 *to the detriment of local residents, as well as the exploitation of women and*  
8 *children in tourism;*

9           (f) Encourage competition in the tourism industry and maximize  
10 consumer choice by *enhancing the continued viability of the retail travel*  
11 *industry and independent tour operation industry;*

12           (g) Enhance the collection, analysis and dissemination of data which  
13 accurately measure the economic and social impact of tourism in the country to  
14 facilitate planning in the public and private sectors;

15           (h) Ensure the right of the people to a balanced and healthful ecology  
16 through the promotion of activities geared towards environmental protection  
17 and conservation;

18           (i) Develop responsible tourism as a strategy for environmentally  
19 sound and community participatory tourism programs, enlisting the  
20 participation of local communities including indigenous peoples in conserving  
21 bio-physical and cultural diversity, promoting environmental understanding  
22 and education, and *providing assistance in the determination of ecotourism*  
23 *sites and ensuring full enjoyment of the benefits thereof by the concerned*  
24 *communities;*

25           (j) Strengthen the role of tourism councils and encourage the  
26 participation of nongovernment organizations, people's organizations and the  
27 private sector in initiating programs for tourism development and  
28 environmental protection;

1           (k) *Rationalize existing civil aviation, land and sea transportation*  
2 *policies as they relate to tourism, in consonance with existing bilateral*  
3 *agreements and inter-agency pronouncements;*

4           (l) *Promote and ensure the convention-handling capabilities of the*  
5 *country as a world-class convention center;*

6           (m) *Achieve a balance in tourism development between urban and*  
7 *rural areas in order to spread the benefits of tourism and contribute to poverty*  
8 *alleviation, better access to infrastructure and to a reduction in regional*  
9 *imbalances;*

10          (n) *Enhance the capability-building of local government units (LGUs),*  
11 *in partnership with the private sector, in the management of local tourism*  
12 *projects and initiatives, thereby ensuring accessible and affordable destinations*  
13 *throughout the country, especially in areas which have shown strong*  
14 *comparative advantage;*

15          (o) *Maintain international standards of excellence in all tourism*  
16 *facilities and services, and promote the country as a safe and wholesome*  
17 *tourist destination;*

18          (p) *Enhance international business relations for the support of tourism*  
19 *projects of the private sector through partnerships, joint ventures and other*  
20 *cooperative undertakings involving local and foreign investors;*

21          (q) *Support the establishment of tourism enterprise zones (TEZs)*  
22 *which will provide the necessary vehicle to coordinate actions of the public*  
23 *and private sectors to address development barriers, attract and focus*  
24 *investment on specific geographic areas, and upgrade product and service*  
25 *quality; and*

26          (r) *Ensure a sustainable funding mechanism for the implementation of*  
27 *tourism policies, plans, programs, projects and activities.*

1           SEC. 4. *Definition of Terms.* – The following terms, as used in this Act,  
2 are defined as follows:

3           (a) “Department” shall refer to the Department of Tourism created  
4 pursuant to Presidential Decree No. 189, as amended.

5           (b) “Secretary” shall refer to the Secretary of Tourism.

6           (c) “Philippine Convention and Visitors Corporation” or “PCVC” shall  
7 refer to the corporate entity created pursuant to Presidential Decree No. 867, as  
8 amended.

9           (d) “Tourism Philippines” or “TP” shall refer to the body corporate  
10 created under this Act.

11           (e) “Philippine Tourism Authority” or “PTA” shall refer to the  
12 existing implementing arm of the Department of Tourism created pursuant to  
13 Presidential Decree No. 189, as amended.

14           (f) “Tourism Infrastructure Enterprise Zone Authority” or “TIEZA”  
15 shall refer to the government agency created pursuant to this Act.

16           (g) “Tourism enterprise zone” or “TEZ” shall refer to tourism  
17 enterprise zones created pursuant to this Act.

18           (h) “TEZ operator” shall refer to a tourism enterprise zone operator.

19           (i) “Registered enterprise” shall refer to an enterprise located within a  
20 TEZ that is duly-registered with the TIEZA.

21           (j) “Duty Free Philippines” or “DFP” shall refer to the government  
22 agency created pursuant to Executive Order No. 46.

23           (k) “Duty Free Philippines Corporation” or “DFPC” shall refer to the  
24 corporate entity created pursuant to this Act.

25           (l) “Foreign visitors” shall refer to all passengers using foreign  
26 passports.

27           (m) “Tourism enterprises” shall refer to facilities, services and  
28 attractions involved in tourism such as, but not limited to: travel and tour

services; tourist transport services, whether for land, sea or air transportation; tour guides; adventure sports services, involving such sports as mountaineering, spelunking, scuba diving and other water sports, and other sports activities of significant tourism potential; convention organizers; accommodation establishments including, but not limited to, hotels, resorts, apartelles, tourist inns, motels, pension houses and home stay operators; tourism estate management services; restaurants; shops and department stores; sports and recreational centers; spas; museums and galleries; theme parks; convention centers; and zoos.

(n) "Primary tourism enterprises" shall refer to travel and tour services; land, sea and air transport services exclusively for tourist use; accommodation establishments; convention and exhibitions organizers; tourism estate management services; and such other enterprises as may be identified by the Secretary, after due consultation with concerned sectors.

(o) "Secondary tourism enterprises" shall refer to all other tourism enterprises not covered by the preceding subsection.

## CHAPTER II

### THE DEPARTMENT OF TOURISM

SEC. 5. *Mandate.* – The Department of Tourism shall be the primary planning, programming, coordinating, implementing and regulatory government agency in the development and promotion of the tourism industry, both domestic and international, in coordination with attached agencies and other government instrumentalities, and shall instill in the Filipino the industry's fundamental importance in the generation of employment, investment and foreign exchange.

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

1           (a) Formulate policies, plans, programs and projects for the  
2     *development of tourism as an engine of socioeconomic and cultural growth;*

3           (b) Supervise and coordinate the implementation of tourism policy,  
4     plans and projects;

5           (c) Call upon all agencies of government to properly carry out their  
6     programs in relation to and in coordination with the policies, plans and projects  
7     of the Department and to assist in the implementation of tourism policies, plans  
8     and projects;

9           (d) Communicate to the President, the heads of departments, agencies  
10    and instrumentalities of government, the impact upon tourism and the economy  
11    of proposed government actions;

12          (e) Provide an integrated promotions and marketing program to attract  
13    people to visit the Philippines and enhance the prestige of the country and the  
14    Filipino people in the international community;

15          (f) Represent the government in all domestic and international  
16    conferences and fora, and in all multilateral or bilateral treaties and  
17    international agreements concerning tourism;

18          (g) Request the President for representation on all government  
19    agencies, offices, boards, commissions or committees that may affect tourism;

20          (h) Call upon relevant government departments, agencies and offices,  
21    in consultation with the private sector, to provide access to travel, to facilitate  
22    the process of obtaining and extending visas, and to integrate and simplify  
23    travel regulations and immigration procedures;

24          (i) In cooperation with appropriate government agencies and the  
25    private sector, support, advance and promote the protection, maintenance and  
26    preservation of historical, cultural and natural endowments;

1           (j) Monitor conditions of any community in the Philippines and, in  
2       *consultation with the LGUs and law enforcers*, issue advisories on the safety or  
3       viability of travel to such communities;

4           (k) Evaluate tourism development projects for the issuance of permits  
5       and the grant of incentives by appropriate government agencies, establish a  
6       databank of tourism areas and projects for investment purposes, and encourage  
7       private sector investment and participation in tourism activities and projects;

8           (l) In consultation with the LGUs, the private sector industries and  
9       other tourism stakeholders, formulate and promulgate rules and regulations  
10      governing the operation and activities of all persons, firms, entities and  
11      establishments that cater to tourists including, but not limited to, a national  
12      standard for licensing, accreditation and classification of tourism enterprises,  
13      prescribing therein minimum levels of operating quality and efficiency for the  
14      operation of tourism facilities, personnel and services in accordance with  
15      recognized international standards, impose reasonable penalties for violation  
16      of accreditation policies and recommend to the LGUs concerned the  
17      suspension or prohibition of operation of a tourism enterprise;

18          (m) Monitor the LGUs' compliance to national standards in the  
19      licensing of tourism facilities and services, receive and investigate complaints  
20      concerning tourism enterprises, and act on such complaints to properly  
21      implement the provisions of this Act;

22          (n) Ensure the proper coordination, integration, prioritization and  
23      implementation of local government tourism development plans with that of  
24      the regional and national government;

25          (o) Provide technical assistance to local governments in destination  
26      development, standard setting and regulatory enforcement; and

(p) Undertake continuing research studies and surveys to analyze economic conditions and trends relating to tourism and travel, and compile and integrate a statistical databank on the tourism industry.

SEC. 7. *Structure of the Department.* – The Department shall consist of the department proper, department services and offices, and the Department's regional offices.

