

Joint Foreign Chambers of the Philippines



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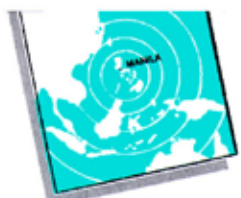
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Philippine Association of Multinational Companies Regional Headquarters, Inc.

May 5, 2011

Mr. Ivan E. Uy
Chairman
Commission on Information
and Communications Technology
CICT-NCC Building
C.P. Garcia Avenue
Diliman, Quezon City

Dear Chairman Uy:

On March 30 the Joint Foreign Chambers hosted the Seven Big Winner Sectors Workshop at the Asian Institute Management Conference Center in Makati to revalidate 283 Seven Big Winner Sectors recommendations in the *Arangkada Philippines 2010* report. Sponsored by the Joint Foreign Chambers, *Arangkada Philippines 2010* presents a path for the Philippines to become a middle-income economy with robust investment levels, high levels of job creation, modern infrastructure, and rising government revenues to pay for enhanced social services.

At the Workshop expert moderators from the private and public sectors led Breakout Sessions with industry and government participants that prioritized near and medium term recommendations for Investment Climate reforms. We would like to share the status of the recommendations identified in the Breakout Session on **Business Process Outsourcing**, in which Commissioner Monchito B. Ibrahim and Director Patricia May P. Abejo generously participated.

Highest Priority Recommendations. The Breakout Session affirmed the following *Arangkada Philippines* reform recommendations to be of the highest priority:

- 1) Strengthen the BPO industry with a robust legal framework, passing the key bills below, and opposing legislation that harms the IT-BPO investment climate:
 - Department of Information and Communication Technology Act;
 - Cybercrime Prevention Act;
 - Data Privacy Act;
 - Holiday Rationalization;¹
 - Labor Code amendments (night work for women); and
 - in the Rationalization of Fiscal Incentives bill, there should be double deduction for training within the industry.

- 2) Adopt the National Competency Test at a regional (if not national) level.

¹ An act to rationalize holidays is needed. Malacañang should release no later than mid-year the schedule for the following calendar year of all national holidays, both working and non-working. The “banking” of holidays rule should be continued.

- 3) Accelerate development of local managers. Introduce Service Science Management Engineering as a program/degree. Schools should develop and train new service industry leaders.
- 4) Internal and external marketing:
 - reposition the IT-BPO career opportunity as world class;
 - develop a highly positive and supportive public environment for the industry, informing the media, public, and Congress of its contribution to the Philippine economy and correcting misperceptions; and
 - promote the Philippine IT-BPO industry with a well-funded and aggressive international campaign.
- 5) LGUs should become more uniformly supportive of IT-BPO firms in their jurisdictions. The national government and the BPO industry should increase liaison communication with leading LGUs to involve them in understanding the benefits of BPOs locating in their communities and encouraging their early involvement in investor recruitment.
- 6) The sector needs both wireless Internet and a higher-speed national broadband network; the telecommunications industry should be “encouraged” to execute the necessary investments.
- 7) Take actions to reduce operating costs:
 - find a way for IT-BPO locators in IT zones to access electric power discounts granted to PEZA locators at horizontal zones;
 - review current PEZA policy requiring density of 70 square feet per seat and consider 50 feet; and
 - do more to reduce IT-BPO firm attrition rates as a cost-saving measure.

Completed Recommendation. The Breakout Session singled out as a completed *Arangkada Philippines* reform recommendation:

- 1) Identify champions in both House and Senate who will sponsor key bills and work for their passage.

Ongoing Recommendations. The Breakout Session identified the following *Arangkada Philippines* reform recommendations as ongoing:

- 1) Continue to locate operations in second and third-tier cities and provinces (i.e. New Wave Cities program).
- 2) Industry and government should identify manpower requirement goals by sub-sector, function, and specialty.
- 3) Materials for the information campaign should show how the Philippines is lagging behind competitors in terms of its IT-BPO sector business legal framework.

Recommendations Not Under Way. The Breakout Session categorized the following *Arangkada Philippines* reform recommendations as not yet under way:

- 1) Adopt an industry-wide technical and leadership management certification.
- 2) Develop a nationwide program to provide used computers to schools and install English software.²
- 3) Develop a repatriation program for qualified Filipino talent overseas.
- 4) Increase the use of English on local television.

Low Priority Recommendations. The Breakout Session categorized the following *Arangkada Philippines* reform recommendations as low priority:

- 1) Build a university specifically for careers in the IT-BPO industry.
- 2) Develop an affordable Internet cafe English training program.

The Workshop affirmed that a strong start has been made on the reforms needed to accelerate investment and job creation. A number of recommended reforms have been implemented and a considerable number are under way. Results of the improved Investment Climate should begin manifesting themselves in 2011, and even more in 2012.

