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FIFTEENTH CONGRESS)
REPUBLIC OF THE PHILIPPINES)
SECOND REGULAR SESSION)

HOUSE OF REPRESENTATIVES

House Bill No. 5279

Introduced by Representative Lorenzo R. Tañada III

EXPLANATORY NOTE

The Philippine auto industry ranks second in Asia in the 1960s but has since then deteriorated to become Southeast Asia's laggard. A "progressive local car manufacturing program" in the 1970s was reduced to a mere import liberalization program in the 1990s when tariffs for completely-built-up units (CBUs) were drastically reduced to a single digit while Thailand, Malaysia and Indonesia have managed to keep their motor vehicle tariffs at double digits and installed other non-tariff barriers to protect their local auto industry.

Worse, poor police work and corrupt customs officials at various international ports and others entry points have enabled smugglers to flood the country with illegal second-hand motor vehicles and auto parts from Japan, South Korea and other countries. These imports, which are hardly taxed, easily outnumber the locally-assembled vehicles and blatantly violate Republic Act No. 8749 or the Clean Air Act, Republic Act No. 8506 or the Ban on Right-Hand Drive Vehicles, EO 156 or the Prohibition of Importation of Used Motor Vehicles, and other road safety standards.

After EO 156 was upheld by a Supreme Court decision in 2006, the share of new vehicle registrations from the industry steadily increased from 57.17% in 2006 to 72.54% in 2009 – which is a 50-50 share for completely-built-up units and completely-knocked-down units. The increase is being attributed to the prohibition of importation of second hand vehicles.

The automotive industry is strategic. This has been proven by the experiences of Japan, South Korea, China and Malaysia to name a few. With the growth of the automotive manufacturing industry jobs are created not just for those directly employed by the industry but also other industries that are located in the periphery of the automotive plant as well as other allied industries.

It would be in the best interest of the Philippines to ensure that its domestic automotive manufacturing industry blossoms and continues to grow. This bill hopes to assist the local automotive industry in achieving economies of scale and develop forward and backward linkages of local automotive assembly and parts and components through the implementation of an automotive development program within a Pro-Filipino, balanced and coherent framework.

A comprehensive Motor Vehicle Development Program should reflect what we intend the local motor vehicle industry to become in the future. It should enumerate ways on how we can achieve that goal. This bill hopes to do that.


LORENZO R. TANADA III
Representative
4th District, Quezon

FIFTEENTH CONGRESS)
REPUBLIC OF THE PHILIPPINES)
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HOUSE OF REPRESENTATIVES

Introduced by Hon. Lorenzo R. Tañada III

House Bill No. 5279

AN ACT ESTABLISHING THE COMPREHENSIVE MOTOR VEHICLE DEVELOPMENT ACT

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

CHAPTER 1.
TITLE AND DECLARATION OF POLICIES

Section 1. *Title.* – This act shall be known as the "Comprehensive Motor Vehicle Development Act".

Section 2. *Declaration of Policy.* – Because the motor vehicle industry is a significant contributor to the country's economic output, employment, investments, exports and the development of small and medium scale parts and component manufacturing establishments, it is hereby declared the policy of the State to:

- a. re-vision the Philippine Auto Industry Development Program in the context of the ASEAN region and globalizing market integration and gear it towards increasing production capacity as well as positioning itself as a hub for auto parts manufacturing;
- b. anchor the auto industry's development on a pro-Filipino, balanced and coherent framework that emphasizes capacity building in the domestic front;
- c. address smuggling concerns to prevent the decline of the local motor vehicle industry thus ensuring more jobs and gains for the Filipino people;
- d. enhance the privileges and benefits for the motor vehicle industry to achieve economies of scale;

- e. formulate measures to lower the cost of doing business such as the reduction or removal, as the case maybe, of regulatory cost and process improvement among others;
- f. strengthen the local supply base to promote and develop the forward and backward linkages of motor vehicle assembly and parts and components; and
- g. promote the development of new technologies in the motor vehicle industry and its support infrastructure including research and development.
- h. identify a niche model to be developed and be manufactured in the Philippines both for domestic and international distribution.

CHAPTER 2. Definition of Terms

Section 3. *Definition of Terms.* – For purposes of this Act, the following terms are defined as follows:

- a. Ambulance – a vehicle equipped with medical equipment or facilities and used for transporting the injured or sick.
- b. Board of Investments (BOI) - refers to an attached agency of the Department of Trade and Industry created under Republic Act No. 5186.
- c. Brand New – refers to motor vehicles (a) of current or advance year model in the country of origin and/or manufacture, or (b) of year model immediately preceding year in the country of origin and/or manufacture, provided that:
 - i. The motor vehicle has a mileage of not more than 200 kilometers; and
 - ii. The motor vehicle has been acquired by the importer from the dealer as first owner.

- d. Bus – a motor vehicle intended for mass transport or carrying of passengers.
- e. Commercial Vehicles - refer to any four (4) or more wheeled motor vehicle, which is propelled by gasoline, diesel, electricity and any other motive power and principally designed to transport goods/cargoes and/or persons, such as but not limited to the following: utility vehicles, sports utility vehicles, Asian utility vehicles and the Philippine utility vehicles; commuter vans, pick-ups, light, medium and heavy trucks and buses; and special purpose vehicles.
- f. Concrete-mixer lorry – a vehicle consisting of a cab and a chassis, on which is permanently mounted a concrete mixer, capable of use for both making and transporting concrete.
- g. Crane lorry – equipment consisting of a motor vehicle chassis on which a cab and a rotating crane are permanently mounted.
- h. Department of Trade and Industry (DTI) - refers to the government agency created pursuant to Executive Order No. 133.
- i. Fire truck – fire fighting vehicle with pump, usually driven by the vehicle's engine.
- j. Hearse – a vehicle for conveying the dead.
- k. Investments Priorities Plan (IPP) - refers to the overall plan prepared by the BOI in accordance with the provisions of Executive Order No. 226 otherwise known as the Omnibus Investment Code of 1987, as amended.
- l. Knocked-Down (KD) parts and components - refer to original equipment manufacturer (OEM) subparts/ parts and sub-assemblies/ assemblies/ components minus the local parts and components.
- m. Motor Vehicle Manufacturing Industry - encompasses enterprises that are engaged in the manufacture of motor vehicles and its parts and accessories.
- n. Manufacture of Motor Vehicles - refers to the activities classified under Section D, Division 34, Group 341 of the United Nations (UN) International Standard Industrial Classification of All Economic Activities (ISIC) Revision (Rev.) 3, which includes the manufacture of passenger cars, commercial

vehicles, buses, trolley-buses and coaches, motor vehicle engines, chassis fitted with engines and other motor vehicles.

This also refers to the activities classified under Section D, Division 35, Group 359, Class 3591 of UN ISIC Rev. 3, which includes the manufacture of motorcycles (including mopeds) and cycles fitted with an auxiliary engine, whether or not with attached side-car, and "delivery" or "sporting" motorcycles.

- o. **Manufacture of Parts and Accessories of Motor Vehicles** - refers to the activities classified under Section D, Division 34, Group 343 of the UN ISIC Rev. 3, which includes the manufacture of parts and accessories for motor vehicles including their bodies and engines: brakes, gear boxes, axles, road wheels, suspension shock absorbers, radiators, silencers, exhaust pipes, clutches, steering wheels, steering columns and steering boxes and other parts and accessories not elsewhere classified.
This also refers to the manufacture of bodies (coachwork) for motor vehicles, engines for motorcycles, side-cars, and parts and accessories of motorcycles.
- p. **Mobile drilling derrick** – a lorry fitted with a derrick assembly, winches and other appliances for drilling.
- q. **Mobile radiological unit** – a vehicle fitted with an examination room, dark room and complete radiological equipment.
- r. **Motorcycles** - refer to any two or three-wheel vehicle propelled by gasoline, electricity or any other motive power, with or without sidecars.
- s. **New Participants** - refers to local manufacturers and/or assemblers not registered under Executive Order (EO) 156 or its predecessor programs whose application for registration under this Act has been approved by the BOI.
- t. **Niche Model** – refers to a model that is conceptualized, designed and manufactured locally.
- u. **Other Vehicle Assemblies** –refer to commercial vehicle platforms, major vehicle assemblies and bodies for commercial vehicles being supplied to or used by a vehicle assembler who is a participant under this Act.

- v. Participants – refer to entities organized under Philippine laws that will engage in the assembly of brand new motor vehicles shall qualify as a participant under this Act.
- w. Passenger Cars - refer to any four (4)-wheel motor vehicle, which is propelled by gasoline, diesel, electricity or any other motive power and principally designed to transport persons and not primarily to transport goods.
- x. Pickup truck – a light truck having an enclosed cab and an open body with low sides and tailgate. For purposes of this Act, pickup truck is a vehicle with gross weight of up to 3 tons.
- y. Special Purpose Vehicles – a range of motor vehicles specially constructed or adapted, equipped with various devices that enable them to perform certain non-transport functions (i.e. fire trucks, crane lorries, mobile radiological units, mobile drilling derricks, concrete mixer lorries etc.) or a specialized type of motor vehicles used for the transport of persons or goods (i.e. ambulance, hearses)
- z. Truck – any motor vehicle whose body configuration is designed to carry heavy loads, general freight, or for special purpose regardless of gross vehicle weight, provided that pick-ups are not considered as trucks.
- aa. Truck tractor/tractor head – a vehicle constructed essentially for hauling or pushing another vehicle, appliance or load.
- bb. Vehicle imported under the no dollar import program – a motor vehicle personally owned by a returning resident or immigrant with Gross Vehicle Weight (GVW) not exceeding 3 tons in accordance with the Program's guidelines.

CHAPTER 3. Motor Vehicle Development Program (MVDP)

Section 4. *Coverage.* - The Program shall cover the manufacture and assembly of the following motor vehicles:

- a. Classification I

- b. Classification II
- c. Classification III
- d. Classification IV

The production and/or assembly of motor vehicles and other vehicle assemblies covered under the MVDP shall be in KD condition only. The KD scheme shall promote high value added in motor vehicle manufacturing and high degree of vehicle production operations.