The department proper shall consist of the offices of the secretary, undersecretaries and assistant secretaries. There shall be four (4) undersecretaries, namely:

(a) Undersecretary for Tourism Development and Regulation, who shall be responsible for the Office of Tourism Planning, Research and Information Management, and the Office of Tourism Standards, Regulations and Industry Manpower Development;

(b) Undersecretary for Market Development, who shall be responsible for market planning and research;

(c) Undersecretary for Tourism Revenue and Regional Offices, who shall be responsible for the Office of Tourism Revenue Collection and the Regional Offices; and

(d) Undersecretary for Special Concerns and Administration, who shall be responsible for special concerns and internal services, including legislative liaison.

Each undersecretary shall be assisted by an assistant secretary.

SEC. 8. *Office of Tourism Planning, Research and Information Management.* – The Office of Tourism Planning, Research and Information Management shall have the following functions:

(a) Prepare a National Tourism Development Plan identifying geographic areas with potential tourism value and outlining approaches to developing such areas;

1 (b) Formulate policies and programs for global competitiveness and  
2 national tourism development, and approve local government tourism  
3 development plans;

4 (c) Monitor and evaluate the implementation of policies, plans and  
5 programs of the Department;

6 (d) Formulate an integrated marketing and promotions plan, identifying  
7 strategic market areas and niches;

8 (e) Formulate, in coordination with the TIEZA, other government  
9 agencies and LGUs exercising political jurisdiction over the area, development  
10 plans for tourism enterprise zones and integrate such plans with other sector  
11 plans for the area;

12 (f) Conduct researches and studies, disseminate all relevant data on  
13 tourism, monitor and analyze the socioeconomic impact of tourism upon  
14 affected local communities and the nation to maximize the benefits of tourism  
15 throughout affected local communities and to avoid or mitigate possible  
16 negative impacts of the industry;

17 (g) Provide technical assistance to the LGUs and the TIEZA in the  
18 preparation of local tourism development plans to ensure adherence to national  
19 policies and programs;

20 (h) Coordinate with government agencies, LGUs, nongovernment  
21 organizations and other private entities for the development and the  
22 implementation of national tourism plans and policies and other relevant  
23 concerns;

24 (i) Source grants or loans from local and foreign funding institutions to  
25 implement tourism policies, plans and projects;

26 (j) Formulate and coordinate the implementation of the Department's  
27 information system strategic plan; and

1           (k) Pursue the Department's interests in multilateral, international and  
2 regional tourism cooperation, agreements and treaties.

3           SEC. 9. *Office of Product Development.* – The Office of Product  
4 Development shall have the following functions:

5           (a) *Conceptualize and develop new products which will enhance*  
6 tourism sites and facilities;

7           (b) Undertake tests on the viability and acceptability of new tourism-  
8 related products and programs; and

9           (c) Encourage and promote joint undertakings with the private sector  
10 for the development of new tourism-related products and programs.

11          SEC. 10. *Office of Tourism Standards, Regulations and Industry*  
12 *Manpower Development.* – Recognizing the need for internationally  
13 competitive standards for facilities and services, the Office of Tourism  
14 Standards, Regulations and Industry Manpower Development shall have the  
15 following functions:

16          (a) *Formulate and enforce standards for the operation and maintenance*  
17 of tourism enterprises, prescribing minimum and progressive levels of  
18 operating quality and efficiency consistent with local and international  
19 standards;

20          (b) Coordinate with relevant tourism enterprises, associations and  
21 LGUs in the enforcement of rules and regulations on the accreditation and  
22 licensing of tourism facilities and services;

23          (c) Develop and enforce a comprehensive system of mandatory  
24 accreditation for primary tourism enterprises and voluntary accreditation with  
25 secondary tourism enterprises, in accordance with prescribed guidelines and  
26 standards;

(d) Establish a system of registration, information, linkage and mutual assistance among accredited tourism enterprises to enhance the value of accreditation and improve the quality of service rendered by such enterprises;

(e) In coordination with appropriate government agencies and tourism enterprises and associations, develop training modules and conduct seminars and continuing education program for the industry manpower, thereby upgrading their quality, competence and excellence in tourism services;

(f) Develop training courses and apprenticeship programs for tourist guides and other similar workers jointly with concerned tourism enterprises; and

(g) Evaluate tourism projects in accordance with standards and endorse the same to appropriate government agency for the availment of incentives, and provide technical assistance to incentive-giving institutions in the formulation of tourism incentives and the administration of their functions.

SEC. 11. *Office of Market Planning.* – The Office of Market Planning shall have the following functions:

(a) Provide direction on the overall international marketing and promotion thrust of the Department and the tourism industry;

(b) Formulate an integrated marketing and promotions plan in close consultation with the TP;

(c) Identify strategic market areas and niches which could be the subject of further promotion;

(d) Conduct studies on potential and emerging markets; and

(e) Monitor and evaluate effectiveness and efficiency of tourism promotion programs and activities undertaken by the TP.

SEC. 12. *Office of Market Development.* – The Office of Market Development shall have the following functions:

(a) Conduct pioneering activities in new and potential markets;

1 (b) Develop a marketing and promotions plan for new and potential  
2 markets;

3 (c) Establish linkages with governments and the private sector in new  
4 and potential markets; and

5 (d) Lay down the groundwork for eventual turnover to TP for the  
6 opening of regular offices in new and potential markets.

7 SEC. 13. *Office of Tourism Revenue Collection.* -- In the midst of  
8 globalizing economy, a tourism development and promotions fee of Ten US  
9 Dollars (US\$10) shall be collected by the Department from all foreign visitors:  
10 *Provided,* That the Department shall be given the authority to adjust the  
11 amount of said fee depending on the needs of the market and the prevailing  
12 current exchange rate.

13 The tourism development and promotions fee shall be used by the  
14 Department in the promotion and marketing efforts of the TP and the  
15 development of infrastructure facilities, utilities and services of the TIEZA.

16 The Office of Tourism Revenue Collection shall:

17 (a) Collect a tourism development and promotions fee in the amount of  
18 Ten US Dollars (US\$10) from all foreign visitors in all international airports  
19 and seaports;

20 (b) Collect travel taxes; and

21 (c) Establish a system for accounting and distribution of tourism  
22 development and promotions fee in accordance with this Act.

23 The Office of Tourism Revenue Collection shall also collect the net  
24 profits remitted to the Department from the operations of the duty- and tax-free  
25 merchandising system established by the Department pursuant to Section 67 of  
26 this Act: *Provided,* That these shall be used exclusively for programs, projects  
27 and activities of the Department and its attached agencies and shall not be  
28 utilized for personal expenditures.

1           SEC. 14. *Regional Offices.* – The Department shall establish, operate  
2   *and maintain a regional office in each of the administrative regions of the*  
3   *country. A regional office shall, within its administrative region, have the*  
4   *following functions:*

5           (a) *Implement laws, policies, plans, programs, rules and regulations of*  
6   *the Department, particularly those relating to compliance and accreditation of*  
7   *tourism establishments and services promulgated by the Department;*

8           (b) *Coordinate with regional offices of other departments, bureaus and*  
9   *agencies, LGUs, nongovernment organizations and the regional offices of the*  
10   *Department's attached agencies in the implementation of such laws, policies,*  
11   *plans, programs, rules and regulations;*

12          (c) *Issue clearances to tourism establishments, services and workers*  
13   *applying for license or permit to operate, based on prescribed standards, which*  
14   *function shall be performed within a period of five (5) years from the*  
15   *effectivity of this Act; and*

16          (d) *Undertake research and data gathering on local tourism trends and*  
17   *other relevant tourism information.*

18          SEC. 15. *Office of Special Concerns* – The Office of Special Concerns  
19   *shall be responsible in effectively coordinating and monitoring the various*  
20   *directives, pronouncements and issuances of the President pertaining to the*  
21   *priorities of the government and the Department.*

22          SEC. 16. *Financial and Management Service.* – The Financial and  
23   *Management Service shall provide the Department with staff advice and*  
24   *assistance on budgetary, financial and management matters and shall perform*  
25   *such other related functions as may be assigned or delegated to it by the*  
26   *Secretary.*

27          SEC. 17. *Administrative Service.* – The Administrative Service shall  
28   *provide the Department with staff advice and assistance on personnel*

1 development, information, records, communications, supplies, equipment,  
2 collection, disbursements, security, other custodial work and such other related  
3 duties and responsibilities as may be assigned or delegated to it by the  
4 Secretary.

5 SEC. 18. *Legal Service.* -- The Legal Service shall provide the  
6 Department with staff advice and assistance on all legal matters affecting the  
7 Department and perform such other related functions as may be assigned or  
8 delegated to it by the Secretary.

9 SEC. 19. *Internal Audit Office.* -- The Internal Audit Office shall be  
10 responsible for instituting and conducting an audit program for the Department  
11 to ensure compliance with existing rules and regulations for an efficient and  
12 effective fiscal administration and performance of department affairs.

