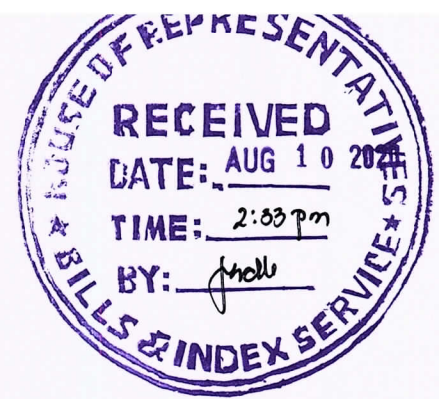


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 7337



Introduced by Representative Wes Gatchalian

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

EXPLANATORY NOTE

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

However, the nationality requirement in the granting of licenses has created a substantial barrier to entry of new contractors, thereby, hindering the growth of the construction industry. A survey of the Philippine Construction Accreditation Board's data on licenses issued annually 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. Essentially, these government restrictions on foreign participation in the construction industry create distortions that reduce competitive pressure, reward poor performance, and distort incentives to innovate.

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

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

HON. WES GATCHALIAN
Representative
1st District, Valenzuela City

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

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

3
4 "SEC. 2. STATEMENT OF POLICY. – THE STATE RECOGNIZES THE
5 VITAL ROLE OF CONTRACTORS IN THE DELIVERY OF RELIABLE,
6 SAFETY-COMPLIANT AND QUALITY CONSTRUCTION, BUILDING AND
7 ENGINEERING THAT ARE FUNDAMENTAL TO NATIONAL
8 DEVELOPMENT.

9
10 GIVEN THE COUNTRY'S DEVELOPMENT OBJECTIVES, THERE IS A
11 NEED TO SUPERVISE AND REGULATE THE PRACTICE OF
12 CONSTRUCTION CONTRACTING FOR PUBLIC SAFETY, AND TO
13 PROMOTE COMPETITION IN THE CONSTRUCTION INDUSTRY FOR
14 ITS DEVELOPMENT AND GROWTH AND THE UPGRADING OF
15 CONSTRUCTION CAPABILITY IN THE COUNTRY."

16
17 **SECTION 2.** Sec. 9 of R.A. 4566 is hereby amended to insert the
18 definition of new terms and to read as follows:

19
20 "Sec. 9. Definition of terms. As used in this Act,
21

1 (A) "Persons" include an individual, firm, partnership,
2 corporation, association or other organization, or any combination
3 thereof, REGARDLESS OF NATIONALITY OR CITIZENSHIP.
4

5 xxx xxx xxx

6
7 (F) "LICENSE" REFERS TO AUTHORITY GRANTED BY THE PHILIPINE
8 CONTRACTORS ACCREDITATION BOARD (THE "BOARD") WITH
9 CONFORMITY WITH THE CONSTRUCTION INDUSTRY AUTHORITY OF
10 THE PHILIPPINES (CIAP) FOR A PERSON TO ENGAGE IN
11 CONSTRUCTION CONTRACTING IN THE PHILIPPINES WITHIN THE
12 SCOPE AND FIELD OF ITS LICENSE CLASSIFICATION FOR THE
13 PERIOD OF ITS VALIDITY. IT SHALL BE MAINTAINED THROUGH
14 ANNUAL RENEWAL, UNLESS SUSPENDED, CANCELLED OR
15 REVOKED.
16

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

23 **SECTION. 3.** Article III of R.A 4566 shall be retitled as Practice of
24 Construction Contracting, and Section 16 thereof is hereby amended to read as
25 follows:
26

27 "SEC. 16. SCOPE OF PRACTICE. – CONSTRUCTION CONTRACTING
28 SERVICE SHALL EMBRACE THE SERVICES IN RELATION TO ANY OR
29 ALL OF THE FOLLOWING PRINCIPAL CLASSIFICATIONS:
30

- 31 (a) General engineering contracting;
32 (b) General building contracting; and
33 (c) Specialty contracting."
34

35 **SECTION. 4.** A new Section 17 is hereby inserted to read as follows:
36

1 "SEC. 17. WHO MAY PRACTICE CONSTRUCTION CONTRACTING. –
2 ONLY PERSONS, REGARDLESS OF NATIONALITY OR CITIZENSHIP,
3 PROPERLY LICENSED AND REGISTERED WITH THE BOARD IN
4 CONFORMITY WITH THE AUTHORITY MAY PRACTICE
5 CONSTRUCTION CONTRACTING IN THE PHILIPPINES."
6

7 **SECTION. 5.** A new Section 18 is hereby inserted to read as follows:
8

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

22 **SECTION. 6.** The succeeding sections of R.A. 4566 are hereby
23 renumbered accordingly.
24

25 **SECTION. 7. *Implementing Rules and Regulations.*** – The Board, in
26 conformity with the Authority, and in consultation with concerned sectors shall issue
27 or revise the implementing rules and regulations within thirty (30) days from the
28 effectivity of this Act.
29

30 **SECTION. 8. *Separability Clause.*** – If any provision or part of this Act
31 is declared invalid or unconstitutional, such declaration shall not affect the validity
32 of the remaining provisions of this Act.
33

34 **SECTION. 9. *Repealing Clause.*** – All laws, rules, and regulations,
35 presidential decrees, letters of instruction and other presidential issuances which

1 are incompatible or inconsistent with the provisions of this Act are hereby repealed,
2 amended, or modified accordingly.

3
4 **SECTION. 10. Effectivity Clause.** – This Act shall take effect fifteen (15)
5 days after its publication in the *Official Gazette* or in a newspaper of general
6 circulation.

7
8 Approved,
9