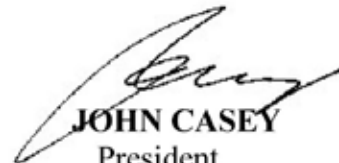
But major challenges remain - including unanticipated ones – and the implementation of other important reform recommendations is not yet under way. Be assured that we remain committed to a partnership with the Aquino Administration to achieve the goal of an accelerating economy for the benefit of the Filipino people.

We look forward to another opportunity to discuss these issues with you in the months ahead.

Best Regards,



AUSTEN CHAMBERLAIN
President
American Chamber of Commerce
of the Philippines, Inc.



JOHN CASEY
President
Australian-New Zealand Chamber
of Commerce of the Philippines, Inc.



JULIAN PAYNE
President
Canadian Chamber of Commerce
of the Philippines, Inc.



HUBERT D'ABOVILLE
President
European Chamber of Commerce
of the Philippines, Inc.

² Some companies are pursuing this as a CSR effort.



N OBUYA ICHIKI

President

Japanese Chamber of Commerce
& Industry of the Philippines, Inc.



EUN GAP CHANG

President

Korean Chamber of Commerce
of the Philippines, Inc.



SHAMEEM QURASHI

President

Philippine Association of Multinational Companies
Regional Headquarters, Inc.

Cc:

Executive Secretary Paquito N. Ochoa, Jr., Office of the President

Secretary Rosalinda D. Baldoz, DOLE

Secretary Gregory L. Domingo, DTI

Secretary Antonio P. Roman, PLLO

Chairperson Patricia B. Licuanan, CHED

Director General Lilia B. de Lima, PEZA

Commissioner Gamaliel A. Cordoba, NTC

Undersecretary Cristino L. Panlilio, BOI

Senator Edgardo J. Angara, Chairman, Committee on Science and Technology

Representative Sigfrido R. Tinga, Chairman, Committee on Information and
Communications Technology

National President Alfonso V. Umali, Jr., League of Provinces of the Philippines

National Chair Enrico R. Echiverri, League of Cities of the Philippines

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Philippine Association of Multinational Companies Regional Headquarters, Inc.

May 9, 2011

Mr. Gregory L. Domingo

Secretary

Department of Trade and Industry

385 Industry and Investment Building

Sen. Gil Puyat Avenue, Makati City

Dear Secretary Domingo:

On March 30 the Joint Foreign Chambers hosted the Seven Big Winner Sectors Workshop at the Asian Institute Management Conference Center in Makati to revalidate 283 Seven Big Winner Sectors recommendations in the *Arangkada Philippines 2010* report. Sponsored by the Joint Foreign Chambers, *Arangkada Philippines 2010* presents a path for the Philippines to become a middle-income economy with robust investment levels, high levels of job creation, modern infrastructure, and rising government revenues to pay for enhanced social services.

At the Workshop expert moderators from the private and public sectors led Breakout Sessions with industry and government participants that prioritized near and medium term recommendations for Investment Climate reforms. We would like to share the status of the recommendations identified in the Breakout Session on **Manufacturing and Logistics**, in which Deputy Director General Tereso O. Panga and MIS and Corporate Planning Group Head Ma. Veronica F. Magsino generously participated.

Highest Priority Recommendations. The Breakout Session affirmed the following *Arangkada Philippines* reform recommendations to be of the highest priority:

- 1) Improve the business climate and level the playing field:
 - reduce the costs of doing business including electricity, transport infrastructure, domestic logistics, corruption, and red tape;
 - increase E2M coverage for customs;
 - professionalize the bureaucracy by limiting political appointees;
 - reduce unwarranted government interference in industry matters such as price controls;
 - link minimum wage policies to productivity enhancements;
 - rationalize holidays;
 - eliminate smuggling by sending smugglers to jail;
 - reduce or remove EVAT on electricity and fuel for domestic manufacturers;
 - pass the Rationalization of Fiscal Incentives bill; and
 - allow duty and VAT-free importation of capital equipment for manufacturing in priority industries.

- 2) Increase priority given to manufacturing and make serious efforts to offer competitive business environment:
 - develop an industrial master plan;
 - support the plan with consistent policies, fiscal incentives, legal,

administrative, and other reforms; and
-- put a strong economic team in the cabinet.

- 3) Promote the port of Batangas for CALABARZON-destined and -originated shipments and Subic for Central Luzon-destined and -originated shipments; penalize international containerized shipments through the the Manila harbor;
 - invite feeder vessel operators to call at Batangas and Subic;
 - request port operators to offer special promotional rates for feeder ships;
 - promote the use of both ports with PEZA and SBMA; and
 - PEZA should organize a meeting of export companies to coordinate actions to increase export cargo volume at Batangas.
- 4) Develop Subic as a true freeport for logistics to distribute goods from the US and Europe to Asia:
 - allow cargoes to freely enter uncontrolled assigned "to-order" of bearer as long as goods will not leave the freeport;
 - move customs out of the Subic freeport to a perimeter defined by SBMA;
 - put in place tight safeguards against smuggling; and
 - promote an Asian Distribution Center of Goods.

