

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City
17th CONGRESS
Third Regular Session
8174
House Bill No. _____



Introduced by **Representative Wes Gatchalian**

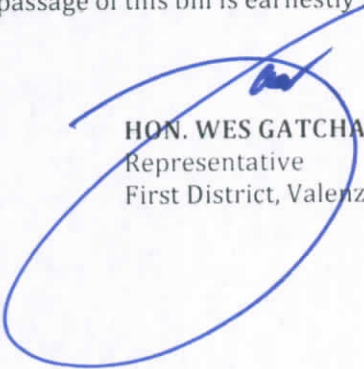
EXPLANATORY NOTE

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

However, nationality requirement in the granting of licenses has created a substantial barrier to entry of new contractors, thereby, hindering the growth of the construction industry. A survey of the Philippine Construction Accreditation Board's data on licenses issued annually show a very low rate of entry for both new domestic players and foreign firms, which is indicative of how competition in the construction industry remained limited throughout the years.¹ Essentially, these government restrictions on foreign participation in the construction industry create distortions that reduce competitive pressure, rewards poor performance, and distort incentives to innovate.

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

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


HON. WES GATCHALIAN
Representative
First District, Valenzuela City

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

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

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

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

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

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

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

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

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

xxx xxx xxx

(F) "LICENSE" REFERS TO AUTHORITY GRANTED BY THE PHILIPPINE CONTRACTORS ACCREDITATION BOARD (THE "BOARD") WITH CONFORMITY WITH THE CONSTRUCTION INDUSTRY AUTHORITY OF THE PHILIPPINES (CIAP) FOR A PERSON TO ENGAGE IN CONSTRUCTION CONTRACTING IN THE PHILIPPINES WITHIN THE SCOPE AND FIELD OF ITS LICENSE CLASSIFICATION FOR THE PERIOD OF ITS

VALIDITY. IT SHALL BE MAINTAINED THROUGH ANNUAL RENEWAL, UNLESS SUSPENDED, CANCELLED OR REVOKED.

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

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

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

- (a) General engineering contracting
- (b) General building contracting; and
- (c) Specialty contracting."

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

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

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

"SEC. 18. FOREIGN RECIPROCITY. - NO FOREIGN CONTRACTOR SHALL BE GRANTED A LICENSE TO PRACTICE CONSTRUCTION CONTRACTING IN THE PHILIPPINES, UNLESS THE COUNTRY OR STATE OF WHICH THE FOREIGN CONTRACTOR IS A SUBJECT OR CITIZEN, SPECIFICALLY PERMITS FILIPINO CONTRACTORS TO PRACTICE WITHIN ITS TERRITORIAL LIMITS ON THE SAME BASIS AS THE SUBJECTS OR CITIZENS OF SAID FOREIGN COUNTRY OR STATE UNDER RECIPROCITY AND UNDER INTERNATIONAL AGREEMENTS; PROVIDED FURTHER, THAT SUCH FOREIGN CONTRACTOR SHALL DULY ESTABLISH ITS BUSINESS IN THE PHILIPPINES, AND SHALL ENSURE TECHNOLOGY TRANSFER AND CAPACITY BUILDING OF LOCAL CONTRACTORS. "

SECTION 6. The succeeding sections of R.A. 4566 are hereby renumbered accordingly.

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

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

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

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

Approved.