Only brand-new OEM KD parts and components for assembly purposes shall be eligible for importation under the MVDP subject to such limitations as may be imposed by BOI.

Section 5. *Participants* – The participant shall:

- a. Assemble brand new quality motor vehicles;
- b. Establish a new assembly facility or utilize an existing assembly facility, which is either idle or in operation, provided that there is investment in the manufacturing of parts and components;
- c. Obtain a technical licensing agreement (for those assembling foreign-branded vehicles), with the foreign OEM that will supply the KD parts and components and provide technology transfer, technical and production assistance and support services; or
- d. Secure a Long-term Supply Agreement, for those assembling locally-developed vehicles utilizing major parts and components; and
- e. The assembly operation shall involve at least the basic assembly processes of welding, painting, trimming and quality testing/inspection.

Section 6. *Investments of a New Participant*. - The new participant shall, within one (1) year from date of registration with the MVDP, invest in the manufacture and/or assembly of motor vehicles and its parts and components at least US\$ 10 million for passenger car assembly; US\$8 million for commercial vehicle assembly; or US\$2 million for motorcycle assembly; Provided that the investment requirement shall be subject to periodic review by the BOI. The Investments referred to in this section shall be in the following schemes or a combination thereof:

- a. Investments in in-house motor vehicle parts and components manufacturing; or
- b. Equity investment, either minor or major stockholdings in new or existing motor vehicle parts and components manufacturing company; or
- c. Cost sharing schemes with existing motor vehicle parts and components manufacturing companies in terms of tooling, modernization, and/or upgrade of facilities and technology; or
- d. Investments in a vehicle assembly line including toolings for new model.

Provided that Investments mentioned under paragraphs b, c and d above should result to increased capacity or improved production efficiency and generation of employment.

Provided further that if the investment requirement mentioned above will be made on a purely assembly operation, the qualification for registration will be subject to conditions as may be imposed by the BOI such as but not limited to job creation and upgrading of facilities and technology.

Provided finally that If the new participant will utilize an existing assembly facility, whether idle or in operation, they shall be required to invest at least US\$ 5 million for passenger cars, US\$ 4 million for commercial vehicles and US\$ 1 million for motorcycles; the same shall also apply for new participants that will engage in the manufacture of parts and components alone; provided that the investment requirement shall be subject to periodic review by the BOI.

Section 7. *Application.* - Application for registration shall be submitted to the BOI, together with an undertaking to invest in the manufacture and/or assembly of motor vehicles and its parts and components. The BOI shall decide on the application within thirty (30) working days from the date of its official acceptance.

The approved participant shall be issued a Certificate of Registration by the BOI, which shall include the commitments made by the participant in the proposal and the terms and conditions imposed by the BOI. The participant shall present proof of investments within one (1) year from the date of registration; otherwise the Certificate of Registration shall be automatically cancelled after due process, in addition to the imposition of penalties, such as refund of incentives availed, if any.

Section 8. *Vested Rights.* – Existing participants under EO 156 and its predecessor programs shall remain as members of the MVDP and continue to avail of the privileges hereof, provided they are in good standing. A participant shall be deemed of good standing based on the following:

- a. Due registration with the Securities and Exchange Commission
- b. Track Record of the Participant
- c. Compliance with the requirements of this Act

Section 9. *Models and Variants.* - There shall be no limitation in the number of models that a participant may assemble and/or manufacture provided the same are registered with the BOI. However, as a general rule, the BOI shall not register the same models under two (2) participants / new participants.

A participant may also register multi-brands of motor vehicles.

Section 10. *Incentives for Manufacturers of Motor Vehicles.* – Enterprises engaged in the manufacture of motor vehicles duly registered with the BOI as participant under the Motor Vehicle Development Program (MVDP), shall be entitled to the following incentives:

- a. The participants shall continue to avail of tariff rates for KD parts and components for assembly under the MVDP tariff lines of the tariff and customs code subject to the issuance of certificate of authority to import by the BOI.
- b. Assembly and/or manufacture of motor vehicle and parts and components shall be listed in the annual IPP for five (5) years from the date of effectivity of this Act.
- c. Exemption from all regulatory fees imposable on the motor vehicles registered under the MVDP.
- d. A special incentive scheme will be made available to participants who will invest in the development and manufacture of alternative-fueled land transport and green technologies.
- e. A special incentive scheme will be made available to participants who will invest in the development and manufacture of niches.

- f. **Income Tax Holiday.** – For five (5) years from commercial operations, the enterprise shall be exempt from income taxes levied by the National Government, Provided, That investment in new basic model or full model change shall be treated as a new investment and shall therefore be entitled to a fresh package of incentives.
- g. **Net Operating Loss Carry-Over.** – A net operating loss incurred during the first three (3) years of operations shall be carried over as a deduction from taxable income for the seven (7) consecutive taxable years immediately following the year of such loss, Provided, however, That the net operating loss shall be computed in accordance with the provisions of the National Internal Revenue Code and its implementing Revenue Regulations, any provision of this Act to the contrary notwithstanding, except that income not taxable either in whole or in part under this or other laws shall be included in gross income.
- h. **Accelerated Depreciation.** – At the option of the taxpayer and in accordance with the procedure established by the Bureau of Internal Revenue, fixed assets may be (1) depreciated to the extent of not more than twice as fast as normal rate of depreciation or depreciated at normal rate of depreciation if expected life is ten years or less; or (2) depreciated over any number of years between five years and expected life if the latter is more than ten (10) years; and the depreciation thereon allowed as a deduction from taxable income; Provided, That the taxpayer notifies the Bureau of Internal Revenue at the beginning of the depreciation period which depreciation rate allowed by this section will be used by it.
- i. **Deduction on Training Expenses.** In addition to the allowable ordinary and necessary expenses on training which are fully deductible under the provisions of the National Internal Revenue Code, expenses incurred in training schemes approved by the appropriate agency shall be eligible for deduction during the financial year the expenses were incurred:
 - (i) Expenses incurred in providing employee training shall be eligible for single deduction; and
 - (ii) Expenses incurred in providing training to Small and Medium Enterprise (SME) parts manufacturers shall be eligible for double deduction.

- j. Double Deduction on Research and Development. – Expenses incurred for research and development activities shall be eligible for double deduction from taxable income.
- k. Tax and Duty Free Importation of Capital Equipment. – The importation of machinery, equipment and accompanying spare parts imported in the name of the manufacturer as consignee shall be exempt to the extent of one hundred percent (100%) of the duties and taxes payable thereon,

Provided that the importation comply with the following conditions:

- (i) These are not manufactured domestically in sufficient quantity, of comparable quality and at reasonable prices;
- (ii) These are reasonably needed and will be used exclusively in the manufacture of motor vehicles; and
- (iii) Prior approval of the BOI was obtained for the importation of such machinery, equipment and accompanying spare parts.

Provided further that such machinery, equipment and accompanying spare parts shall not be sold, transferred or disposed without prior approval of the BOI within five (5) years from date of acquisition, in which case the manufacturer as consignee and the vendee, transferee, or assignee shall be solidarily liable to pay twice the amount of the duty and tax exemption given it.

- l. Tax and Duty Free Importation of Training Equipment. – The importation of equipment, tools and implements for in-house training projects and imported in the name of the manufacturer as consignee shall be exempt to the extent of one hundred percent (100%) of the duties and taxes payable thereon, Provided, That the importation comply with the following conditions:

- (i) These are not manufactured domestically in sufficient quantity, of comparable quality and at reasonable prices;
- (ii) These are reasonably needed and will be used exclusively for training projects; and
- (iii) Prior approval of the BOI was obtained for the importation of such equipment, tools and implements.

Provided further, That such equipment, tools and implements shall not be sold, transferred or disposed without prior approval of the BOI within five (5) years from date of acquisition, in which case the manufacturer as consignee

and the vendee, transferee, or assignee shall be solidarily liable to pay twice the amount of the duty and tax exemption given it.

m. Qualified enterprises availing of incentives provided under this Act and its implementing Rules and Regulations shall still be eligible to incentives and privileges provided for by other special laws:

- (i) No. 226, otherwise known as the Omnibus Investment Code of 1987, Provided, That the manufacture of motor vehicles shall regularly form part of the IPP as a preferred area for investments, unless otherwise declared by law;
- (ii) Republic Act No. 7844, otherwise known as the Export Development Act of 1994;
- (iii) Republic Act No. 7916, otherwise known as the Special Economic Zone Act of 1995, as amended;
- (iv) Issuances implementing the Motor Vehicle Development Program.

Provided, That the enterprise shall register under the aforesaid laws and that there is no double availment of the same incentives.

n. Other privileges and benefits as may be allowed by the Motor Vehicle Industry Development Office.

Section 11. *Incentives for Manufacturers of Motor Vehicle Parts and Accessories.*

– Enterprises engaged in the manufacture of motor vehicle parts and accessories shall be entitled to the following incentives:

- a) **Income Tax Holiday.** – For five (5) years from commercial operations, the enterprise shall be exempt from income taxes levied by the National Government, Provided, That investment in new parts and components shall be treated as a new investment and shall therefore be entitled to a fresh package of incentives.
- b) **Net Operating Loss Carry-Over.** – A net operating loss incurred during the first three (3) years of operations shall be carried over as a deduction from taxable income for the seven (7) consecutive taxable years immediately following the year of such loss, Provided, however, That the net operating loss shall be computed in accordance with the provisions of the National Internal Revenue Code and its implementing

Revenue Regulations, any provision of this Act to the contrary notwithstanding, except that income not taxable either in whole or in part under this or other laws shall be included in gross income.