Completed Recommendations.The Breakout Session singled out the following two completed *Arangkada Philippines* reform recommendations:

- 1) Put a strong economic team in the Cabinet that works in tandem with designated private sector leaders of the targeted global industries.
- 2) Allow direct consolidation of cargoes to PEZA logistics warehouse instead of using non-PEZA CY/CFS operators.

Ongoing Recommendations.The Breakout Session identified the following six *Arangkada Philippines* reform recommendations as ongoing:

- 1) Increase funding for and promotion of Philippine exports, inward foreign investments, and tourism.
- 2) On the issue of labor contracting and security of tenure, government should continue to engage in tripartite discussions with labor groups and private sector.
- 3) The private sector should make a strong, collective statement to the government that reforms are needed for global manufacturing companies to remain in the country.
- 4) Government should provide CIQ services whenever needed, without penalizing the carriers.
- 5) Reduce high domestic shipping costs:
 - liberalize rules that do not allow foreign companies to operate in Philippine waters and encourage more joint ventures;
 - introduce more reliable new ships with larger TEU; and
 - limit the age of ships that can be imported to operate in the Philippines.

- 6) Allow duty and VAT-free importation of capital equipment for manufacturing in priority industries.

Recommendations Not Under Way. The Breakout Session categorized the following *Arangkada Philippines* reform recommendations as not yet under way:

- 1) Diversify Philippine exports.
- 2) Develop better data for the logistics sector.
- 3) Allow transshipment of cargo in various modes.¹

Low Priority Recommendations. The Breakout Session categorized the following *Arangkada Philippines* reform recommendations as low priority:

- 1) Groups of importing companies should explore chartering ships.
- 2) Take advantage of quick turnaround cycles and local BPO capability.

The Workshop affirmed that a strong start has been made on the reforms needed to accelerate investment and job creation. A number of recommended reforms have been implemented and a considerable number are under way. Results of the improved Investment Climate should begin manifesting themselves in 2011, and even more in 2012.

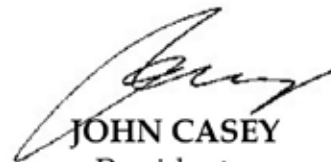
But major challenges remain - including unanticipated ones – and the implementation of some important reform recommendations is not yet under way. Be assured that we remain committed to a partnership with the Aquino Administration to achieve the goal of an accelerating economy for the benefit of the Filipino people.

We look forward to another opportunity to discuss these issues with you in the months ahead.

Best Regards,



AUSTEN CHAMBERLAIN
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of the Philippines, Inc.



JOHN CASEY
President
Australian-New Zealand Chamber
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JULIAN PAYNE



HUBERT D'ABOVILLE

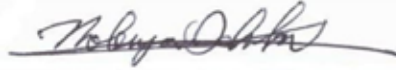
¹ Transshipment will increase freight volume through the Philippines and reduce costs. Currently shippers cannot transship cargo via the Philippines without importing, paying duties and taxes, and then re-exporting. Most Asian countries allow transshipment without passing through customs, thus eliminating duties and taxes and paperwork.



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Canadian Chamber of Commerce
of the Philippines, Inc.



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N OBUYA ICHIKI
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EUN GAP CHANG
President
Korean Chamber of Commerce
of the Philippines, Inc.



SHAMEEM QURASHI
President
Philippine Association of Multinational Companies
Regional Headquarters, Inc.

Cc:

Executive Secretary Paquito N. Ochoa, Jr., Office of the President
Undersecretary Cristino L. Panlilio, BOI
Chairperson Patricia B. Licuanan, CHED
Director General Joel J. Villanueva, TESDA
Secretary Rosalinda D. Baldoz, DOLE
Director General Cayetano W. Paderanga, Jr., NEDA
National President Alfonso V. Umali, Jr., League of Provinces of the Philippines
National Chair Enrico R. Echiverri, League of Cities of the Philippines

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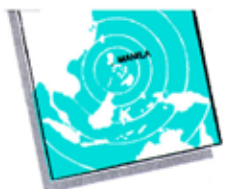
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Philippine Association of Multinational Companies Regional Headquarters, Inc.