13 SEC. 20. *Legislative Liaison Unit.* -- The Legislative Liaison Unit shall  
14 establish and maintain regular coordination and liaison with Congress, monitor  
15 the passage of legislative measures that are in the Department's agenda,  
16 provide relevant information and technical support to Members of Congress  
17 and perform such other related functions as may be assigned or delegated by  
18 the Secretary.

### 19 CHAPTER III

#### 20 TOURISM PHILIPPINES

21 SEC. 21. *Creation of Tourism Philippines (TP).* -- The Philippine  
22 Convention and Visitors Corporation (PCVC) is hereby reorganized to become  
23 the Tourism Philippines, which shall be attached to the Department and shall  
24 assist the Department in formulating and implementing an integrated  
25 promotions and marketing program.

26 The Bureaus for International and Domestic Tourism Promotions and  
27 the Office of Tourism Information, provided under the Administrative Code of  
28 1987 and Executive Order No. 120, are hereby absorbed into the TP.

1       The foreign field offices of the Department are likewise hereby  
2 transferred to the TP. The TP may create additional foreign offices, subject to  
3 the approval of the President, upon the recommendation of the Tourism Board.

4       The Tourism Board shall also draw up its own standard operating  
5 procedures for the implementation of its mandate.

6       SEC. 22. *Mandate.* – Consistent with the policies defined and provided  
7 by the Department, the TP shall be a body corporate responsible for the  
8 marketing and promotion of the Philippines as a global tourism destination,  
9 highlighting its tourism products and services.

10       SEC. 23. *Tourism Board of Directors.* – The TP shall be governed by a  
11 board of directors, hereinafter referred to as the Tourism Board, composed as  
12 follows:

13       (a) The Department Secretary, as chairperson;

14       (b) The TP chief operating officer;

15       (c) One (1) representative from the Union of Local Authorities of the  
16 Philippines (ULAP); and

17       (d) Four (4) representative directors appointed by the President, upon  
18 the recommendation of the Secretary.

19       The chairperson of the Tourism Board shall have voting rights in case of  
20 a tie.

21       The Tourism Board shall appoint a corporate secretary whose functions  
22 shall include the preparation of agenda for board meetings, in consultation with  
23 the chairperson.

24       SEC. 24. *The Chief Operating Officer.* – The TP shall have a Chief  
25 Operating Officer who must be a Filipino, with a bachelor's degree in any of  
26 the following fields: business, law, tourism, public administration or other  
27 relevant fields, and have demonstrated expertise therein. He must have been  
28 engaged in a managerial capacity for at least five (5) years prior to his

1 appointment. He shall be appointed by the President, upon the  
 2 recommendation of the Secretary, and shall have a minimum term of office of  
 3 five (5) years.

4 SEC. 25. *Representative Directors.* – The President shall appoint four  
 5 (4) representative directors to the Tourism Board, specifically from the  
 6 following sectors:

- 7 (a) Air, sea and land transportation services;
- 8 (b) Travel and tour services;
- 9 (c) Hotels, resorts and other accommodations; and
- 10 (d) Other tourism enterprises

11 A representative director from the private sector must be a Filipino  
 12 engaged in the management of business in the sector he/she represents for at  
 13 least five (5) years and has recognized expertise therein.

14 Representation from Luzon, Visayas and Mindanao shall be taken into  
 15 consideration in the appointment of representative directors. Representative  
 16 directors shall serve a term of five (5) years; *Provided*, That if a representative  
 17 director ceases to be connected with the sector he/she represents, a new  
 18 representative director shall be appointed to serve the unexpired term.

19 SEC. 26. *Powers of Tourism Philippines.* – The TP shall have all the  
 20 powers of a corporation provided under Batas Pambansa Blg. 68 (the  
 21 Corporation Code). Furthermore, it shall also have the following powers:

- 22 (a) Receive donations, grants, bequests and assistance of all kinds from  
 23 local and foreign governments and private sectors and utilize the same;
- 24 (b) Extend loans through government banks and financial institutions,  
 25 provide grants and other forms of financial assistance for manpower training,  
 26 heritage preservation, infrastructure development and other programs of the  
 27 Department;

1 (c) Obtain the services of local and foreign consultants and enter into  
2 contracts locally and abroad in the performance of its functions; and

3 (d) Perform all other powers and functions of a corporation.

4 SEC. 27. *Meetings of the Tourism Board.* – The Tourism Board shall  
5 meet at least once a month at the principal office of the TP unless the Tourism  
6 Board had previously agreed in writing to meet at another location.

7 SEC. 28. *Structure of the Tourism Philippines.* – The Tourism Board  
8 shall have the power to organize the TP in a manner most efficient and  
9 economical for the conduct of its business and the implementation of its  
10 mandate.

11 SEC. 29. *Functions of the Tourism Philippines.* – The TP shall have the  
12 following functions:

13 (a) Develop and implement a plan to market the Philippines as a  
14 premier tourist destination;

15 (b) Direct and coordinate the resources and efforts of the government  
16 and the private sector in the tourism and allied fields for the full realization of  
17 the tourism plans and programs; and

18 (c) Develop and promote the Philippines as a center for international  
19 meetings, incentives, conventions, exhibitions, sports, medical tourism and  
20 other special events.

21 SEC. 30. *Capitalization.* – The existing assets of the PCVC at the time  
22 of the enactment of this Act shall form part of the capitalization for the TP.

23 The national government shall allocate forty percent (40%) of the  
24 proceeds from the sale of some assets of the Philippine Tourism Authority  
25 (PTA) to capitalize the operations of the TP, which shall be deposited with the  
26 National Treasury as a special account in the general fund. The Department of  
27 Budget and Management (DBM) shall release the said amount to the TP. The

1 remaining sixty percent (60%) shall be allocated pursuant to Section 51 of this  
2 Act.

3 SEC. 31. *Funding.* – The TP shall obtain the funds for its operations  
4 through the following:

5 (a) A reasonable share from the collection of tourism development and  
6 promotions fee to be determined by the Department;

7 (b) Subsidies from the national government;

8 (c) Net income from TP investments;

9 (d) Annual membership dues from members in accordance with rates to  
10 be established by the Tourism Board; and

11 (e) Subsidies or grants from local or foreign sources that may be  
12 received by the TP.

13 In no case shall promotions and marketing activities receive less than  
14 fifty percent (50%) of the annual utilization of TP funds. Not more than ten  
15 percent (10%) of the funds shall be used for all other administrative and  
16 operating expenses of the TP.

17 SEC. 32. *Exemption From Payment of Corporate Income Tax.* –  
18 Notwithstanding any provision of existing laws, decrees, executive orders to  
19 the contrary, the TP shall be exempt from the payment of corporate income tax  
20 as provided under the National Internal Revenue Code (NIRC) of 1997, as  
21 amended.

22 SEC. 33. *Membership.* – The TP shall be open for membership to  
23 entities, groups and individuals with economic, social or cultural interest in  
24 travel trade, congresses and conventions.

#### 25 CHAPTER IV

#### 26 TOURISM ENTERPRISE ZONES

27 SEC. 34. *Tourism Enterprise Zones (TEZ).* – Any geographic area with  
28 the following characteristics may be designated as a Tourism Enterprise Zone:

1 (a) Capable of being defined into one (1) contiguous territory;

2 (b) With areas of historical and cultural significance, environmental  
3 beauty, or existing or potential integrated leisure facilities within its bounds or  
4 *within reasonable distances from it*;

5 (c) Having, or potentially having, strategic access through  
6 transportation infrastructure and reasonable connection with utilities  
7 infrastructure systems;

8 (d) Possessing sufficient area to be further utilized for bringing in new  
9 investments in tourism establishments and services; and

10 (e) Possessing strategic location to catalyze the socioeconomic  
11 development of neighboring communities.

12 It shall be the policy of the government to encourage and provide  
13 incentives and facilitate private sector participation in the construction and  
14 operation of public utilities and infrastructure in TEZs, using any of the  
15 schemes allowed under the Build, Operate and Transfer Law (Republic Act  
16 No. 6957, as amended).

17 SEC. 35. *Designation of TEZs.* – The TIEZA shall designate TEZs  
18 upon the recommendation of any LGU or private entity, or through joint  
19 ventures between LGUs and private entities.

20 TEZs shall not proliferate in a manner that diminishes their strategic  
21 economic and developmental value to the national economy.

22 SEC. 36. *Administration of TEZs.* – Each TEZ shall be administered  
23 and supervised by a TEZ operator. A TEZ operator shall be an entity duly  
24 incorporated under general Philippine law, whose capital may be provided by  
25 an LGU and/or private entity.

26 SEC. 37. *Operation of TEZs.* – The TEZ proponent shall establish a  
27 corporate entity to administer the TEZ and supervise its activities. The  
28 designation of a TEZ does not vest ownership of the resources therein upon the

1     TEZ operator. Where the TEZ operator possesses rights to land or other  
 2     resources within the TEZ, the TEZ operator shall be entitled to exercise such  
 3     rights as allowed by existing laws in a manner consistent with the duly  
 4     approved development plan as provided above.