- c) Accelerated Depreciation. – At the option of the taxpayer and in accordance with the procedure established by the Bureau of Internal Revenue, fixed assets may be (1) depreciated to the extent of not more than twice as fast as normal rate of depreciation or depreciated at normal rate of depreciation if expected life is ten years or less; or (2) depreciated over any number of years between five years and expected life if the latter is more than ten (10) years; and the depreciation thereon allowed as a deduction from taxable income: Provided, That the taxpayer notifies the Bureau of Internal Revenue at the beginning of the depreciation period which depreciation rate allowed by this section will be used by it.
- d) Deduction on Training Expenses. In addition to the allowable ordinary and necessary expenses on training which are fully deductible under the provisions of the National Internal Revenue Code, expenses incurred in training schemes approved by the appropriate agency shall be eligible for deduction during the financial year the expenses were incurred:
 - (i) Expenses incurred in providing employee training shall be eligible for single deduction; and
 - (ii) Expenses incurred in providing training to Small and Medium Enterprise (SME) parts manufacturers shall be eligible for double deduction.
- e) Double Deduction on Research and Development. – Expenses incurred for research and development activities shall be eligible for double deduction from taxable income.
- f) Tax and Duty Free Importation of Capital Equipment. – The importation of machinery, equipment and accompanying spare parts imported in the name of the manufacturer as consignee shall be exempt to the extent of one hundred percent (100%) of the duties and taxes payable thereon,

Provided that the importation comply with the following conditions:

- (i) These are not manufactured domestically in sufficient quantity, of comparable quality and at reasonable prices;

- (ii) These are reasonably needed and will be used exclusively in the manufacture of motor vehicle parts and accessories; and
- (iii) Prior approval of the BOI was obtained for the importation of such machinery, equipment and accompanying spare parts.

Provided further that such machinery, equipment and accompanying spare parts shall not be sold, transferred or disposed without prior approval of the BOI within five (5) years from date of acquisition, in which case the manufacturer as consignee and the vendee, transferee, or assignee shall be solidarily liable to pay twice the amount of the duty and tax exemption given it.

g) Tax and Duty Free Importation of Training Equipment. – The importation of equipment, tools and implements for in-house training projects and imported in the name of the manufacturer as consignee shall be exempt to the extent of one hundred percent (100%) of the duties and taxes payable thereon,

Provided that the importation comply with the following conditions:

- (i) These are not manufactured domestically in sufficient quantity, of comparable quality and at reasonable prices;
- (ii) These are reasonably needed and will be used exclusively for training projects; and
- (iii) Prior approval of the BOI was obtained for the importation of such equipment, tools and implements.

Provided further, That such equipment, tools and implements shall not be sold, transferred or disposed without prior approval of the BOI within five (5) years from date of acquisition, in which case the manufacturer as consignee and the vendee, transferee, or assignee shall be solidarily liable to pay twice the amount of the duty and tax exemption given it.

h) Qualified enterprises availing of incentives provided under this Act and its Implementing Rules and Regulations shall still be eligible to incentives provided for by other special laws:

- (i) No. 226, otherwise known as the Omnibus Investment Code of 1987, Provided, That the manufacture of motor vehicle parts and

accessories shall regularly form part of the IPP as a preferred area for investments, unless otherwise declared by law;

(ii) Republic Act No. 7844, otherwise known as the Export Development Act of 1994;

(iii) Republic Act No. 7916, otherwise known as the Special Economic Zone Act of 1995, as amended.

Provided that the enterprise shall register under the aforesaid laws and that there is no double availment of the same incentives.

CHAPTER 4. Prohibition of Used Vehicles Importation

Section 12. *Brand New Vehicles.* – The importation of brand new motor vehicles shall be allowed pursuant to No. 264, series of 1995 and Monetary Board Circular No. 92, series of 1995.

Section 13. *Used Motor Vehicles.* - The importation into the customs territory or the Philippine territory outside the secured fenced-in Freeport zones of all types of used motor vehicles is prohibited, except for the following:

- a. A vehicle that is owned and for the personal use of a returning resident or immigrant and covered by an authority to import issued under the No-Dollar Importation Program. Such vehicles cannot be resold for at least three (3) years;
- b. A vehicle for the use of an official of the Diplomatic Corps and authorized to be imported by the Department of Foreign Affairs;
- c. Trucks with Gross Vehicle Weight (GVW) of 6 tons and above covered by an authority to import issued by the DTI;
- d. Buses with GVW of 12 tons and above covered by an authority to import issued by the DTI;
- e. Special purpose;
 - 1) fire trucks

- 2) ambulances
- 3) funeral hearses/coaches
- 4) crane lorries
- 5) tractor heads or truck tractors
- 6) boom trucks
- 7) tanker trucks
- 8) tank lorries with high pressure spray gun
- 9) reefers or refrigerated trucks
- 10) mobile drilling derricks
- 11) transit/concrete mixers
- 12) mobile radiological units
- 13) wreckers or tow trucks
- 14) concrete pump trucks
- 15) aerial/bucker flat-form trucks
- 16) street sweepers
- 17) vacuum trucks
- 18) garbage compactors
- 19) self-loader trucks
- 20) man lift trucks
- 21) lighting trucks
- 22) trucks mounted with special purpose equipment

Section 14. *Exempted Used Vehicles.* – Used vehicles exempted from the prohibition shall require an authority to import from the DTI.

Section 15. *Used Engine, Parts and Components.* – The Importation of used engines and parts and components for all motor vehicles shall be strictly prohibited.

Section 16. *Monitoring of Importation of Used Motor Vehicles.* – To effectively implement the provisions of this Chapter, the following shall be carried out.

- a. The DTI shall monitor all importations of used motor vehicles. A monthly report on the result of its monitoring and the impact of imports shall be submitted to the DTI which will be accessible to any interested party. When necessary and after due public consultation, it may issue an order suspending or restricting the entry of certain types of motor vehicles.

The Bureau of Customs (BOC) is hereby directed to submit the following information pertaining to the importation of motor vehicles to the DTI:

- 1) Name of importer;
- 2) Importer's address;
- 3) Quantity and invoice values of vehicle/s;

- 4) Make (brand), vehicle model, year model and identification numbers of vehicle/s;
- 5) Date of importation;
- 6) Assessed values of the vehicle/s;
- 7) Tariff classification and rate of duty per vehicle;
- 8) Total amount of taxes and duties paid on the shipment; and
- 9) Other relevant information on the importation of the said vehicle/s.

c. The Land Transportation Office (LTO) is hereby directed to submit to the department of trade and industry the following information pertaining to the registration of imported motor vehicles:

- 1) Name of registrant;
- 2) Registrant's address;
- 3) Quantity and invoice values of vehicle/s;
- 4) Make (brand), vehicle model, year model and identification numbers of vehicle/s;
- 5) Date of registration; and
- 6) Other relevant information on the registration of the vehicle/s.

Such information shall be submitted every month not later than fifteen (15) days after the end of the reference month and shall be accessible to any interested party. The DTI, through the BOI, in coordination with the BOC and the LTO, may issue additional guidelines if necessary, to effectively implement this directive.

d. All allowable imported motor vehicles shall comply with RA 8749 or the clean air act of 1999 and RA 8506 or the banning of registration and operation of vehicles with right-hand steering wheel as a pre-requisite for registration.

e. To ensure alignment of government policies, the DTI - Bureau of Import Services shall review and amend Department Order No. 08.

f. The Department of Finance (DOF) and the Department of Transportation and Communication (DOTC), including the BOC, Bureau of Internal Revenue (BIR), LTO and other government instrumentalities shall perform their duties and responsibilities consistent with this Act as they apply to the program. Failure to comply with their respective duties and responsibilities under this Act shall be penalized in accordance with the administrative code and anti-graft and corrupt practices act.

g . All agencies instructed under the provisions of this Act are directed to issue additional directives, circulars, or orders, if necessary to implement the provisions hereof, within fifteen (15) days from the effectivity of this Act.

Section 17. *Penalties.* – any individual, corporation, partnership, association, company or any other kind of organization found to be in violation of this Act shall be subject to penalties hereinafter stated.

- a. All vehicles imported found to be in violation of this Act shall be subject to seizure and re-exported at the expense of the importer/consignee immediately without prejudice to other penalties imposable under the tariff and customs code of the Philippines.
- b. The importation, cause of importation of, registration, cause of registration of, use or operation of right-hand drive vehicles shall be penalized in accordance with the provisions of RA 8506.
- c. Unlawful importation and fraudulent practices against customs revenue shall be penalized in accordance with the Tariff and Customs Code of the Philippines.
- d. Violations with regard to national inspection and maintenance program, including technician and facility compliance shall be penalized in accordance with RA 8749.

CHAPTER 5. Restructuring of Tariff Rates

Section 18. *Tariff Restructuring.* - Consistent with the objectives of the MVDP, the tariffs for motor vehicle products shall be restructured at such levels that will ensure the sustained development of the sector and the success of the MVDP.

CHAPTER 6. Restructuring of Excise Tax

Section 19. *Excise Tax Restructuring.* - Consistent with the objectives of this Act, under the current excise taxation system, the tax rate for motor vehicles by 50% across the board.

CHAPTER 7. Export Incentives

Section 20. *Export Incentives.* - An incentives package shall be granted on the exports of motor vehicles, other vehicle assemblies and its parts and components, in order to encourage greater participation and diversification in automotive exports.

Section 21. *Export Commitments.* - Participants shall commit to export annually a total of at least: 5,000 units or US\$50 million (Freight on Board (FOB) value) per year for passenger car and commercial vehicle models (except trucks and buses); and 18,000 units or US\$10 million (FOB Value) for motorcycles. No minimum volume or value of export is required for trucks and buses.

Participant in parts and components shall commit to export annually at least: US\$ 5 million (FOB value) of parts and components for cars and commercial vehicle models (including trucks and buses); and US\$ 1 million (FOB Value) of parts and components for motorcycles.