May 11, 2011

Mr. Gregory L. Domingo
Secretary
Department of Trade and Industry
4th Floor BOI Building
385 Sen. Gil J. Puyat Avenue
Makati City

Dear Secretary Domingo:

On March 30 the Joint Foreign Chambers hosted the Seven Big Winner Sectors Workshop at the Asian Institute Management Conference Center in Makati to revalidate 283 Seven Big Winner Sectors recommendations in the *Arangkada Philippines 2010* report. Sponsored by the Joint Foreign Chambers, *Arangkada Philippines 2010* presents a path for the Philippines to become a middle-income economy with robust investment levels, high levels of job creation, modern infrastructure, and rising government revenues to pay for enhanced social services.

At the Workshop expert moderators from the private and public sectors led Breakout Sessions with industry and government participants that prioritized near and medium term recommendations for Investment Climate reforms. We would like to share the status of the recommendations identified in the Breakout Session on **Creative Industries**.

High Priority Recommendations. The Breakout Session affirmed the following *Arangkada Philippines* reform recommendations to be of the highest priority:

- 1) The private sector should organize a Creative Industries Initiative (Creative Economies Council of the Philippines or CECP).
- 2) Pass legislation to establish the Creative Industries Development Council. Ideally, the private sector will drive the council.
- 3) Create a Philippine Creative Industries Master Plan:
 - protect Philippine intellectual property (IP). Expand IP protection to include digital works;
 - re-create a Design Center of the Philippines. Expand programs of the Design Center of the Philippines to include incubation centers, a showcase center/museum, etc. and funding such programs;
 - revive the Center for International Trade Expositions and Missions' plans for a Creative Industries Trade Conference to showcase the best Filipino products, services and talents to the world market;
 - expand university and technical course programs for serving creative industries;
 - seek government intervention to keep business costs at a globally competitive level;

- conduct foreign market studies to determine where the local Filipino input in design and/or materials has unique competitive value;
- actively facilitate creative industries by showcasing Philippine talent abroad and releasing budgeted funds for participation in foreign trade shows and sub-sector specific congresses;
- expand the Philippine design talent pool by incentivizing Philippine creative professionals working abroad to practice in the Philippines (similar to the Balik Scientist program);
- expand the small domestic market by encouraging Philippine creative industry practitioners to sell to the Philippine market what they create abroad;
- design a program to bring overseas Filipino creative professionals back home by providing incentives for them to invest and establish their own companies in the Philippines;
- for government to improve access to capital;
- partner with larger foreign companies abroad with distribution networks for Filipino designs, and creative products and services; and
- re-brand the country's creative products and coherently market them abroad as distinctively Filipino.

Completed Recommendations. The Breakout Session singled out as a completed *Arangkada* reform recommendation:

- 1) Organize a Creative Industries Initiative through the CECP.

Ongoing Recommendations. The Breakout Session identified the following as ongoing *Arangkada Philippines* reform recommendations:

- 1) Do more to expand IP protection to include digital works.
- 2) Recreate the Design Center of the Philippines – expanding the scope of the programs under the Design Center to include incubation centers and a showcase center/museum (requires increased funding for programs and increased inputs from private sector such as CECP).
- 3) Improve design curriculum and training facilities – Commission on Higher Education and Technical Education and Skills Development Authority expanding course programs for serving creative industries with the launch of courses on animation and game development. Be open to foreign ideas and travel to understand markets abroad.
- 4) Seek government intervention to keep the cost of doing business at a globally competitive level.
- 5) Conduct foreign market research.
- 6) Creation of Medium Term Development Plan to guide government agencies in the formulation of action plans and incentives to benefit creative industries.

Not Under Way Recommendations. The Breakout Session identified the following *Arangkada Philippines* reform recommendations as not under way:

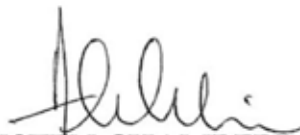
- 1) Showcase Philippine talent and release budgeted funds.¹
- 2) Expand the Philippine design talent pool – no government agency is taking a lead role.
- 3) Encourage foreign professionals to practice and invest in creative industries in the Philippines and incentivize returnees to practice in the Philippines.
- 4) Expand the domestic market for Philippine made creative products and services.
- 5) Government should improve access to capital, particularly access to small and medium enterprises financing.
- 6) Partner with large foreign companies abroad with distribution networks for Filipino designs and creative products (needs government intervention in terms of initial support).
- 7) Branding the country as a source of creative products and services.

The Workshop affirmed that a strong start has been made on the reforms needed to accelerate investment and job creation. A number of recommended reforms have been implemented and a considerable number are under way. Results of the improved Investment Climate should begin manifesting themselves in 2011, and even more in 2012.

But major challenges remain - including unanticipated ones – and the implementation of other important reform recommendations is not yet under way. Be assured that we remain committed to a partnership with the Aquino Administration to achieve the goal of an accelerating economy for the benefit of the Filipino people.