5             Where rights to land and other resources within the TEZ are vested on a  
 6     private third party, the TEZ operator shall encourage the private third party to  
 7     participate in policy, planning and program development and implementation  
 8     by encouraging their registration as tourism enterprises where appropriate, and  
 9     through the judicious administration of incentives and provision of services.

10            Except as herein provided, the LGUs which comprise, overlap, embrace  
 11     or include a TEZ in their territorial jurisdictions shall retain their basic  
 12     autonomy and identity in accordance with Republic Act No. 7160, otherwise  
 13     known as the Local Government Code of 1991.

14            SEC. 38. *Articles of Incorporation and Bylaws of TEZ Operators.* –  
 15     Except as provided herein and as may be provided by the rules and regulations  
 16     duly promulgated by the TIEZA, each TEZ operator may draft its articles of  
 17     incorporation and bylaws in accordance with the Corporation Code.

18            SEC. 39. *Boards of Directors and Consultative Bodies of TEZ*  
 19     *Operators.* – The seats of the board of directors of a TEZ operator shall be  
 20     allocated pro-rata according to the respective capital contributions of the TEZ  
 21     operator's shareholders.

22            TEZ operators are encouraged to reserve seats on their respective  
 23     boards for relevant special interest groups, such as those representing  
 24     environmental, religious, cultural communities, TEZ investors, TEZ residents  
 25     and other interests. In any case, TEZ operators may form consultative bodies  
 26     for such special interest groups to assist in the formulation and implementation  
 27     of policies, plans and projects.

1           SEC. 40. *TEZ Administrator.* – The board of directors of each TEZ  
 2 operator shall appoint its respective TEZ Administrator, who shall be  
 3 responsible for implementing the policies, plans and projects of the TEZ  
 4 operator's board of directors.

5           The TIEZA shall provide guidelines on the necessary educational and  
 6 practical qualifications required of a TEZ Administrator. In addition to such  
 7 qualifications, all TEZ Administrators must undergo and pass a training  
 8 program created by the Department to provide TEZ Administrators with  
 9 knowledge and skills relevant to the operation of the TEZ.

10          SEC. 41. *Development Planning.* – Each application for designation as  
 11 a TEZ shall be accompanied by a development plan which, consistent with  
 12 principles of economic, cultural and environmentally sustainable development,  
 13 shall identify:

14           (a) Tourism focal points and resources available within the proposed  
 15 TEZ and adjoining areas;

16           (b) Features which satisfy the requisites for the designation of a TEZ  
 17 enumerated under Section 35 of this Act;

18           (c) Areas for infrastructure development, investment and preservation,  
 19 as well as the kind of development, nature of investment or the sustainable  
 20 activities allowed within preserved areas, respectively;

21           (d) Medium and long-term studies on market trends and corresponding  
 22 development strategies for the TEZ;

23           (e) Studies on the economic impact of development within the TEZ and  
 24 in surrounding communities;

25           (f) Studies on the environmental, cultural and social carrying capacity  
 26 of the TEZ and surrounding communities; and

(g) Design plans for structures which incorporate design and sustainability principles from local architecture and the surrounding environment.

No TEZ shall be designated without a development plan duly approved by the TIEZA. Any deviation or modification from the development plan shall require the prior authorization of the TIEZA. The TIEZA may cause the suspension of granted incentives, withdrawal of recognition as a TEZ operator, as well as the imposition of reasonable fines and penalties upon TEZ operators and responsible persons for any failure to properly implement the approved development plan.

Lands identified as part of a TEZ shall qualify for exemption from the coverage of the Urban Development and Housing Program Act of 1992 (Republic Act No. 7279) and the Comprehensive Agrarian Reform Law of 1988 (Republic Act No. 6657), subject to the rules and regulations to be crafted by the TIEZA, the Housing and Urban Development Coordinating Council and the Department of Agrarian Reform.

## CHAPTER V

### A. TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY

SEC. 42. *The Tourism Infrastructure and Enterprise Zone Authority (TIEZA).* – The Philippine Tourism Authority is hereby reorganized to become the Tourism Infrastructure and Enterprise Zone Authority, which shall be attached to the Department.

SEC. 43. *Mandate.* – The TIEZA shall be a body corporate which shall designate, regulate and supervise the TEZs established under this Act, as well as develop, manage and supervise tourism projects in the country. The TIEZA shall continue to exercise functions previously exercised by the PTA under Presidential Decree No. 564. It shall however cease to operate the Duty Free Philippines.

1           SEC. 44. *Board of Directors.* – The TIEZA shall be governed and its  
2 powers exercised by a board of directors, hereinafter referred to as the TIEZA  
3 Board, composed as follows:

- 4           (a) The Department Secretary, as chairperson;  
5           (b) The Administrator of the TIEZA; and  
6           (c) Five (5) representative directors to be appointed by the President,  
7 upon the recommendation of the Secretary.

8           The chairperson of the Tourism Board shall have voting rights in case of  
9 a tie.

10          The Tourism Board shall appoint a corporate secretary whose functions  
11 shall include the preparation of agenda for board meetings, in consultation with  
12 the chairperson.

13          SEC. 45. *Structure of the TIEZA.* – The Board shall have the power to  
14 organize the TIEZA in a manner most efficient and economical for the  
15 implementation of its mandate.

16          SEC. 46. *The TIEZA Administrator.* – The TIEZA shall have an  
17 administrator who shall be the chief executive officer of the TIEZA and its  
18 principal representative in all dealings with other offices, agencies and  
19 instrumentalities of the government and with all other persons and entities,  
20 whether public or private, domestic, foreign or international. The administrator  
21 must be a Filipino, with a bachelor's degree in any of the following fields:  
22 business, law, tourism, public administration, urban planning, engineering or  
23 other relevant fields and have demonstrated expertise therein. He must have  
24 been engaged in a managerial capacity for at least five (5) years prior to his  
25 appointment. He shall be appointed by the President, upon the  
26 recommendation of the Secretary, and shall have a term of office of five (5)  
27 years.

1           SEC. 47. *Representative Directors.* – The five (5) representative  
2 directors shall represent each of the following sectors:

- 3           (a) Tourism estate development and management services;  
4           (b) Accommodation enterprises;  
5           (c) Air, sea and land tourism transport services;  
6           (d) Travel and tours enterprises; and  
7           (e) Other tourism enterprises.

8           Representative directors must be Filipinos engaged in management in  
9 the sectors they represent for at least five (5) years and have recognized  
10 expertise in their respective sectors. Representative directors shall serve a term  
11 of five (5) years: *Provided*, That if a representative director ceases to be  
12 connected with the sector he/she represents, a new representative director shall  
13 be appointed to serve the unexpired term.

14           Representation from Luzon, Visayas and Mindanao shall be taken into  
15 consideration in the appointment of representative directors.

16           SEC. 48. *Meetings of the Board.* – The TIEZA Board shall meet at  
17 least once a month at the TIEZA's principal office unless the TIEZA Board  
18 had previously agreed in writing to meet at another location.

19           SEC. 49. *General Powers and Functions of the TIEZA.* – The TIEZA  
20 Board shall have the following powers:

21           (a) Develop policies, plans and programs in coordination with the  
22 Department for the development and operation of TEZs, and adopt rules and  
23 regulations necessary for the implementation of the provisions of this Act;

24           (b) Enter into, make, perform and carry out contracts of every class,  
25 kind and description which are necessary or incidental to the realization of its  
26 purposes with any person, firm or corporation, private or public, and with  
27 foreign government entities;

1 (c) Contract loans, indebtedness and credit, issue commercial papers  
2 and bonds, in any local or convertible foreign currency from international  
3 financial institutions, foreign government entities and local or foreign private  
4 commercial banks or similar institutions under such terms and conditions  
5 prescribed by law, rules and regulations;

6 (d) Execute any deed of guarantee, mortgage, pledge, trust or  
7 assignment of any property for the purpose of financing the programs and  
8 projects deemed vital for the early attainment of its goals and objectives,  
9 subject to the provisions of Article VII, Section 20 and Article XII, Section 2,  
10 paragraphs (4) and (5) of the Constitution;

11 (e) In coordination with LGUs and/or appropriate agencies concerned,  
12 to construct, own or lease, operate and maintain infrastructure facilities, and  
13 grant franchises for, and supervise the operation of, public utilities within  
14 TEZs;

15 (f) Undertake, or authorize the undertaking of, reclamation projects  
16 within TEZs;

17 (g) Preserve, restore or reconstruct all national cultural treasures and  
18 shrines located within TEZs, in coordination with the National Museum and  
19 other concerned agencies;

20 (h) Receive donations, grants, bequests and assistance of all kinds from,  
21 local and foreign governments and private sectors and utilize the same;

22 (i) Exercise eminent domain;

23 (j) Coordinate with LGUs and other government offices for the  
24 provision of basic services, utilities and infrastructure required by TEZs;

25 (k) Review and approve proposals for the designation of TEZs based  
26 on criteria provided herein and approve, facilitate and assist in the organization  
27 of TEZ operators;

1 (l) Regulate and supervise the operations of TEZ operators, review and  
2 ensure compliance with the development plans, and establish and implement  
3 other policies, plans and programs for the development and operation of TEZs;

4 (m) Register, monitor and regulate enterprises seeking to invest and  
5 operate within a TEZ, and approve and grant incentives to such registered  
6 enterprises as provided for under this Act; and

7 (n) Exercise the general powers of the corporation.