Section 22. *Privileges.* -

a. For Motor Vehicles Assemblers/Manufacturers:

Registered Participants shall be entitled to the following privileges:

i. Export Credit. Participants will earn credits based from their export of CBUs, which will be proportionate to the extent of parts localization level of the unit produced and exported. Rates of export credit will be based on the percentage share of parts localization level. A Certificate will be issued by BOI to the Participant reflecting the amount of credits earned in Philippine currency. The export credit scheme shall be as follows:

1. For Passenger Cars and Light Commercial Vehicles:

- (a) 10% localization level will earn US\$100 per unit of CBU;
- (b) 15% localization level will earn US\$200 per unit of CBU;
- (c) 20% localization level will earn US\$300 per unit of CBU;
- (d) 25% localization level will earn US\$400 per unit of CBU; and
- (e) 30% localization level will earn US\$500 per unit of CBU.

2. For Trucks and Buses

- (a) 50% localization level will earn US\$1000 per unit of CBU;
- (b) 55% localization level will earn US\$1500 per unit of CBU;
- (c) 60% localization level will earn US\$2000 per unit of CBU;
- (d) 65% localization level will earn US\$2500 per unit of CBU; and

(e) 70% localization level will earn US\$3000 per unit of CBU.

3. For Motorcycles

- (a) 20% localization level will earn US\$10 per unit of CBU;
- (b) 30% localization level will earn US\$20 per unit of CBU;
- (c) 40% localization level will earn US\$30 per unit of CBU;
- (d) 50% localization level will earn US\$40 per unit of CBU; and
- (e) 60% localization level will earn US\$50 per unit of CBU.

ii. Utilization of Credits. Total credits earned shall be used as payment, as follows:

- 1. 50% of the duties to be paid in the importation of CBUs

iii. A registered participant is allowed to utilize their export credits for payment of duties for the importation of CBUs of any or combinations of registered models or variants that it seeks to import. The credits earned chargeable against imports (Cost, Insurance, Freight basis) on a per unit basis shall continue until the credit is exhausted.

b. For Motor Vehicle Parts and Components Fabricators/Manufacturers:

The privileges of registered Participants shall be as follows:

i. Export Credit. Participants will earn credits based from their export of parts and components. Rates of export credit will be based on their minimum commitments. A Certificate will be issued by BOI to the Participant reflecting the amount of credits earned in Philippine currency. The export credit scheme shall be as follows:

1. For Parts and Components of Cars and Commercial Vehicles:

- (a) 20% average local value added will earn US\$100 credit per US\$10,000 export FOB;
- (b) 25% average local value added will earn US\$200 credit per US\$10,000 export FOB;
- (c) 30% average local value added will earn US\$300 credit per US\$10,000 export FOB;
- (d) 35% average local value added will earn US\$400 credit per US\$10,000 export FOB; and
- (e) 40% and up average local value added will earn US\$500 credit per US\$10,000 export FOB.

2. For Parts and Components of Motorcycles:
 - (a) 20% average local value added will earn US\$10 credit per US\$10,000 export FOB;
 - (b) 25% average local value added will earn US\$20 credit per US\$10,000 export FOB;
 - (c) 30% average local value added will earn US\$30 credit per US\$10,000 export FOB;
 - (d) 35% average local value added will earn US\$40 credit per US\$10,000 export FOB; and
 - (e) 40% and up average local value added will earn US\$50 credit per US\$10,000 export FOB.
- ii. Utilization of Credits. Total credits earned shall be used as payment, as follows:
 1. Up to 50% of income tax due on the income from the particular product;
 2. Exported until the credit is exhausted; and
 3. The credit may be transferred to the Participant's subsidiary or affiliate such as the registered participant in the MVDP.

The availment of the privileges is contingent upon export performance on a yearly basis, as prescribed under Section 2 of this Chapter.

CHAPTER 8. Standards and Technical Regulations

Section 23. *Standards and Technical Regulations.* - Standards and Technical Regulations shall be established for quality, safety and environmental protection, among others, of motor vehicles.

Section 24. *Mutual Recognition Agreements.* - Efforts shall be made towards the adoption of Mutual Recognition Agreements in support of the export development program of the sector.

Section 25. *Support Infrastructures.* - Privileges and benefits shall be extended to support infrastructures under this CHAPTER as may be allowed.

CHAPTER 9. Parts Manufacturing and Auto-Supporting Industries Development

Section 26. *Support Measures.* - Support measures shall be implemented to ensure the development, competitiveness and capacity utilization of parts manufacturing and auto-supporting industries. Sino mag-decide among support measures and its implementation?

CHAPTER 20. PROMOTION OF LOCALLY PRODUCED VEHICLES

Section 27. *Locally Produced Vehicles.* - in accordance with RA 138 (Flag Law) and administrative order no. 227 dated 27 may 2008, Government institutions are hereby required to procure locally assembled vehicles. To achieve this end, Government financial institutions are encouraged to develop and make available affordable and accessible financing schemes for the purchase of brand new locally assembled vehicles.

CHAPTER 11. Creation of the Motor Vehicle Industry Development Office

Section 28. *Motor Vehicle Industry Development Office.* – The motor vehicle industry development office shall be created under the Office of the Secretary of the DTI and headed by a director general, which shall hereinafter be referred to as the office.

The Office shall be the central policy coordinating body tasked to ensure the accelerated development of the Philippine motor vehicle industry through transparent and consultative mechanisms with all stakeholders including concerned duly recognized labor organizations, in accordance with this Act.

Section 29. *Powers and Functions of the Office.* - The Office shall have the following powers and functions:

- a. To oversee the implementation of the MVDP and other programs for the development of the automotive industry;
- b. To harmonize policies, rules and regulations, and other concerns as they affect the implementation of this Act;
- c. To coordinate all automotive industry development efforts of all agencies and instrumentalities of the government towards the attainment of the following:

- i. Creation of a conducive environment to attract new investments and expand existing opportunities;
 - ii. Development of innovative technologies in the automotive industry;
 - iii. Development of high value-added manufacturing activities in niche areas;
 - iv. Increase in the motor vehicle industry's exports and make the Philippines as a production hub for the region;
 - v. Competitiveness of parts and component manufacturers and to enhance their contribution to the industry and the economy
- d. To perform such other acts as may be necessary or incidental to the exercise of its function and powers and the discharge of its duties under this Act.

Section 30. *Power to Require Assistance.* - The Office may require, if necessary, the assistance and cooperation of any government agency or any entity or association in order to ensure the effective implementation of the powers and functions of the Office.

CHAPTER 12. Industry Research and Development

Section 31. *Industry Research and Development* – the Office shall undertake policy studies, programs and strategy formulation activities to ensure the sustained development of the sector.

Section 32. *Industry Development Fund.* - An Industry Research and Development Fund (IRDF) shall be established to provide support for research and development projects consisting but not limited to:

- a. Acquisition and development of new technologies;
- b. Upgrading of equipment and facilities;
- c. Manpower capacity building and
- d. Compliance with market entry requirements for exporter and local assemblers.
- e. Environmentally sustainable land transport.

The fund shall be administered by the Office. The fund shall be sourced from the budget of the Office. This may be supplemented by grants and donations from any private or government office, agency or corporation in the Philippines or

abroad. The fund shall be accounted for and disbursed in accordance with pertinent existing laws, accounting and auditing rules and regulations.

CHAPTER 13.

Penalties

Section 33. *Participants.* – In case of violation of the provisions of this Act or the terms and conditions of their registrations, after due notice, the Participants may be required to refund the benefits they enjoyed including interests and monetary penalties and/or cancellation or suspension of their registrations.

Section 34. *Government Entities and Employees.* – Any person, entity, government instrumentality or institution, found to be violating or grossly negligent in executing the mandates of this Act shall result in the expulsion from office of any or all of the following personnel: the chief executive officer, responsible directors, responsible rank and file personnel and other responsible operating officers. Notwithstanding any provision of law to be contrary, they shall likewise be prohibited from holding any government position for at least to (2) years.

CHAPTER 14.

General Provisions

Section 35. *Repealing Clause* – All other orders, rules and regulations or parts thereof, which are inconsistent with the provisions of this Act, are hereby repealed, amended or modified accordingly.

Section 36. *Implementing Rules and Regulations.* – The Office, in consultation with concerned government agencies and the industry stakeholders including the labor sector shall promulgate the Implementing Rules and Regulations within 60 days from the effectivity of this Act.

Section 37. *Separability Clause* - The provisions of this Act are hereby declared separable and in the event any of such provisions is declared unconstitutional, the other provisions, which are not affected thereby shall remain in full force and effect.

Section 38. *Effectivity* - This Act shall take effect 15 days upon publication in at least two (2) national newspaper of general circulation in the Philippines.

HOUSE OF REPRESENTATIVES

House Bill No. 4950

*Introduced by Representative Rufus B. Rodriguez and
Representative Maximo B. Rodriguez, Jr.*

EXPLANATORY NOTE

According to data from the Land Transportation Office (LTO), the number of vehicles increased from 5,891,272 registered vehicles in 2008 to 6,220,433 registered vehicles in 2009 and to 6,634,855 registered vehicles in 2010 for an average increase of 6.2% per year. From this, we can gather that there are too many vehicles plying our roads and not enough roads for them. This results in heavy traffic causing numerous negatives effects to all aspects of the lives of the Filipino people.

Also, these vehicles cause too much air pollution which harms the health of the people. The World Health Organization (WHO) said that as much as 65 percent of the pollutants in the Philippines are from mobile sources. It further said that "carbon monoxide has the biggest pollution load contribution of 50 percent, mainly due to the increasing numbers of gasoline-fed vehicles, including cars (13.58 percent) and motorcycles/tricycles (47.88 percent)".

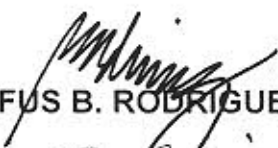
In an article written Hadji C. JALOTJOT submitted to the University of Tokyo, it was written that, "while use of motor vehicles can provide significant economic benefits, marginal benefits decline with increased use. Decline in marginal benefits are partly due to negative externalities associated with vehicle use such as air pollution, climate change, and urban sprawl."