We look forward to the opportunity to discuss these issues with you in the months ahead.

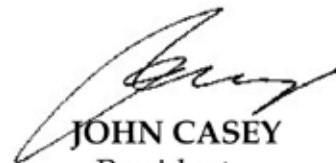
Best Regards,



AUSTEN CHAMBERLAIN

President

American Chamber of Commerce
of the Philippines, Inc.



JOHN CASEY

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Australian-New Zealand Chamber
of Commerce of the Philippines, Inc.

¹ DTI has placed initiatives of this type for creative services on hold.



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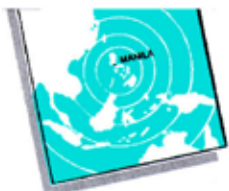
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Philippine Association of Multinational Companies Regional Headquarters, Inc.

May 12, 2011

Mr. Proceso J. Alcala
Secretary
Department of Agriculture
Elliptical Road, Diliman
Quezon City 1100

Dear Secretary Alcala:

On March 30 the Joint Foreign Chambers hosted the Seven Big Winner Sectors Workshop at the Asian Institute Management Conference Center in Makati to revalidate 283 Seven Big Winner Sectors recommendations in the *Arangkada Philippines 2010* report. Sponsored by the Joint Foreign Chambers, *Arangkada Philippines 2010* presents a path for the Philippines to become a middle-income economy with robust investment levels, high levels of job creation, modern infrastructure, and rising government revenues to pay for enhanced social services.

At the Workshop expert moderators from the private and public sectors led Breakout Sessions with industry and government participants that prioritized near and medium term recommendations for Investment Climate reforms. We would like to share the status of the recommendations identified in the Breakout Session on **Agribusiness**, in which Assistant Secretary Salvador Salacup generously participated.

Highest Priority Recommendations. The Breakout Session affirmed the following *Arangkada Philippines* reform recommendations to be of the highest priority:

- 1) Strengthen the cooperative system:
 - credit;
 - capacity building;
 - replicate the Unifrutti-la Frutera and Philsurin models;
 - LIMCOMA;
 - value adding; and
 - study Malaysian model.
- 2) Increase research and development programs and spending:
 - information dissemination;
 - extension of the incentive system; and
 - ramp up agricultural education and training programs. Create a stronger agribusiness development curriculum.
- 3) Enhance agricultural infrastructure:
 - encourage more tube wells powered by pumps and small windmills;
 - transportation;
 - power; and

- the cabotage provisions of Philippine marine law should be reviewed, joint ventures between Filipino and foreign shippers should be duplicated, and the RO-RO system completed and expanded to increase competition and reduce domestic shipping costs.

Ongoing Recommendations. The Breakout Session identified the following *Arangkada Philippines* reform recommendations as ongoing:

- 1) Information on Philippine Agribusiness best practices should be better disseminated.
- 2) Several legislative reforms should be undertaken:
 - CARP should end in five years and limits on landholding lifted;
 - the Farm Land as Collateral law should be passed to allow agrarian reform beneficiaries to sell or mortgage their land;
 - mandated lending policy in the Agri-Agra law should be made optional;
 - re-Nationalization versus reformation of extension mechanisms; and
 - anti-smuggling.
- 3) Explore market opportunities that AFTA and other new FTAs present for both traditional and new agricultural exports.
- 4) Encourage ASEAN to develop common rules for their agricultural markets and reduce behind-the-border barriers.
- 5) Increased efforts must be made to reduce the cost of farm inputs.

Recommendations Not Under Way. The Breakout Session categorized the following as an *Arangkada Philippines* reform recommendation that is not yet under way:

- 1) Crafting of roadmaps and master plans for all critical agricultural and fisheries commodities.
- 2) To reduce costs and increase efficiencies there must be increased integration – backwards and forwards – in priority agriculture subsectors.
- 3) Encourage firms and NGOs to engage in upstream “fair trade” development for upland farming communities.
- 4) Development of new export crops and products must continually be encouraged.
- 5) More zoning of agricultural lands should be done in selecting the most suitable crops, with priority given to export winner crops, such as banana, mango, pineapple, and other fruits and vegetables.
- 6) A detailed study of the agricultural supply chain should be made, followed by actions to reduce redundant and unjustified costs.
- 7) Put in place a more effective network of analytical and testing laboratories in key regions.

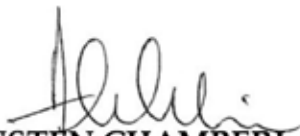
- 8) Farmer groups need support to establish strong cooperatives, especially through development of competent managers and financing.
- 9) Study the Agribusiness Investment Fund concept.

The Workshop affirmed that a good start has been made on the reforms needed to accelerate investment and job creation. A considerable number of recommended reforms are under way. Results of the improved Investment Climate should begin manifesting themselves in 2011, and even more in 2012.