8 In addition to its mandate to regulate and supervise TEZs, the TIEZA  
9 shall likewise be deemed a government infrastructure corporation under the  
10 provisions of the Administrative Code of 1987 (Executive Order No. 292).

11 *SEC. 50. Powers and Functions of the TIEZA Administrator.* -- In  
12 addition to those stated in Section 23 of Presidential Decree No. 564 on the  
13 powers of the former General Manager of the PTA, which are hereby adopted  
14 under this Act, the TIEZA Administrator shall implement the policies, plans  
15 and programs of the TIEZA.

16 He shall likewise exercise the following powers and functions:

17 (a) Subject to the approval of the TIEZA Board, determine the  
18 structure, staffing pattern and personnel complement of the TIEZA;

19 (b) Coordinate with the Philippine National Police (PNP) and other  
20 concerned agencies of government for the maintenance of peace and order  
21 within the TEZs;

22 (c) Ensure that all revenues of the TEZs are collected and applied in  
23 accordance with law;

24 (d) Submit to the Board the ongoing and proposed projects, work and  
25 financial programs, annual budget of receipts and expenditures of the TEZs;

26 (e) Receive protests, complaints and claims concerning TEZ operators,  
27 enterprises and residents, and make recommendations to the TIEZA Board for  
28 appropriate action;

1 (f) Recommend to the TIEZA Board the designation of TEZs in  
2 accordance with set policies and standards;

3 (g) Enforce all legal easements along seashores, lakeshores, riverbanks,  
4 among others, as provided under existing laws, rules and regulations, to allow  
5 free and open access thereto and aid in the proper development of the national  
6 patrimony;

7 (h) Take such emergency measures as may be necessary to avoid fires,  
8 floods and mitigate the effects of storms and other natural or public calamities;  
9 and

10 (i) Recommend to the TIEZA Board all necessary acts to properly  
11 supervise the operations of TEZ operators.

12 SEC. 51. *Capitalization.* – The TIEZA shall have an authorized capital  
13 of Five hundred million pesos (P500,000,000.00) which shall be fully  
14 subscribed by the national government. The value of the existing assets of the  
15 PTA at the time of the enactment of this Act less forty percent (40%) of the  
16 proceeds of the assets to be sold, which shall be remitted to the TP pursuant to  
17 Section 30, shall form part of the capitalization of the TIEZA.

18 The TIEZA and the Department shall, after the effectivity of this Act,  
19 determine which assets shall be put up for sale in coordination with the  
20 Privatization Council. An audit shall be conducted by the Commission on  
21 Audit to determine the true value of said assets: *Provided, That* concerned  
22 LGUs interested to manage and operate said assets shall have the right of first  
23 refusal.

24 In line with the provisions of Sections 2 and 3 of this Act, the audit shall  
25 take into consideration the importance of maintaining and preserving the PTA  
26 assets which may already be considered cultural treasures and heritage sites,  
27 such as the Banaue Hotel and similar assets, which shall not be sold or in any

way disposed of and shall be placed under the operation of the TIEZA for their continued maintenance.

SEC. 52. *Collection of Travel Taxes.* – For purposes of this Act, the Department shall be the principal agency responsible for the timely collection of travel taxes. As such, the travel tax offices of the PTA are hereby transferred to the Office of Tourism Revenue Collection of the Department.

Amounts to be collected by the Department shall be distributed in the manner provided for under this Act: *Provided,* That the national government shall look for alternative funding sources for programs funded by the travel tax in the event of a phase out of travel tax collection following international agreements.

All other laws, rules and regulations in conflict herein are amended accordingly.

SEC. 53. *Funding.* – The TIEZA shall obtain the funds for its operations from the following:

- (a) Fifty percent (50%) of the proceeds from travel tax collections;
- (b) A reasonable share from the collection of tourism development and promotions fee to be determined by the Department;
- (c) Income from projects managed by the TIEZA; and
- (d) Subsidies or grants from local and foreign sources that may be received by the TIEZA.

Five percent (5%) from the travel tax collection which shall accrue to the TIEZA shall be earmarked for the development of heritage sites and prime tourist destinations. Another five percent (5%) shall be earmarked for the development of ecotourism sites in depressed provinces with strong tourism potentials.

SEC. 54. *Exemption from Payment of Corporate Income Tax.* – Notwithstanding any provision of existing laws, decrees, executive orders to

1 the contrary, the TIEZA shall be exempt from the payment of corporate  
2 income tax, as provided for under the National Internal Revenue Code (NIRC)  
3 of 1997, as amended.

4 SEC. 55. *Survey of Resources.* – The TIEZA shall, in coordination with  
5 appropriate authorities and neighboring cities and municipalities, conduct a  
6 survey of the physical, natural assets and potentials of the TEZ areas under its  
7 jurisdiction.

8 SEC. 56. *Registration.* – Business enterprises within a TEZ shall  
9 register with the TIEZA to avail of all incentives and benefits provided for in  
10 this Act.

11 SEC. 57. *Civil Dispute Resolution.* – The TIEZA shall establish a civil  
12 dispute mediation office to assist in the resolution of civil disputes within a  
13 TEZ where one of the parties to the dispute is a nonresident alien. No civil  
14 dispute in a TEZ involving a nonresident alien may be filed in court without  
15 having undergone mediation proceedings under this section. The TIEZA shall  
16 charge reasonable fees for civil dispute mediation.

17 SEC. 58. *Labor Dispute Resolution.* – To resolve disputes between  
18 workers and employers for any violation of the Labor Code (Presidential  
19 Decree No. 442, as amended), the TIEZA shall, in coordination with the  
20 Department of Labor and Employment (DOLE), establish a labor dispute  
21 resolution office to mediate between workers and employers.

22 SEC. 59. *Investigation and Inquiries.* – Upon a written formal  
23 complaint made under oath, which on its face provides reasonable basis to  
24 believe that some anomaly or irregularity might have been committed within a  
25 TEZ, the TIEZA Administrator shall have the power to inquire into and  
26 investigate the conduct of TEZ operators, registered enterprises or their  
27 employees. For that purpose, he/she may subpoena witnesses, administer oaths  
28 and compel the production of books, papers and other evidence.

SEC. 60. *One-stop Shop Processing.* – The TIEZA shall establish offices where prospective TEZ investors can register to obtain the incentives and benefits under this Act and obtain all necessary permits and licenses from all national and local government offices. All government agencies shall coordinate with the TIEZA for the issuance of such permits and licenses.

### B. TIEZA INVESTMENTS INCENTIVES

SEC. 61. *Grant and Administration of Fiscal Incentives.* – The TIEZA registered enterprises shall be entitled to applicable fiscal incentives under Executive Order No. 226, as amended, and Republic Act No. 7916, as amended, and their implementing rules and regulations.

TEZ registered enterprises shall be entitled to avail of preferential rates for power, water and other public utilities for industrial consumers.

The Department shall, in consultation with the Department of Finance (DOF), promulgate the necessary rules and regulations for the effective implementation of the abovementioned provisions.

SEC. 62. *Non-fiscal Incentives Available to TEZ Operators and Locators.* – The following incentives may, in the discretion of the TIEZA Board, be granted to registered tourism enterprises within the TEZs:

(a) **Employment of Foreign Nationals.** A registered enterprise may employ foreign nationals in executive, supervisory, technical or advisory positions for such reasonable periods and under such terms as may be provided by the TIEZA Board, with due regard for the proper protection and representation of foreign investments in registered enterprises, and the need to *ensure easy travel into and out of the Philippines* by such nationals and their immediate families;

(b) Visa Privileges. Under such terms as may be provided by the TIEZA Board, a foreign national who shall have made an investment with a value of at least Fifty thousand US Dollars (US\$50,000) in a registered

1 enterprise shall be entitled to a Special Investor's Resident Visa. With such  
2 Visa, the foreign national shall be entitled to reside in the Philippines while  
3 his/her investment subsists.

4 Subject to regulations to be issued by the Bureau of Immigration (BI),  
5 the TIEZA shall issue working visas renewable every two (2) years to foreign  
6 personnel and other aliens, possessing highly technical skills which no Filipino  
7 within the TEZ possesses, after they have secured Alien Employment Permits  
8 (AEP) from the DOLE. The names of aliens granted permanent resident status  
9 and working visas by the TEZ shall be reported to the BI within thirty (30)  
10 days after issuance thereof.