Further, in a report by the Department of Health in 2004, it was stated that "considerable morbidity and mortality due to respiratory and cardiovascular diseases could have been prevented with better air quality in Metro Manila in 2002." While

another report by Asian Development Bank said that in 2005, particulate matter (PM10) caused premature death and chronic respiratory illnesses. The health cost was estimated to be US\$430 million per year.

And with technology for alternative or renewable sources of energy still very inefficient and expensive, there is a need to devise new ways that could help lower the number of vehicles roaming the streets of the country.

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



RUFUS B. RODRIGUEZ



MAXIMO B. RODRIGUEZ, JR.

FIFTEENTH CONGRESS)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

HOUSE OF REPRESENTATIVES

House Bill No. 4950

*Introduced by Representative Rufus B. Rodriguez and
Representative Maximo B. Rodriguez, Jr.*

AN ACT
PROVIDING FOR HIGHER REGISTRATION FESS FOR THE 2ND, AND
SUBSEQUENT MOTOR VEHICLES REGISTERED IN THE NAME OF THE OWNER

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

SECTION 1. As used in this Act, the term "Motor Vehicle" shall mean any vehicle propelled by any power other than muscular power using the public highways, but excepting road rollers, trolley cars, street-sweepers, sprinklers, lawn mowers, bulldozers, graders, fork-lifts, amphibian trucks, and cranes if not used on public highways, vehicles which run only on rails or tracks, and tractors, trailers and traction engines of all kinds used exclusively for agricultural purposes.

SEC. 2. It is hereby mandated that there shall be additional rates to be charged for the annual registration of a 2nd and subsequent vehicle registered under the same owner.

The amount of Three Thousand Pesos (P3,000) shall be charged for the 2nd vehicle, Five Thousand Pesos (P5,000) for a 3rd vehicle and Seven Thousand Pesos (P7,000) for a fourth and each subsequent vehicle.

These additional charges shall be remitted to the National Treasury.

SEC. 3. *Implementing Rules and Regulations* – Within six (6) months from the effectivity of this Act, the Department of Transportation and Communications and the Land Transportation Office shall promulgate rules and regulations necessary to ensure the effective implementation of this Act.

SEC. 4. *Separability Clause* – If any portion of this Act is declared unconstitutional, the same shall not affect the validity and effectivity of the other provisions not affected thereby.

SEC. 5. *Repealing Clause* – All laws, decrees, executive orders, rules and regulations, and other issuances or parts thereof which are inconsistent with this Act are hereby repealed, amended or modified accordingly.

SEC. 6. *Effectivity* – This Act shall take effect after fifteen (15) days following its publication in at least two (2) national newspapers of general circulation.

Approved,

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

FIFTEENTH CONGRESS

First Regular Session

House Bill No. **4030**

Introduced by HON. RODOLFO W. ANTONINO, PABLO JOHN F. GARCIA, MARK
LLANDRO L. MENDOZA AND WILFRIDO MARK M. ENVERGA

EXPLANATORY NOTE

The Philippines is committed to the maintenance and strengthening of internal and international security. As embodied in Article II Section 2 of the Constitution, "the State renounces war as an instrument of national policy and adopts the generally accepted principle of international law as part of the law of the land. It adheres to the policy of peace, equality, justice, freedom, cooperation and amity among nations."

In Section 8 of the same Article and consistent with national interest, it adopts and pursues a policy of freedom from nuclear weapons in its territory. This commitment is embodied in the Philippine support to UN Security Resolution 1540 dated 28 April 2004 which states that, "all member states shall take appropriate and effective action against any threat to international peace caused by the proliferation of nuclear, chemical and biological weapons and their means of delivery, and implement them fully in order to promote international security".

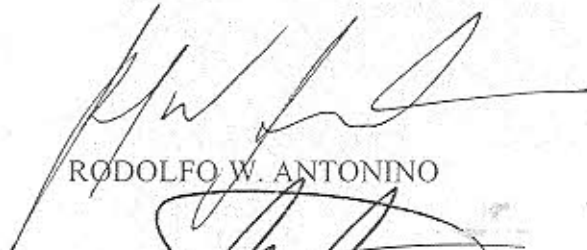
Countries in South East Asia do not possess nuclear weapons. For this reason, the possibility for enemies of the state to gain access to goods and materials that could be used in the production of weapons that can cause a high degree of destruction was considered remote as they require a high level of technological expertise. However, the continued growth being experienced by some countries in the wider Asia-Pacific regions have opened this possibility. As the US National Research Council has warned after 9/11, crude nuclear weapons could be fabricated without assistance of experts and as little as 25 kg of high enriched uranium (HEU) can produce a nuclear weapon. Considering the widespread distribution and use of HEU even for peaceful purposes, the serious risk faced by any country should it fall in the wrong hands pose great risk and danger.

The challenges facing the global security environment is real. When these so-called dual-use and strategic items fall in the hands of terrorists and other enemies of the state, it can undermine governments, destroy lives and properties and instill fear among the civilian populace. Even the United States was forced to readjust their views and acknowledge the extent of sophistication of

organizations and networks that now threatens the international community. The depth of the link that now connects South East Asian terrorists with their counterparts in and outside the region is truly impressive.

The present threats to global security is transnational, it exists across countries whether first world or developing, and these challenges are being carried out in every conceivable means possible. One such means is the transfer, diversion, importation, exportation, re-exportation, transit and transshipment of goods and services either in part or in whole. With inadequate security control and the absence of strong regulatory mechanism in the area of law enforcement, intelligence, police and military cooperation, proliferators are quick to see the cracks and often exploit them by using the country in the transfer of materials, men and money across borders, specifically in trade/export activities. Considering the eighteen thousand kilometers of shoreline where more than fifty per cent of the country are along the coast and almost all major cities are coastal, this could easily involve our country in terroristic acts and schemes.

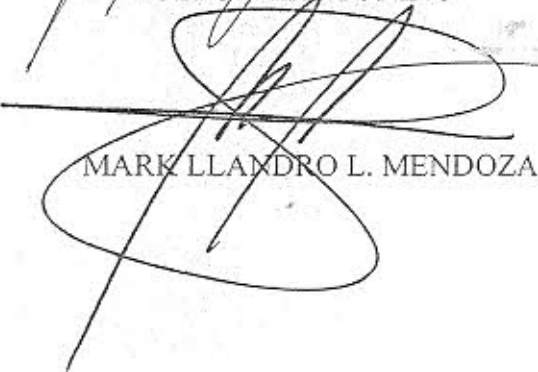
Advanced countries in Asia and the Pacific have been quick to put their own legislation against proliferation. The Philippines, however, has lagged behind in this aspect. This bill now intends to put in place a sound, legal, regulatory and organizational structure that will both address our need to pursue economic pursuits in the sphere of global trade while at the same time strengthen internal security. It hopes to put the country at par with other their Asean counterparts in the field of internal security and strategic trade management and at same time comply with international commitments. For these reasons, approval of the bill is earnestly sought.



RODOLFO W. ANTONINO



PABLO JOHN "PJ" F. GARCIA



MARK LLANDRO L. MENDOZA



WILFRIDO MARK M. ENVERGA

FIFTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 4030

Introduced by HON. RODOLFO W. ANTONINO, PABLO JOHN "PJ" F.
GARCIA, MARK LLLANDRO L. MENDOZA and WILFRIDO MARK M.
ENVERGA

AN ACT
REGULATING THE PROLIFERATION OF STRATEGIC AND DUAL-USE
GOODS AND SERVICES, PROVIDING PENALTIES FOR THEIR VIOLATION
AND FOR OTHER PURPOSES

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

1 TITLE 1 – GENERAL PROVISIONS
2

3 SECTION 1. *Short Title.* – This Act shall be known as the “ *Strategic Goods and*
4 *Services Management Act of 2010.*”

5 SEC. 2. *Declaration of Principles and Policies.* – It is the policy of the State to
6 be free from nuclear/radiological, chemical, biological weapons in its territory. This is
7 enshrined in the Philippine Constitution and embodied in the Philippine support to
8 United Nations Security Council Resolution Nos. 1540, 1673, 1810 and 1874 which call
9 on all member states to “take appropriate and effective action against any threat to
10 international peace caused by the proliferation of strategic goods and items and their
11 means of delivery, and to implement them fully in order to promote international
12 security”.

13 The State shall allow the exchange or trade of chemical, biological and
14 nuclear/radiological commodities for commercial, agricultural, research, pharmaceutical,

1 medical, military, and other purposes because it serves the economic interest of the
2 Philippines. However, the State must ensure that these economic trade exchanges are not
3 used to develop weapons that can cause large-scale destruction, do not contribute to the
4 build-up or enhancement of terroristic capabilities, nor shall they be diverted to support
5 such capabilities.

6 The State also recognizes the growing global concerns on the need to control
7 worldwide movement of a wide range of military and commercial goods, items,
8 equipment and technologies related to the build-up of weapons, arms and munitions by
9 enemies of the global community. As such, it shall establish and provide for an effective
10 national export, import, transit, transshipment and re-export control law, without having
11 to sacrifice national economic and trade interests.

12 SEC. 3. *Scope and Coverage.* – Subject to the provisions of existing treaties
13 which the Philippines is a signatory to, and to any contrary provision of law of
14 preferential application, this Act shall apply to: (1) any person, whether natural or
15 juridical, engaged in trade of strategic and dual-use goods, items, technologies,
16 equipment and services and operating within the territorial domain, interior waters,
17 maritime zone and airspace of the Philippines, including designated free trade zones; and
18 (2) individual persons who, although physically outside the territorial limits of the
19 Philippines, commit, conspire or plot to commit any of the crimes defined and punished
20 in this Act inside the territorial limits of the Philippines.

21 Without impeding the normal course of trade activities, provisions of this Act
22 shall involve only the regulation of import, export, re-export, transit and transshipment
23 of sensitive goods, services and technology that will, or may assist a program that may
24 have destabilizing potential to internal and international security. These goods, services

1 and technology refer to strategic goods and dual-use goods, items, technologies,
2 equipment and services herein defined as regulated items and listed under the National
3 Control List.