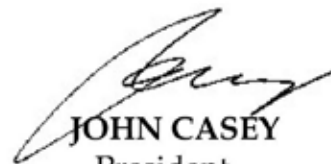
But major challenges remain - including unanticipated ones - and other important reform recommendations are still in initial stages of implementation. Be assured that we remain committed to a partnership with the Aquino Administration to achieve the goal of an accelerating economy for the benefit of the Filipino people.

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Best Regards,



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Regional Headquarters, Inc.

Cc:

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Secretary Gregory L. Domingo, DTI

Secretary Cesar V. Purisima, DOF

Secretary Virgilio R. de los Reyes, DAR

Secretary Ramon J. P. Paje, DENR

Chairperson Patricia B. Licuanan, CHED

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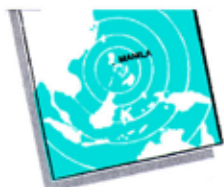
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May 17, 2011

Mr. Ramon J. P. Paje
Secretary
Department of Environment and Natural Resources
Visayas Avenue, Diliman
Quezon City

Dear Secretary Paje:

On March 30 the Joint Foreign Chambers hosted the Seven Big Winner Sectors Workshop at the Asian Institute Management Conference Center in Makati to revalidate 283 Seven Big Winner Sectors recommendations in the *Arangkada Philippines 2010* report. Sponsored by the Joint Foreign Chambers, *Arangkada Philippines 2010* presents a path for the Philippines to become a middle-income economy with robust investment levels, high levels of job creation, modern infrastructure, and rising government revenues to pay for enhanced social services.

At the Workshop expert moderators from the private and public sectors led Breakout Sessions with industry and government participants that prioritized near and medium term recommendations for Investment Climate reforms. We would like to share the status of the recommendations identified in the Breakout Session on **Mining**, in which Assistant Director Dr. Elmer Billedo generously participated, and these are appended to this letter in order of priority.

The Workshop affirmed that a strong start has been made on the reforms needed to accelerate investment and job creation. A number of recommended reforms have been implemented and a considerable number are under way. Further, we applaud and fully support the House Bill on sharing royalty payments directly with Local Government Units and believe that this will provide substantial impetus for stronger co-operative implementation of responsible mining projects.

Be assured that we remain committed to a partnership with the Aquino Administration to achieve the goal of an accelerating economy for the benefit of the Filipino people. But major challenges remain and the implementation of other important reform recommendations is not yet under way.

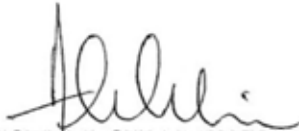
It is of concern to us that there appears to be increasing anti-mining sentiment which needs to be addressed as a matter of urgency. We believe there is a substantial misunderstanding and disconnect about small scale mining in practice and that specified under the Mining Act of 1995. The substantially unregulated practice of substantial small scale mining which does not rehabilitate nor contribute to community development unfortunately establishes the reputation for all miners. Recent unfortunate events only add to the industry's image problem, while political will to promote mining at local government level wanes.

At the same time, Senate Bill 2754 seeks to increase the excise tax from 2% to 7%, which could have the potential to make Philippine mining projects unviable. We have written previously on this issue.

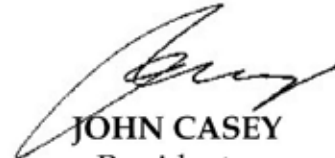
We believe that there is a need to re-establish the Minerals Development Council as it provides a mechanism for all industry participants to communicate and co-ordinate on mining issues. It can also provide a mechanism for civil society to better understand the issues associated with and the benefits provided by the industry.

We look forward to an early opportunity to discuss these issues with you.

Best Regards,



AUSTEN CHAMBERLAIN
President
American Chamber of Commerce
of the Philippines, Inc.



JOHN CASEY
President
Australian-New Zealand Chamber
of Commerce of the Philippines, Inc.



JULIAN PAYNE
President
Canadian Chamber of Commerce
of the Philippines, Inc.



HUBERT D'ABOVILLE
President
European Chamber of Commerce
of the Philippines, Inc.



N OBUYA ICHIKI
President
Japanese Chamber of Commerce
& Industry of the Philippines, Inc.



EUN GAP CHANG
President
Korean Chamber of Commerce
of the Philippines, Inc.



SHAMEEM QURASHI
President
Philippine Association of Multinational Companies
Regional Headquarters, Inc.