11 (c) Foreign Currency Transactions. Subject to the provisions of  
12 Section 74 of Republic Act No. 265 (Establishing the Central Bank of the  
13 Philippines), as amended:

14 (1) Repatriation of Investments. In the case of foreign investments, the  
15 right to repatriate the entire proceeds of the liquidation of the investment in the  
16 currency in which the investment was originally made and at the exchange rate  
17 prevailing at the time of repatriation.

18 (2) Remittance of Foreign Exchange. The right to remit earnings from  
19 a foreign investment in the currency in which the investment was originally  
20 made and at the exchange rate prevailing at the time of remittance.

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

25 (d) Requisition of Investment. There shall be no requisition of the  
26 property of enterprises or represented by investment except in the event of war  
27 or national emergency, and only for the duration thereof. In any case, the

1 affected person shall be entitled to just compensation and shall have the right  
2 to repatriate such compensation as provided in paragraph (c) above.

3 (e) *Lease and Ownership of Land.* Without prejudice to existing laws  
4 regulating the ownership of land by individuals and corporations, and  
5 consistent with the provisions of the Investor's Lease Act (Republic Act  
6 No. 7652), lands and buildings in each TEZ may be leased to foreign investors  
7 for a period not exceeding fifty (50) years, renewable once for a period of not  
8 more than twenty-five (25) years. The leasehold right acquired under long-  
9 term contracts may be sold, transferred or assigned, subject to the conditions  
10 set forth under the Investor's Lease Act.

## 11 CHAPTER VI

### 12 DUTY- AND TAX-FREE MERCHANDISING SYSTEM FOR TOURISM PURPOSES

13 SEC. 63. *Duty Free Philippines Corporation.* – The Duty Free  
14 Philippines shall be reorganized to become the Duty Free Philippines  
15 Corporation (DFPC), which shall be attached to the Department.

16 SEC. 64. *Mandate.* – The DFPC will be a body corporate to operate the  
17 duty- and tax-free merchandising system in the Philippines to augment the  
18 service facilities for tourists and to generate foreign exchange and revenue for  
19 the government, as established by the Department under Executive Order  
20 No. 46.

21 In the performance of its functions, the DFPC shall have all the general  
22 powers of a corporation established under Batas Pambansa Blg. 68 (the  
23 Corporation Code), in furtherance of its Charter.

24 The DFPC shall have the exclusive authority to operate stores and shops  
25 that would sell, among others, duty- and tax-free merchandise, goods and  
26 articles, in international airports and seaports, and in TEZs and ports of entry  
27 throughout the country in a manner that:

28 (a) Is competitive with international standards;

1 (b) Effectively showcases Philippine culture, craftsmanship and  
2 industry; and

3 (c) Efficiently and effectively generates foreign exchange.

4 Such merchandise, goods and articles shall only be sold to persons  
5 departing for abroad. Under such limitations, rules and regulations that may be  
6 provided by the Department and concurred in by the DOF, such merchandise,  
7 goods and articles may be sold to passengers arriving into the Philippines from  
8 abroad, including those covered under the existing Balikbayan Program, under  
9 Republic Act No. 6768, as amended.

10 The DFPC shall likewise be authorized to operate stores and shops  
11 within the immediate vicinity of international airports and seaports to service  
12 the requirements of the international duty-free market.

13 The DFPC shall operate without prejudice to any privatization in the  
14 future, subject to existing laws on privatization and procedures on public  
15 bidding.

16 SEC. 65. *DFPC Board of Directors.* — The DFPC shall be governed by  
17 a board of directors, composed as follows:

18 (a) The Department Secretary, as chairperson;

19 (b) The General Manager of the DFPC;

20 (c) Five (5) directors, to be appointed by the President, upon the  
21 recommendation of the Secretary, who must be Filipinos with recognized  
22 competence in business management, marketing, finance, tourism and other  
23 related fields and shall serve a term of office of five (5) years.

24 Representation from Luzon, Visayas and Mindanao shall be taken into  
25 consideration in the appointment of representative directors.

26 The Chairperson of the DFPC Board shall have voting rights in case of  
27 a tie.

1           The DFPC Board shall appoint a corporate secretary whose functions  
2 shall include the preparation of agenda for board meetings, in consultation with  
3 the chairperson.

4           SEC. 66. *General Manager.* – The DFPC shall have a general manager  
5 who must be a Filipino, with a bachelor's degree in any of the following fields:  
6 business, law, tourism, public administration or other relevant fields and have  
7 demonstrated expertise therein. He must have been engaged in a managerial  
8 capacity for at least five (5) years prior to his appointment. He shall be  
9 appointed by the Secretary, and shall have a term of office of five (5) years.

10          SEC. 67. *Capitalization and Funding.* – The DFPC shall have an  
11 authorized capitalization of Five hundred million pesos (P500,000,000.00)  
12 which shall be fully subscribed by the national government. Thereafter, fifty  
13 percent (50%) of the annual net profits of the DFPC shall be allocated by the  
14 DFPC Board to the office of the Secretary to fund tourism programs and  
15 projects of the Department, in lieu of its statutory remittance to the national  
16 government under Republic Act No. 7656. The initial subscription of One  
17 hundred twenty-five million pesos (P125,000,000.00) shall be paid from the  
18 national government share in the net income of the DFPC which should  
19 otherwise accrue to the general fund pursuant to Republic Act No. 7656. The  
20 balance shall be remitted directly to the Department to fund its tourism  
21 programs and projects pursuant to Section 13 of this Act.

22          SEC. 68. *General Powers and Functions of the DFPC.* – The DFPC  
23 Board shall have the power to sue and be sued; to contract and be contracted  
24 with; to own and hold such real and personal property as shall be necessary for  
25 corporate purposes; to receive real and personal property by gift, devise or  
26 bequest; to adopt a seal and alter the same; to adopt bylaws, rules and  
27 regulations; to exercise all the general powers of a corporation established

under the corporation law; and to do all such acts and things as may be necessary to carry into effect this section.

*SEC. 69. Duty and Tax Exemptions. – Consistent with the nature of its operations and primary function to operate as a tax- and duty-free merchandising system, and to enable it to compete in the international tax and duty-free market, DFPC shall be entitled to the following tax and duty exempt privileges:*

(a) Duties and taxes relative to the importation of merchandise for sale, except excise tax and value-added tax (VAT) due on the importation and sale of cigars and cigarettes, distilled spirits, fermented liquor and wines as mandated pursuant to Republic Act No. 9334;

(b) Local taxes and fees imposed by the LGUs; and

(c) Corporate income taxation.

## CHAPTER VII

### REORGANIZATION OF OFFICES, EMPLOYEE COMPENSATION AND RATIONALIZATION OF PROGRAMS AND FUNCTIONS

*SEC. 70. Intramuros Administration, National Parks Development Committee and Nayong Pilipino Foundation. – The Intramuros Administration (IA), the National Parks Development Committee (NPDC) and the Nayong Pilipino Foundation (NPF) shall continue to be attached to the Department and operate under their respective charters. They may be authorized to operate TEZs, under the supervision of the TIEZA, as provided under Chapters IV and V of this Act, within their respective jurisdictions: *Provided, That any restoration activity undertaken by the IA, the NPDC or the NPF may be entitled to a tax deduction equivalent to the full cost of the restoration activity directly incurred in accordance with the provisions of the National Internal Revenue Code, as amended.**

1           The Department, in coordination with the Department of the Interior and  
2 Local Government (DILG), shall conduct a study on the practicability and  
3 possible transfer of the administration of parks under the NPDC to the local  
4 government where these parks are located.

5           SEC. 71. *Philippine Retirement Authority.* – For purposes of policy and  
6 program coordination, the Philippine Retirement Authority is hereby attached  
7 to the Department and placed under the supervision of the Secretary. The  
8 Secretary shall be the *ex officio* Chairman of its Board of Trustees.

9           SEC. 72. *Philippine Commission on Sports Scuba Diving.* – The  
10 Philippine Commission on Sports Scuba Diving is hereby abolished and, to  
11 ensure more stringent monitoring, its functions shall hereby be assumed by the  
12 Office of Tourism Standards, Regulations and Industry Manpower  
13 Development.

14           SEC. 73. *Human Resources.* – Where certain functions are declared  
15 redundant on account of the reorganization, the Department, the Tourism  
16 Board, the TIEZA Board and the DFPC Board shall provide for the  
17 reassignment, insofar as practicable, of affected employees to similar positions  
18 within the Department and its attached agencies, taking into consideration their  
19 skills and experience, without loss of seniority or other rights and privileges.  
20 In any case, all relevant laws, decrees, executive orders, rules and regulations  
21 concerning the rights of government employees in the reorganization of an  
22 office shall be respected.

23           SEC. 74. *Rationalization of Tourism Areas and Zones.* – Any other  
24 area specifically defined as a tourism area or zone under any special or general  
25 law, decree or presidential issuance shall, as far as practicable, be organized  
26 into a TEZ under the provisions of this Act.