4 Sec. 4. – *The National Control List.* – It is hereby established the *National*
5 *Control List* which shall refer to a list of goods, items and technologies subject to
6 licensing under this Act. It shall be issued by the Strategic and Dual-Use Goods and
7 Items Control Council herein constituted and shall describe with specificity the items
8 subject to export, transshipment, import, transit and re-export control, reasons for their
9 control, and the import/export license requirements applicable to each item.

10 The Council shall publish the Control List and all the license requirements,
11 policies and procedures within six (6) months from the effectivity of this Act. It shall
12 contain a harmonized commodity classification designed for use by exporters, importers,
13 custom brokers, freight forwarders and other stakeholders when providing export/import
14 declaration to the Bureau of Customs.

15 To enable information on traded goods to be compared internationally, it
16 shall include goods listed under International Conventions as adopted by the Philippine
17 Government such as the Chemical Weapons Convention, Biological and Toxin
18 Weapons Convention, Nuclear Non-Proliferation Treaty, among others. The Council
19 shall, likewise, review the entire list at least one every two years, and shall revise or
20 update the Control List, as appropriate

21 SEC.5 *Definition of Terms.* – For purposes of this Act, the following terms
22 shall mean:

23 a. *Brokering Activities* refer to forwarding, servicing or financing export
24 transactions through intermediaries who negotiate commercial and

1 logistical arrangements to meet the requirements of buyers, sellers and
2 other relevant actors and facilitate the transfer of strategic and dual-use
3 items in exchange for a commission or other material reward, gain or
4 consideration.

5 b. *Conveyance* refers to any vessel, train, vehicle, aircraft or other modes of
6 transportation;

7 c. *Device* refers to any tangible medium wherein information, visual images,
8 sound or other data is, or recorded, stored, or embodied in any form so as to
9 be capable of being retrieved or produced with or without the aid of any
10 equipment;

11 d. *Document* refers to any records on paper, or in electronic form, kept on any
12 magnetic, optical, chemical or other medium; including photograph map,
13 plan, graph, picture or drawing or device;

14 e. *Dual-Use Goods and Items* refer to civilian or military goods or items
15 capable of being used for non-military purposes that, when put together or
16 assembled, may assist in the development, production, acquisition or
17 stockpiling of weapons capable of causing mass destruction;

18 f. *Export* refers to the shipment or transmission by any means of a strategic or
19 dual-use goods, items, and services from the territory of the Philippines to a
20 foreign country;

21 g. *Exporter* refers to any natural or juridical person who ships or transmits a
22 strategic or dual-use goods and items, and services from the territory of
23 the Philippines to a foreign country;

- 1 h. *Import* refers to the shipment or transmission by any means of strategic and
2 dual-use goods, items and services from a foreign country into the territory
3 of the Philippines;
- 4 i. *Importer* refers to any natural or juridical person who ships or transmits a
5 strategic or dual-use goods, items and services from a foreign country to
6 the territory of the Philippines.
- 7 j. *License or Permit* refers to a written authorization issued by the Government
8 for the import, export, re-export, transit or transshipment of any strategic or
9 dual-use goods, items and services into, out of, or through the territory of
10 the Philippines. It also includes the provision of services pertinent to the
11 trade of strategic and dual-use goods, technology and equipment;
- 12 k. *Military Goods or Munition Items* refer to goods, solely or predominantly
13 designed or modified for military purposes. It includes entire products as
14 well as specifically-designed parts, accessories, components and
15 technology such as firearms, warships, lasers designed for military
16 application, biological agents and sophisticated night-vision equipment;
- 17 l. *Premises* refer to any land, place or building, whether open or enclosed, and
18 whether built on or not, including any free trade zones within the territory
19 of the Philippines;
- 20 m. *Re-export or Re-transfer* refers to any shipment, transmission or release by
21 any means of any strategic or dual-use goods and items from one foreign
22 country to another. It may also include a transfer of an exported item to a
23 new end-user within the recipient country;

1 n. *Registration* refers to an application for registration to carry out an act such
2 as to arrange, negotiate or do any act to facilitate the arrangement or
3 negotiation of a contract for the acquisition or disposal of strategic or dual-
4 use goods and items, technology, equipment and services.

5 o. *Services* refer to, without limiting the generality of the expression, any
6 reference to doing anything, such as supplying or exporting goods that
7 confer a benefit on, grants a right or privilege to, provides a facility for, or
8 otherwise assists someone, including work of a professional nature, with or
9 without the supply or export of goods, or a contract, for and in relation to
10 the lending of money or other provision of financial assistance;

11 p. *Software* refers to a collection of one or more programs or micro programs
12 recorded, stored or embodied in a device;

13 q. *Strategic Goods and Items and Services* refer to any military or non-military
14 goods, services or technology that require special control in the interest of
15 national security and foreign policy. It includes chemical, biological,
16 radiological/nuclear goods and items that can be used in the development,
17 production, operation, use, maintenance, stockpiling, detection,
18 identification or dissemination of chemical, biological, radiological/nuclear
19 weapons, or their delivery system;

20 r. *Technology* refers to specific knowledge and information, including
21 information in such documents or software as specification, blueprints,
22 plans, manuals, models, diagrams, formulae, tables and design, that is
23 necessary for the development, production or use of any strategic or dual-
24 use goods, items and services;

1 s. *"Through bill of lading" or "Through air way bill"* refers to a bill of lading,
2 air waybill and manifest, respectively, for the consignment of dual-use
3 goods from a place outside the Philippines to a destination which is also
4 outside the Philippines, and without a consignee in the Philippines;

5 t. *Transit* refers to the import into, and subsequent export from, the territory of
6 the Philippines of a strategic or dual-use item that does not enter the
7 commerce of the Philippines but is consigned on a *"through bill lading"* or
8 *"through way bill"* from a location outside the territory of the Philippines
9 to another location outside the territory of the Philippines, such that the
10 item remains at all times in or on the vessel on which it is imported in the
11 Philippines;

12 u. *Transshipment* refers to the import into, and subsequent export from, the
13 territory of the Philippines, of a strategic or dual-use item that does not
14 enter the commerce of the Philippines but is consigned on a *"through bill*
15 *lading," a "through air way bill," or "through manifest"* from a location
16 outside the territory of the Philippines to another location outside the
17 territory of the Philippines, and such that the item is removed or is to be
18 removed from the vessel in which it was imported and either returned to the
19 same vessel, or transferred to another vessel before being exported,
20 whether it is to be transferred directly between such vessels or whether it is
21 to be landed in the Philippines after its importation, and stored, or
22 otherwise handled, pending export;

1 v. *Vessel* refers to any ship, aircraft, automobile, truck, train or other means of
2 transporting items imported into or exported from the territory of the
3 Philippines;

4 w. *Weapons of Mass Destruction or "WMD"* refer to weapons that are
5 capable of a high order of destruction and/or being used in such a manner
6 as to create large number of casualties and significant damage to properties
7 during a single event or incident. It can be high explosives or
8 nuclear/radiological, biological and chemical weapons;

9 x. *Weapons of Mass Destruction Program* refers to a plan or program for the
10 development, production, acquisition, or stockpiling of
11 nuclear/radiological, biological and chemical weapons, or missiles
12 capable of delivering such weapons.

13 TITLE II - IMPLEMENTING AUTHORITIES

14 SEC. 6. *Strategic Goods and Services Management Council*. – There shall be
15 created a **Strategic Goods and Services Management Council**, hereinafter referred to
16 as the "Council" to serve as the governing and policy-making body for the formulation,
17 development, implementation, coordination, monitoring and evaluation of policies,
18 programs, plans and activities relative to the establishment and institutionalization of the
19 strategic and dual-use goods control system.

20 The membership of the Council shall be composed of the representatives of the
21 following agencies:

22 a. Special Envoy of the Office of Special Envoy of Transnational Crime
23 (OSETC), Office of the President, which coordinates, integrates and
24 evaluates the efforts of law enforcement and other government agencies

involved in the campaign against transnational crime, and which sets policy directions and program design standards on all matters regarding transnational crime.

- b. Department of Trade and Industry (DTI) as represented by the Bureau of Import Services, which facilitates imports, administer import regulation on selected items, and monitor the importation of liberalized and sensitive items.
- c. Department of Environment and Natural Resources (DENR) as represented by the Environmental Management Bureau, which implements rules and regulations relating to environmental management, pollution prevention and control, including the licensing and regulation, as provided by law, where applicable, of all natural resources; the regulation and monitoring of service contractors, licensees, lessees, and permittees for the extraction, exploration, development, and utilization of natural resource products; and promulgates policies, rules and regulations for the control of water, air and land pollution.
- d. Department of Health (DOH) as represented by the Research Institute For Tropical Medicine, which undertakes research and development activities in the peaceful uses of nuclear energy, institutes regulations on said uses, and carries out the enforcement of said regulations to protect the health and safety of radiation workers and the general public.
- e. Department of Finance (DOF) as represented by the Bureau of Customs, which implements effective revenue collections, prevents and suppresses smuggling and entry of prohibited imported goods, supervises and controls the entrance and clearance of vessels and aircrafts engaged in foreign

1 commerce, and enforces the Tariff and Customs Code of the Philippines and
2 all other laws, rules, regulations related to tariff and customs administration.

3 f. Department of Science and Technology (DOST) as represented by the
4 following: (1) the Philippine Nuclear Research Institute (PNRI), which
5 undertakes research and development activities in the peaceful uses of nuclear
6 energy and institutes regulations on such uses and carries out the enforcement
7 of said regulations to protect the health and safety of radiation workers and the
8 general public; (2) the Advanced Science and Technology Institute, which
9 conducts scientific research and development in the advanced fields of
10 Information and Communication Technology and Microelectronics; and (3)
11 the Industrial Technology Development Institute (ITDI), which plays a
12 critical role in the standardization of various products and materials, and in the
13 maintenance of the accuracy and international traceability of the various units
14 of measurements by providing tests and analytical services needed by
15 government agencies and industries for evaluation, testing and
16 standardization, and establishes and maintains the national physical standards
17 of basic and derived quantities (e.g. mass, volume).