Cc:

Executive Secretary Paquito N. Ochoa, Jr., Office of the President

Secretary Gregory L. Domingo, DTI

Secretary Jesse M. Robredo, DILG

Director General Cayetano W. Paderanga, Jr., NEDA

Senator Juan Miguel F. Zubiri, Senate Environment and Natural Resources Committee

Congressman Francisco T. Matugas, House of Representatives Natural Resources
Committee

**APPENDIX: Updated Recommendations: Mining Sector,
*Arangkada Philippines 2010***

Highest Priority, Completed Recommendations. The Breakout Session affirmed the following *Arangkada Philippines* reform recommendations to be of the highest, completed priority:

- 1) Reduce Environmental Compliance Certificate processing time and certificates of non-coverage.
- 2) Government, in partnership with exploration and mining companies, should encourage more students to study subjects needed in the mining community.

Highest Priority, Ongoing Recommendations. The Breakout Session identified the following initiatives as highest priority, ongoing *Arangkada Philippines* reform recommendations.

- 1) Speed up growth of the mining sector by removing redundant approvals and non-performing claims.
 - further streamline the exploration permit approval process. Exploration and similar permits should be granted transparently at the regional level within 6 weeks and renewed in one day at one-stop shops;
 - applicants should be vetted strictly to ensure they have both the required funding and the technical staff to undertake the work; and
 - Mines and Geosciences Bureau (MGB) should strictly monitor compliance by mining companies with the Mining Act and related departmental orders. MGB should cancel permits after two years of non-performance.
- 2) Provide LGUs with additional funds for community projects by implementing the simplified joint circular regarding release of mining taxes to LGUs.
- 3) Continue dialogue with the various local government leagues, the religious sector, and non-government organizations to find common-ground solutions to issues being raised against specific mining and exploration projects.
- 4) The industry should actively monitor developments in the Congress and judiciary, such as the Rules of Procedure on Environmental Cases and the Alternative Mining Bill.
- 5) Continue implementation of the Minerals Action Plan. Continue active private sector participation in the Minerals Development Council.
- 6) Complete the MGB review of regulations (DAO 2000-99) to increase the allocation of direct mining and milling costs for community development from 1% to 1.5%.
- 7) The private sector should help build the capacity of indigenous peoples.
- 8) Increase the budget and technical capacity of the National Commission on Indigenous Peoples (NCIP) and resolve the proper government placement for NCIP.

- 9) Geology and mining engineering students following graduation who enter government service should be assigned to work with a local exploration or mining company.
- 10) Carry out a public information campaign regarding mining and increase dialogue with concerned groups.
- 11) Mining companies in the Philippines should endorse the Extractive Industries Transparency Initiative.

High Priority, Not Under Way Recommendations. The Breakout Session identified the following *Arangkada Philippines* reform recommendations as high priority, not under way:

- 1) The current government should have a clear statement on its policies and programs on mining.
- 2) Develop model best-practice regions.
- 3) MGB should adopt The Philippine Mineral Ore Resources Reserve Reporting Code patterned after Australia's Joint Ore Reserves Committee guidelines.
- 4) Seek to end LGU mining moratoriums.
- 5) The private sector should work closely with the MDC committee on mining security, the DILG undersecretary for peace and order, and the AFP to establish a joint mining security protocol to guide mining companies in dealing with local security threats and to formulate short and long-term preventive measures that can be implemented by companies.

Medium Priority Recommendations. The Breakout Session categorized the following *Arangkada Philippines* reform recommendations as medium priority:

- 1) Establish regional level one-stop shops to process applications.
- 2) Government should work on four programs to move mining industry up the ladder of industrialization:
 - promote downstream processing and manufacturing for copper, nickel, gold, and chromite;
 - develop community-based supplier industries and services;
 - improve government benefits from mining; and
 - better control exports of small scale mining and unprocessed minerals.
- 3) Community building should commence from the first day a company takes interest in an area for mining. (MGB should adopt international best practices in community development before issuing mining permits).
- 4) Mining firms should support labor intensive, community-run enterprises such as fish farms and vegetable gardens for the IPs.

Low Priority Recommendations. The Breakout Session categorized the following *Arangkada Philippines* reform recommendations as low priority:

- 1) Continue processing of mining applications involved in mining cases or subject to protests or oppositions, subject to certain conditions.
- 2) Allow pre-permitting access by firm to potential project lands to conduct initial geological studies, mapping, soil sampling, and limited testing.
- 3) Continue to support revision of the 60-40 equity restriction provision in the Constitution with respect to land ownership and water, forest and mining rights, when an appropriate occasion arises.
- 4) When resettling people living in an area to be included in mining operations, find a site that allows habitation as close as possible to their traditional lands, without endangering the safety requirements of the mining operation.
- 5) Encourage mergers of local mining companies and list more local companies on the Philippine Stock Exchange.

