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
AN ACT
FURTHER AMENDING REPUBLIC ACT NO. 4566
TO PROMOTE COMPETITION AND INVESTMENTS IN THE CONSTRUCTION
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Be it enacted by the Senate and the House of Representatives of the Philippines in
Congress assembled:

SECTION 1. A new Section 2 of Republic Act No. 4566 (R.A. 4566), also
known as the "Contractor's 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. Sec. 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 thereof, REGARDLESS OF NATIONALITY OR CITIZENSHIP.

(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 R.A 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 the implementing rules and regulations within thirty (30) days from the effectivity of this Act.

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

SECTION. 9. Repealing Clause. – All laws, rules, and regulations, presidential decrees, letters of instruction and other presidential issuances which
are incompatible or inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

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

Approved,