18 g. Department of National Defense (DND) as represented by the Office of
19 Government Arsenal, which is the center for the development of production
20 capabilities to enhance the country's self-sufficiency in defense requirements
21 and which is utilized in the production of basic weapons, ammunition and
22 other munitions for the use of the AFP and the PNP, and for the sale and
23 export of products in excess of AFP and PNP requirements.

1 h. Department of the Interior and Local Government, (DILG) as represented by
2 the Philippine National Police, which issues permits and licenses for the
3 purchase and manufacture/dealing in of firearms, explosives, ammunition,
4 munitions and other incendiary devices; and.

5 i. Department of Foreign Affairs (DFA) as represented by the Office of the
6 United Nations and Other International Organizations, which is the
7 government's prime agency responsible for the pursuit of the State's foreign
8 policy and who is committed to secure a world free from serious
9 environmental degradation, transnational crime and proliferation of nuclear
10 weapons.

11 For purposes of this Act, the Office of the Special Envoy on Transnational
12 Crime shall serve as the regulatory agency in the trade of strategic goods and services.

13 To ensure a smooth transition to the Council, the incumbent Special Envoy
14 of the Office of the Special Envoy on Transnational Crime (OSETC) shall be designated
15 as the Chairman of the Council for a fixed term of four (4) years. Thereafter, the
16 succeeding Chairman shall be elected by members of the Council from among
17 themselves and shall have a fixed term of four (4) years unless removed for cause.

18 The Vice-Chairman shall, likewise, be elected by the members of the Council
19 from among themselves.

20 SEC. 7. *Powers and Functions of the Council* – Aside from the existing
21 regulatory and licensing functions performed by the members of the Council in their
22 respective departments/bureaus/agencies, they shall have the following powers and
23 functions:

24 a. Formulate strategies and policies for the effective implementation of this Act;

- 1 b. Coordinate, implement, monitor and evaluate policies and measures,
2 programs, plans and activities that will establish the country's Strategic Goods
3 Control System;
- 4 c. Call on the Philippine National Police (PNP) and other law enforcement
5 agencies of the government for assistance in the form of personnel, facilities
6 and other resources as the need arises in the discharge of its functions;
- 7 d. Call on the appropriate enforcement agency to conduct investigation, initiate
8 court action, or in any manner proceed against any person, corporation, or
9 firms who willfully violates, attempts to violate or conspires to violate any
10 provisions of this Act;
- 11 e. Create specific working groups by enlisting the assistance and support of
12 government agencies, bureaus, boards, instrumentalities of government-
13 owned or controlled corporations; the academe; as well as, private institutions,
14 corporations, firms, associations or persons to carry out its functions,
15 including the use of its personnel, facilities and resources for research,
16 developmental and promotional activities necessary in support of the
17 provisions of this Act;
- 18 f. Formulate policies and recommendations, regulate programs and advise
19 government agencies and private organizations engaged or involved in
20 activities allied to or affecting the country's importation, exportation and re-
21 exporting, transiting and transshipping such as forwarding, brokering,
22 shipping, insurance, warehousing, financing; and recommend measures that
23 will enhance effective monitoring of strategic or dual-use goods, items and
24 services;

- 1 g. Develop common end-users' certification standards in strategic or dual-use
- 2 goods and items control for purposes of transparency and accountability;
- 3 h. Maintain, update and publish the National Control List, in coordination with
- 4 appropriate regulatory agencies;
- 5 i. Strengthen capability-building through technical assistance and training on
- 6 various measures to detect, monitor, investigate and seize inadvertent or illicit
- 7 import, export, re-export, transit, transshipment of strategic goods and items;
- 8 j. Identify stakeholders both from the public and private sector, particularly
- 9 business and other civil entities, and define their roles and responsibilities in
- 10 the Strategic and Dual-Use Goods Control System;
- 11 k. Strengthen and enhance bilateral and multilateral cooperation and recommend
- 12 amendments, as appropriate, to existing agreements where the State
- 13 signatories are the point of origin, destinations or transit of strategic goods and
- 14 items;
- 15 l. Formulate and implement policy recommendations to maintain the
- 16 confidentiality of the disclosure of information, unless and until it meets the
- 17 national security or foreign policy interests of the country; and
- 18 m. Perform such other powers and functions necessary to effectively carry out the
- 19 provisions of the Act.

20 SEC. 8. *Meetings and Quorum.* – The Council shall meet at least once every

21 quarter, but may be convened by its Chairman to such special meetings as may be

22 necessary. The members of the Council shall be duly notified of any meeting in advance.

23 The first meeting of the Council shall take place within one (1) month from the

24 effectivity of this Act, at a time and place to be designated by the Chairman.

1 All meeting shall only be convened with a quorum of simple majority of the
2 regular Council members. All meeting without the said quorum shall be deemed null and
3 void.

4 SEC. 9. *Secretariat.* – The Council shall have the Office of the Special Envoy on
5 Transnational Crime (OSETC) of the Office of the President of the Philippines as the
6 principal secretariat to provide administrative support and technical assistance to the
7 Council. It shall be assisted by personnel from the member-agencies to effectively carry
8 out the functions of the Council. The Secretariat shall be headed by an Executive
9 Director who shall be appointed by the President, upon the recommendation of the
10 Council, and serve as its Chief Operating Officer.

11 The OSETC, as an oversight body on transnational crime, shall coordinate the
12 overall policies and programs of the Council, and shall oversee its operations and
13 administration.

14 TITLE III – RESPONSIBILITIES AND RESTRICTIONS OF PARTIES IN
15 STRATEGIC TRADE TRANSACTIONS

16 SECTION 10. *Responsibilities of Traders.* – Any person who intends to export,
17 import, transit, transship or re-export a strategic goods and services, herein defined,
18 shall be required to obtain a license from the appropriate regulatory agency as provided in
19 Section 14 of this Act. No person shall be allowed to place any strategic goods and
20 items on any vessel located within the territorial and exclusive economic jurisdiction of
21 the Philippines without the consent of the owner or operator.

22 SEC. 11. *Responsibilities of Owners and Operators of Vessels.* – Owners and
23 operators of a vessel shall be prohibited from releasing any strategic goods and items
24 within the territory of the Philippines unless the person to whom an import license has

1 been issued presents a license to such owner or operator. The owner or operator of a
2 vessel shall submit to the Bureau of Customs and other duly designated offices, a duly
3 certified copy of the license and a copy of the extract of the manifest of the vessel in or
4 on which the strategic goods and items arrived.

5 All strategic goods and items which are imported, exported, transited,
6 transshipped or re-exported shall be recorded in a manifest which shall contain such
7 particulars as the Implementing Rules and Regulations (IRR) as this Act may prescribed.

8 The owner or operator of a vessel, on entering or leaving the territory of the
9 Philippines shall :

- 10 a. Furnish the Bureau of Customs a manifest identifying any strategic goods
11 and items being imported or exported in the vessel;
- 12 b. Allow any duly authorized member of the Bureau of Customs to board a
13 vessel, inspect the cargo for strategic goods and items and search the vessel
14 for strategic goods and items; and
- 15 c. Furnish a written list of every port or place at which such vessel has called
16 during the period of three (3) months immediately preceding arrival in
17 Philippine territory.

18 SEC. 12. *Responsibilities of Persons Engaged in Brokering Activities.* – No
19 person subject to this Act may engaged in brokering activities without a license,
20 including brokering activities involving strategic goods and items as herein defined,
21 even if the same is not transited or transshipped through, or exported from the territory of
22 the Philippines.

23 SEC. 13. *Responsibilities of Parties.* – It shall be the responsibility of any person subject
24 to this Act to verify whether an item falls under the National Control List and subject to

1 regulations. Where any unit or individual knows or should know that the goods and items,
2 technologies and equipment to be exported or imported will be used by the receiving party for the
3 purpose of putting together a WMD or WMD program, it shall not export or import such goods
4 and items, technologies and equipment whether included in the National Control List or not,
5 unless appropriate licenses are obtained.

6 SEC. 14. *Registration and Issuance of Permits and Licenses.* – Anyone who intends to
7 engage in the trade of strategic goods and items shall register directly with the appropriate
8 regulatory agencies. Dual-use goods and items that are not normally covered under any regulatory
9 agency shall be elevated to the Council, upon recommendation of its members for determination of
10 the appropriate regulatory agency. The trader shall then file for a license application to be
11 accomplished in such a prescribed manner and form and accompanied by such fees as may be
12 prescribed under the implementing rules and regulations of this Act.

13 The regulatory agency, likewise, shall grant permit or license to an applicant within a
14 reasonable period of time so as not to impede regular flow of trade, subject to conditions it may
15 deem fit and may renew a license with or without conditions.

16 The Council may, upon recommendation of the involved regulatory agency of the
17 government, temporarily decide to exercise export control on specific dual-use goods and items
18 and related equipment and technologies other than those listed in the National Control List, if
19 deemed necessary, under the following circumstances:

- 20 a) Customer comes from countries engaged in proliferation and listed as “troubled
21 countries”;
- 22 b) Customer is reluctant to offer information about end-use of the good or item;
- 23 c) Customer is willing to pay cash for expensive items;

- d) If there is reason to believe that the information or documentation provided by the customer related to the transaction is false;
- e) Shipping route is abnormal for destination;
- f) Product capabilities do not fit the buyer's line of business; and
- g) Technical level of company is inconsistent with the commodity being traded.

SEC. 15. *Breach of Conditions of Registration, License or Permit.* – Any person who holds a permit or is registered to engage in trade of strategic goods and items and who contravenes a condition of the permit or license or registration prescribed under the IRR of this Act shall be held liable and shall suffer the penalty as prescribed in Section 25 of this Act.