27           The TIEZA shall coordinate with the Protected Areas and Wildlife  
28 Bureau for the development of policies, plans and programs for the conversion

1 of certain areas or portions of national parks under the National Integrated  
2 Protected Areas System (NIPAS) into TEZs.

3        *SEC. 75. The National Integrated Protected Areas System and the*  
4 *National Ecotourism Policy.* – The Department, in coordination with the  
5 DENR, shall identify areas covered by the NIPAS with ecotourism potentials  
6 and cultural heritage value, and prepare policies, plans and programs for their  
7 development, preservation or conversion into TEZs.

8        The ecotourism sites in the National Ecotourism Strategy pursuant to  
9 Executive Order No. 111 (1999) may also be converted to TEZs with the  
10 National Ecotourism Steering Committee as the TEZ operator. The  
11 Department shall permanently chair the National Ecotourism Development  
12 Council, the National Ecotourism Steering Committee and the Regional  
13 Ecotourism Committees.

14        *SEC. 76. Tourism Infrastructure Program.* – The Department, in  
15 accordance with the National Tourism Development Plan and local  
16 government initiatives, shall coordinate with the Department of Public Works  
17 and Highways and the Department of Transportation and Communications in  
18 the establishment of tourism infrastructure program in the respective work  
19 programs of said agencies, identifying therein vital access roads, airports,  
20 seaports and other infrastructure requirements in identified tourism areas. The  
21 said agencies and the DBM shall accord priority status to the funding of  
22 tourism infrastructure program.

23        *SEC. 77. Allocation of Travel Tax Collections.* – Pursuant to Section 53  
24 of this Act, fifty percent (50%) of the proceeds from travel tax collections shall  
25 accrue to the TIEZA.

26        The government's contribution to the Higher Education Development  
27 Fund, equivalent to forty percent (40%) from the total gross collections of the  
28 travel tax shall be retained: *Provided*, That the Commission on Higher

Education (CHED) shall give priority to tourism-related educational programs and courses. The ten percent (10%) share of the National Commission for Culture and the Arts (NCCA) from the total gross collections of the travel tax shall likewise be retained.

## CHAPTER VIII

### CREATING A CULTURE OF TOURISM

SEC. 78. *Tourism Coordinating Council.* – A Council shall be formed consisting of the Secretary as Chairperson, the TIEZA Administrator, the TP Chief Operating Officer, the heads of other agencies attached to the Department, the Secretaries of the Departments of Transportation and Communications, Public Works and Highways, Foreign Affairs, Environment and Natural Resources, Education, Interior and Local Government, and Labor and Employment, the head of the PNP, Bureau of Immigration, National Historical Institute, NCCA, Philippine Amusements and Gaming Corporation, the leagues of local governments and such other government agencies that the President may designate, a representative each from the Tourism Congress, an accredited nongovernment organization or people's organization engaged in ecotourism, and a recognized indigenous people's federation that shall serve as a coordinating body for national tourism development efforts.

The Council shall prepare a five (5)-year strategic plan to develop and enhance a culture of tourism, after consultation with LGUs and concerned populace. It shall also approve an annual infrastructure development plan that shall promote access to and from airports and seaports, and TEZs and other tourism destinations which shall be accorded priority by the relevant infrastructure agencies of the national government.

SEC. 79. *The Tourism Congress.* – Within thirty (30) days from the effectivity of this Act, the Secretary shall convene a tourism congress of representatives of all accredited tourism enterprises to serve as the private

1 sector consultative body to assist the government in the development,  
2 implementation and coordination of Philippine tourism policy.

3 Under a constitution adopted and ratified by the Congress, it shall  
4 organize itself into a corporate entity and elect its officers and establish a  
5 secretariat. It shall also nominate such representatives as required under this  
6 Act.

7 SEC. 80. *International and Domestic Tourist Travel.* – The  
8 Department, through the development of an inter-modal international and  
9 domestic land, sea and air access system, and in coordination with relevant  
10 government agencies, shall increase and improve the accessibility of the  
11 Philippines to domestic and foreign tourists.

12 Realizing the critical importance of a liberalized civil aviation  
13 environment in the development of the country's international and domestic  
14 tourism sector:

15 (a) The Secretary shall be the *ex officio* Vice Chairperson of the Civil  
16 Aeronautics Board;

17 (b) The Secretary shall be the *ex officio* Vice Chairperson of the  
18 governing boards of all international airports in the country; and

19 (c) The Secretary shall be a member of the Civil Aviation Authority of  
20 the Philippines Board.

21 To enhance the standards of transportation services for tourist use, the  
22 Department and other relevant government agencies shall develop an  
23 integrated, one-stop shop system for the speedy issuance of franchises and  
24 accreditation for transport operators.

25 The Department and the Departments of Justice and Foreign Affairs  
26 shall develop a system for the grant of visas that shall encourage the arrival and  
27 longer stay of tourists in the Philippines.

1           SEC. 81. *Incentives for Accredited Non-TEZ Tourism Industry*  
2   *Enterprises and Services.* – Accredited tourism industry enterprises and  
3   services not located within a TEZ shall be entitled to avail of preferential rates  
4   for power, water and other public utilities for industrial consumers.

5           Accommodation establishments shall, for purposes of taxation, be  
6   entitled to fully deduct the cost of major expansions, renovations and  
7   upgrading of facilities in accordance with the provisions of the National  
8   Internal Revenue Code of 1997, as amended.

9           SEC. 82. *Education.* – The Department shall work closely with the  
10   Department of Education for the development of basic education programs –  
11   formal, informal and non-formal learning systems and interventions, for in-  
12   school and out-of-school youth in the promotion of a culture of tourism  
13   through the development and integration of tourism concepts and the  
14   enhancement of education in languages, history and culture and the arts.

15          The Department shall also work closely with the CHED in the  
16   regulation of colleges and universities that grant undergraduate and  
17   postgraduate degrees in tourism, hotel and restaurant management and other  
18   related courses.

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

23          SEC. 83. *Funding Grassroots Tourism Enterprises.* – Insofar as  
24   allowed by applicable laws and their respective charters, government-owned  
25   and -controlled banks and financial institutions shall provide microfinance  
26   schemes for the assistance and development of micro, small- and medium-scale  
27   enterprises in the tourism industry.

SEC. 84. *No Injunctions Clause.* – No temporary restraining order or preliminary injunction shall be issued or be effective against the TIEZA unless the same is issued by the Supreme Court.

## CHAPTER IX

## SHARED RESPONSIBILITIES OF NATIONAL AND LOCAL GOVERNMENTS

SEC. 85. *Coordination Between National and Local Governments.* – In view of the urgent need to develop a national strategy for tourism development while giving due regard for the principle of local autonomy, the Department, the DILG and the local governments shall work closely to integrate and coordinate local and national plans for tourism development.

The Department shall provide technical assistance, training and other capacity-building measures to local governments for the preparation, implementation and monitoring of tourism development plans, gathering of statistical data, and enforcement of tourism laws and regulations giving due priority to areas that have been identified as strategic in the implementation of the national tourism development plan. The Department, the TP and the TIEZA shall prioritize promotion and development assistance for local governments that successfully adopt and implement their tourism development plans.

SEC. 86. *Local Tourism Development Planning.* – Local governments, in consultation with indigenous communities and other concerned groups, are encouraged to utilize their powers under the Local Government Code to prepare and implement a tourism development plan, enforce standards and collect statistical data for tourism purposes. They shall, insofar as practicable, draft tourism development plans that integrate zoning, land-use, infrastructure development, the national system of standards for tourism enterprises, heritage and environmental protection imperatives in a manner that encourages sustainable development.

1           SEC. 87. *Accreditation.* — In order to encourage global  
2 competitiveness, strengthen data gathering and research on tourism, as well as  
3 facilitate the promotion of individual enterprises and the industry as a whole,  
4 the Department shall prescribe and regulate standards for the operation of the  
5 tourism industry. In the case of hotels and resorts, a clearance shall be secured  
6 from the Department to ensure compliance with internationally-accepted  
7 standards prior to the issuance of building permits by the LGUs. Primary  
8 tourism enterprises shall be periodically required to obtain accreditation from  
9 the Department as to the quality of their facilities and standard of services.  
10 Accreditation shall be voluntary for secondary tourism enterprises.

11           Under such a system of accreditation, the Department shall evolve a  
12 system of internationally recognized standards. Only accredited enterprises  
13 shall be beneficiaries of promotional, training and other programs of the  
14 Department and its attached agencies.

15           The Department shall act on complaints regarding accredited tourism  
16 enterprises and, after due notice and hearing, may impose fines, downgrade,  
17 suspend or revoke accreditation for violation of the terms of accreditation.

18           When a primary enterprise fails to obtain or loses accreditation, the  
19 Department shall notify the relevant local government of such.

20           The Department may, under such relevant terms and conditions  
21 stipulated, delegate the enforcement of the system of accreditation to local  
22 governments that have adopted and successfully implemented their tourism  
23 development plan.