Anyone who undertakes trade of strategic goods and items, technologies, equipment and services without being licensed, or trade beyond the scope of the license granted without authorization shall be investigated for criminal liability in accordance with the relevant provisions of existing laws on the crime of smuggling, illegal business operations, or such other crimes. If such crimes are not serious enough for criminal punishment by distinguishing different circumstances, they shall be punished in accordance with applicable provisions of the Customs Law, or be given a warning, or have their goods confiscated, and be fined according to relevant provisions of the Philippine Trade Laws. The appropriate regulatory agency may concurrently revoke the license for their foreign trade operations.

Where the receiving party contravenes the guarantees made according to the conditions, permit or license granted, or there is a risk of proliferation of dual-use restricted goods, items, technologies and equipment, the Council, thru the appropriate regulatory agency, shall suspend or revoke the license or permit initially granted, and

1 immediately notify the Bureau of Customs of such suspension or revocation of license or
2 permit.

3 SEC. 16. *Other Restrictions.* – A license holder who intends to change the
4 original declaration of end-use of the strategic goods and items, technologies and
5 equipment as previously declared shall surrender the original license and must file an
6 application for a new license subject to the provisions of this Act.

7 Any person who forge, buy or sell license for the conduct of trade transactions on
8 strategic goods and items, technologies and equipment shall be held liable for criminal
9 liability in accordance with existing laws on the crime of illegal business operations, of
10 the crime of forging, altering, buying or selling of official documents, certificates or seal
11 of State functionaries. If such act is not serious enough for criminal punishment, they
12 shall be punished in accordance with relevant provisions of the Customs Law, and the
13 appropriate regulatory agency may concurrently revoke the license for foreign trade
14 operations.

15 When the license for the trade of strategic goods and items, technologies and
16 equipment is obtained by fraud or other illegal means, the appropriate regulatory agency
17 shall impose the following penalties:

18 a. For the first offense –

19 Confiscation of subject illegal goods and imposition of a fine.

20 b. For the second offense –

21 Suspension or revocation of the license for their foreign trade operations for a
22 period of not less than six (6) months but not more than one (1) year.

23 c. For the third offense –

24 Revocation or cancellation of license.

1 SEC. 17. *Liability of Bureaus/Agencies.* – Agencies/bureaus in charge of
2 controlling and regulating the trade of strategic goods, items, technologies and
3 equipment who abuse their powers, neglect their duties or extort or accept money or bribe
4 by taking advantage of their positions, shall be investigated for criminal and
5 administrative liability in accordance with existing criminal and administrative laws.

6 SEC. 18. *Documents and Records-Keeping Requirements.* – As provided in
7 Section 14 of this Act, the following documentary requirements shall be complied with
8 when applying for a license or permit:

- 9 a. Identification of the applicant's legal representative, manager and the person
10 handling the deal;
- 11 b. Duplicates of contract agreement and other certification documents;
- 12 c. Technical specification of the strategic goods, items, technologies and
13 equipment;
- 14 d. Certificate of end-user and declaration of end-use;
- 15 e. Documents of guarantee from the receiving party that such strategic goods,
16 items, technologies and equipment subject of such transaction will:
 - 17 i. Not to be used for the development, production, acquisition or stockpiling
18 of nuclear/radiological, biological and chemical weapons or missiles capable of
19 delivering such weapons;
 - 20 ii. Not to be used for purposes other than the declared end-use without the
21 consent of authorized Philippine regulatory agencies; and
 - 22 iii. Not to be transferred to any third party other than the declared end-user
23 without the consent of authorized Philippine regulatory agencies.

1 The Bureau of Customs shall be provided with copies of all documentations
2 mentioned.

3 SEC. 19. *Obligations of Applicants.* – Any person subject to the requirements of
4 this Act shall keep a record of the transit, transshipment or re-export of strategic goods,
5 items, technologies and equipment and all other information that may be required by the
6 regulations for a period of five (5) years.

7 Any person who, in connection with an application for permit or license or
8 registration, or being required to give any information or document to an authorized
9 officer a) gives any information that is false or misleading in a material particular; or b)
10 gives any documents which gives a statement or omits any matter which renders the
11 document false or misleading in a material particular shall be liable to the penalty
12 prescribed in Section 25 of this Act.

13 SEC. 20. *Confidentiality of Business Proprietary Information.* – No information
14 obtained as part of the license application may be disclosed to any non-government
15 agency unless such disclosure is in the national security or foreign policy interest of the
16 Philippines or the same may facilitate progress of pending investigations.

17 SEC. 21. *Obstruction of Authorized Enforcement Officer.* – It shall be unlawful
18 for any person who, without lawful excuse, commits the following acts:

- 19 a. Refuse an authorized officer or person acting in his assistance, access to any
20 conveyance or premises which the authorized officer is entitled under this
21 Act;
22 b. Obstructs or hinders an authorized officer in the execution of any powers
23 conferred upon the authorized officer; and

1 c. Refuses to provide reasonable assistance to an authorized officer in the
2 execution of any powers conferred upon him in this Act.

3 SEC. 22. *Special Courts.* – To ensure the effective adjudication of controversies
4 under this Act and other trade competition laws, the Supreme Court shall designate such
5 Regional Trial Courts that will have exclusive jurisdiction over violations of this Act.
6 The trial of the case under this Act shall be decided by the court not later than sixty (60)
7 days from the date of the filing of the information. Decision on said cases shall be
8 rendered within the period of fifteen (15) days from the date submission of the case for
9 resolution.

10 SEC. 23. *Special Prosecutor.* – Within thirty (30) days from the date of the
11 effectivity of this Act, the Department of Justice (DOJ) shall designate a special
12 prosecutor to exclusively handle cases in violation of this Act. The special prosecutor
13 shall coordinate with the Council in the performance of its duties and functions.

14 The Council may appoint a private prosecutor on a case-to-case basis to assist the
15 special prosecutor in the enforcement of this Act.

16 SEC. 24. *Prosecution of Cases.* – The preliminary investigation of cases filed
17 under this Act shall be terminated within a period of thirty (30) days from the date of
18 filing.

19 When the preliminary investigation is conducted by a special prosecutor and a
20 probable cause is established, the corresponding information shall be filed in court within
21 twenty-four (24) hours from the termination of the investigation. If the preliminary
22 investigation is conducted by a judge and a probable cause is found to exist, the
23 corresponding information shall be filed by the special prosecutor within forty-eight (48)
24 hours from the date of receipt of the record.

1 SEC. 25. *Penalties.* –

- 2 a. Any person who shall violate the provisions of Sections 10, 11, 12 and 13
3 of this Act and not be covered by the Probation Law shall, upon conviction,
4 suffer the penalty of imprisonment of not less than six (6) months but not
5 more than six (6) years or a fine of not less than One Hundred Thousand
6 Pesos (₱100,000.00) but not more than Five Hundred Thousand Pesos
7 (₱500,000.00) or both, at the discretion of the Court;
- 8 b. Any person who shall breach the conditions of registration, license or permit
9 as provided in Section 15 of this Act shall, upon conviction, suffer the penalty
10 of imprisonment of not less than two (2) years but not more than six (6) years
11 or a fine of not less than Three Hundred Thousand Pesos (₱300,000.00) but
12 not more than Five Hundred Thousand Pesos (₱500,000.00) or both, at the
13 discretion of the Court;
- 14 c. Any person who shall give false or misleading information in the application
15 for permit, license or registration as provided in Section 19 of this Act shall,
16 upon conviction, suffer the penalty of imprisonment of not less than Four (4)
17 years but not more than six (6) years or a fine of not less than One Hundred
18 Thousand Pesos (₱100,000.00) but not more than Three Hundred Thousand
19 Pesos (₱300,000.00) or both, at the discretion of the Court;
- 20 d. Any person who shall violate the confidentiality of business proprietary
21 information as provided in Section 20 of this Act shall, upon conviction,
22 suffer the penalty of imprisonment of not less than six (6) months but not
23 more than one (1) year or a fine of not less than Fifty Thousand Pesos

(P50,000.00) but not more than One Hundred Thousand Pesos (P100,000.00)

or both, at the discretion of the Court; and

- e. Any person who shall commit any of the acts provided in Section 21 of this Act shall, upon conviction, suffer the penalty of imprisonment of not less than six (6) months but not more than one (1) year or a fine of not less than Ten Thousand Pesos (P10,000.00) but not more than Fifty Thousand Pesos (P50,000.00), or both.

SEC. 26. *Violation by Corporation, Partnership, Association, and Other Entity.*

– Whenever a corporation, partnership, association, firm or other entity, whether domestic or foreign, shall commit any of the acts declared to be unlawful under this Act, the Chairman of the Board of Directors, the President, the General Manager of the corporation, the general partners of a partnership, and the officers and employees directly responsible therefore, shall be imposed the corresponding penalty of imprisonment provided in Section 25 hereof, with such juridical entity being jointly and severally liable with the offender for the fine imposed therein.

SEC. 27. *Violation by Government Officials or Employees.* – In case the offender is a government official or employee, he or she shall, in addition to the penalties prescribed in Section 25 of this Act, be deemed automatically dismissed from office after due process, forfeiture of benefits provided by law and permanently disqualified from holding any elective or appointive position in the government.

SEC. 28. *Alien Violators.* – If the person violating any provision of this Act is a foreigner, he shall, in addition to the other penalties imposed herein, be deported immediately after service of sentence without need of any further proceedings.

1 SEC. 33. *Separability Clause.* – If any provision or part of this Act is declared
2 invalid or unconstitutional, the remaining parts or provisions not affected shall remain in
3 full force and effect.

4 SEC. 34. *Repealing Clause.* – All laws, decrees, ordinances, rules and
5 regulations, executive or administrative orders, and other issuances or parts thereof which
6 are inconsistent with this Act, are hereby repealed, amended or modified accordingly.

7 SEC. 35. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after
8 publication in the Official Gazette or in two (2) national newspapers of general
9 circulation.

10 Approved,