24           The Department shall further develop a system that enhances the value  
25 of accreditation among primary and secondary tourism enterprises by  
26 encouraging accredited enterprises, in coordinating and obtaining other  
27 services, to give due preference to other accredited enterprises.

1       The Department shall develop an integrated system of accreditation  
2       with government agencies and instrumentalities that independently accredit  
3       tourism and other enterprises in order to reduce the regulatory and financial  
4       burden on the private sector.

5       SEC. 88. *National Tourism Development Planning.* – The Department,  
6       in coordination with its attached agencies and LGUs, shall continuously update  
7       the existing national tourism development plan in view of evolving needs and  
8       capabilities of local governments and the domestic and global tourism market.

9       SEC. 89. *Local Government Capabilities Enhancement.* – The  
10      Department shall develop support and training programs to enhance the  
11      capacities and capabilities of local governments to monitor and administer  
12      tourism activities, and enforce tourism laws, rules and regulations in their  
13      respective jurisdictions. Funding for such programs shall be shared between  
14      the Department and the local government.

15      SEC. 90. *Tourism Officers* – Every province, city or municipality in  
16      which tourism is a significant industry shall have a permanent position for a  
17      tourism officer. He/she shall be responsible for preparing, implementing and  
18      updating local tourism development plans, and enforcing tourism laws, rules  
19      and regulations. In the performance of his/her functions, the tourism officer  
20      shall coordinate with the Department and its attached agencies.

21      Prior to appointment, every tourism officer must have obtained a  
22      relevant bachelor's degree and at least five (5) years of substantial involvement  
23      in the tourism industry. The Department may also impose other relevant  
24      qualifications and require periodic completion of training programs.

25      SEC. 91. *Tourism Assistance.* – In coordination with the Department's  
26      regional office, every province, city or municipality in which tourism is a  
27      significant industry shall establish a tourist information and assistance center to  
28      assist tourists and tourism enterprises.

1           SEC. 92. *Tourism Site Classification.* -- The tourism councils  
2 established in the administrative regions of the country shall meet, on a regular  
3 basis, to classify and evaluate tourism destinations, sites and activities within  
4 their respective regions. Such classifications and evaluations may be used by  
5 the Department and its attached agencies, local governments and the private  
6 sector as guide in the development and the implementation of their respective  
7 programs.

8           SEC. 93. *Reports.* -- Every provincial or city local government unit  
9 shall periodically report to the Department on the status of tourism plans and  
10 programs, tourist arrivals, occupancy and tourism enterprises, among others,  
11 within their jurisdictions.

12           SEC. 94. *Tourist Security.* -- The PNP shall train members of its  
13 personnel to deal with security concerns in areas frequented by tourists.  
14 Towards this end, a tourist police assistance desk office shall be established in  
15 such areas, and the Department shall coordinate with the DILG in training the  
16 members of the PNP in cultural sensitivity, languages and relevant laws.

17           SEC. 95. *Relationship of TEZs with Other Economic Zones.* -- The  
18 Department and the DTI shall promulgate rules and regulations governing the  
19 relationship between TEZs created under this Act and economic zones created  
20 under Republic Acts No. 7227 or No. 7916, as amended, where the area  
21 comprising a TEZ overlaps, falls within or encompasses that of an economic  
22 zone: *Provided*, That such rules and regulations shall consider the special  
23 nature and requirements of tourism in relation to other industries,  
24 establishments and operations in economic zones.

## 25   CHAPTER X

### 26   TRANSITORY PROVISIONS

27           SEC. 96. *Transitory Provisions.* -- The transfer of powers and functions  
28 in the Department and agencies attached to it, as herein provided for, shall take

1 effect within six (6) months after the effectivity of this Act. The foregoing  
2 transfer of powers and functions shall include all applicable funds, personnel,  
3 records, property and equipment, as may be necessary. The same shall apply  
4 to agencies which have been attached to the Department by virtue of this Act.

5 Incumbent members serving in the PTA and the PCVC boards shall  
6 continue to serve the unexpired portion of their term of office in the TIEZA  
7 and TP Boards, respectively.

8 SEC. 97. *Transfer of Rights and Liabilities.* – The TP, the TIEZA and  
9 the DFPC shall, by virtue of this Act, be subrogate to all rights and assume all  
10 liabilities of the PCVC, the PTA and the DFPC, respectively, in accordance  
11 with pertinent laws, rules and regulations.

12 SEC. 98. *Optional Retirement and Compensation.* – There shall be no  
13 mandatory separation of any employee as a result of the reorganization of the  
14 Department and its attached agencies/corporations. However, if any employee  
15 elects to leave the service or retire, said employee shall be entitled to claim  
16 separation or retirement benefits as may be provided under existing laws  
17 governing the civil service or other laws and issuances whichever may be  
18 beneficial to the employee concerned.

19 SEC. 99. *Compensation of Board Members.* – The *ex officio* members  
20 of the TIEZA, the TP and the DFPC Boards shall not be entitled to  
21 compensation, but may receive reasonable *per diems* for attendance at regular  
22 and special board meetings, subject to existing laws, rules and regulations.

## 23 CHAPTER XI

### 24 FINAL PROVISIONS

25 SEC. 100. *Implementing Rules and Regulations.* – Except as otherwise  
26 provided, the Secretary shall have the power to issue rules and regulations to  
27 implement this Act.

1           SEC. 101. *Joint Congressional Oversight Committee on Tourism.* – A  
2   Joint Congressional Oversight Committee on Tourism, hereinafter referred to  
3   as the “Committee”, is hereby constituted in accordance with the provisions of  
4   this Act. The Committee shall be composed of the Chairpersons of the  
5   Committees on Tourism of both Houses of Congress and the Chairperson of  
6   the Committee on Appropriations of the House of Representatives and the  
7   Chairperson of the Committee on Finance of the Senate, and three (3)  
8   additional members from each House to be designated by the Senate President  
9   and the Speaker of the House of Representatives. The Committee shall be in  
10   existence for a period of five (5) years.

11          SEC. 102. *Reportorial Requirements.* – The Secretary shall submit a  
12   report to the Joint Congressional Oversight Committee on Tourism on a  
13   monthly basis the latest statistics on tourism arrivals and other relevant data.  
14   He/she shall also report on a quarterly basis the status of implementation of  
15   this Act.

16          All attached agencies of the Department shall submit a quarterly report  
17   to the Secretary and to the Joint Congressional Oversight Committee on  
18   Tourism on the implementation of their respective programs.

19          SEC. 103. *Budgetary Approval.* – All attached agencies of the  
20   Department shall submit their annual budgets to the Secretary for approval,  
21   and shall furnish copies of the same to the Joint Congressional Oversight  
22   Committee on Tourism.

23          The budgets of the TIEZA, the TP and the DFPC reported to the Joint  
24   Congressional Oversight Committee on Tourism must contain detailed  
25   information on the compensation and benefits received by their employees.

26          SEC. 104. *Review.* – This Act shall be subject to congressional review  
27   by Congress three (3) years after its approval and every three (3) years  
28   thereafter.

1           SEC. 105. *Repealing Clause.* – The provisions of Executive Order  
 2   No. 120 (Reorganizing the Ministry of Tourism, Defining its Powers and  
 3   Functions and for Other Purposes), Executive Order No. 292, as amended (The  
 4   Administrative Code of 1987), Presidential Decree No. 189, as amended,  
 5   (Creating the Philippine Tourism Authority), Presidential Decree No. 1448, as  
 6   amended, (Creating the Philippine Convention and Visitors Corporation),  
 7   Executive Order No. 46 (Granting the Department of Tourism, Through the  
 8   Philippine Tourism Authority, Authority to Establish and Operate a Duty and  
 9   Tax Free Merchandising System), Executive Order No. 30 (Creating an  
 10   Executive Committee for the Development of Quezon Memorial, Luneta and  
 11   Other National Parks), Presidential Decree No. 37 (Creating the Nayong  
 12   Pilipino Foundation), Presidential Decree No. 1616 (Creating the Intramuros  
 13   Administration), Presidential Decree No. 442, as amended (the Labor Code),  
 14   Republic Act No. 7160 (the Local Government Code of 1991), Republic Act  
 15   No. 7722 (Creating the Commission on Higher Education), Republic Act No.  
 16   9497 (Creating the Civil Aviation Authority of the Philippines) and all other  
 17   laws, presidential decrees, executive orders, proclamations and administrative  
 18   regulations inconsistent with the provisions of this Act are hereby amended,  
 19   modified, superseded or repealed accordingly.

20           SEC. 106. *Separability Clause.* – In the event that any provision of this  
 21   Act or parts thereof is declared unconstitutional, such declaration shall not  
 22   affect the validity of the other provisions.

23           SEC. 107. *Effectivity Clause.* – This Act shall take effect fifteen (15)  
 24   days after its publication in the *Official Gazette* or in at least two (2)  
 25   newspapers of national circulation.

Approved,