Joint Foreign Chambers of the Philippines



AMERICAN



ANZCHAM

AUSTRALIAN-NEW ZEALAND



CANADIAN



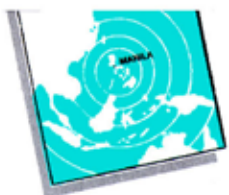
EUROPEAN



JAPANESE



KOREAN



PAMURI

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Japanese Chamber of Commerce & Industry of the Phils., Inc. ♦ Korean Chamber of Commerce of the Phils., Inc.
Philippine Association of Multinational Companies Regional Headquarters, Inc.

May 17, 2011

Mr. Alberto Lim
Secretary
Department of Tourism
T.F. Valencia Circle
T.M. Kalaw Street, Rizal Park
Manila

Dear Secretary Lim:

On March 30 the Joint Foreign Chambers hosted the Seven Big Winner Sectors Workshop at the Asian Institute Management Conference Center in Makati to revalidate 283 Seven Big Winner Sectors recommendations in the *Arangkada Philippines 2010* report. Sponsored by the Joint Foreign Chambers, *Arangkada Philippines 2010* presents a path for the Philippines to become a middle-income economy with robust investment levels, high levels of job creation, modern infrastructure, and rising government revenues to pay for enhanced social services.

At the Workshop expert moderators from the private and public sectors led Breakout Sessions with industry and government participants that prioritized near and medium term recommendations for Investment Climate reforms. We would like to share the status of the recommendations identified in the Breakout Session on **Tourism, Medical Travel, and Retirement**, in which Assistant Secretary Benito Bengzon and Director Rolando Canizal generously participated.

Highest Priority Recommendations. The Breakout Session affirmed the following *Arangkada Philippines* reform recommendations to be of the highest priority:

1) Reform of the Airline Tax Regime and Business Environment:

- Remove the burden imposed by the Common Carriers Tax (CCT)¹ and the Gross Philippine Billings Taxes (GPBT)² that make the Philippines the most expensive tourism destination for airline investments through changes in the BIR rules and regulations and legislation.
- Cease payment of overtime fees, transportation and meal allowances for personnel of Customs, Immigration and Quarantine (CIQ) by airlines and

¹ Foreign air carriers are subject to the 3% CCT and 2.5% (some airlines pay 1.5% based on tax treaties) GPBT, levied as a percentage of flown revenues from ticket, cargo and excess baggage carried ex- Philippines up to the final destination regardless of the country of sale and/or issuance, i.e. the revenue associated with a ticket sold in Europe, returning to Europe would be included in the basis for taxation.

² The foreign air carriers pay these taxes regardless of whether they earn or lose in their Philippine operations. Philippine air carriers are not subject to the same practice (as defined above) in international routes where they operate and compete with foreign air carriers. The GPBT has nothing in common with income tax as internationally practiced since it is a fixed percentage which foreign air carriers have to pay irrespective of the financial results of their Philippine operations.

shippers by declaring 24/7 operations at all international airports and seaports through an Executive Order.³

- 2) Reform the procedures and administrative processes on issuance of visas.⁴
 - Introduce visa upon arrival for certain nationalities similar to Thailand's immigration policy.
 - Allow and expedite the grant of visa extension for countries whose citizens are already granted with the 21-day free visa.
 - Introduce long stay visa in order to attract medical travelers and long stayers/retirees.

Completed Recommendations. The Breakout Session singled out as a completed *Arangkada Philippines* reform recommendation:

- 1) Executive Order 28 and 29 regarding aviation policy.

Ongoing Recommendations. The Breakout Session identified the following *Arangkada Philippines* reform recommendations as ongoing:

- 1) Amendment of the National Internal Revenue Code of 1997, as amended to eliminate the burden from the CCT and GPBT.⁵
- 2) Implementation of 24/7 Operations in International Airports and Seaports.⁶
- 3) Tourism Enterprise Zone (TEZ):
 - The guidelines have been approved by the TIEZA Board but are not yet implemented.
 - The guidelines should protect the property rights of investors, facilitate investment procedures in tourism zones, and shield investors from unnecessary intervention by LGUs.
 - It is recommended that the TIEZA prioritize the one-stop shops in each TEZ.
- 4) *Arangkada Philippines* recommendations should be linked with the National Tourism Development Plan.

³ The airlines operating at the NAIA pay about Php 416 million per year for the CIQ overtime. This practice has led to double and multiple billings.

⁴ This will encourage visitors to explore more of what the Philippines has to offer and ultimately contribute to generating jobs and income with their longer stay and higher expenditures.

⁵ Congressman Mandanas filed HB 4302 that seeks to recognize provisions for tax exemptions in international tax treaties and agreements if they exist. Congressman Trenas filed HB 4444 that seeks to rationalize the airline tax regime through an amendment of the Tax Code.

⁶ Draft EO was submitted by the Export Development Council of the Department of Trade and Industry to the Office of the President last July 2010 for signature by the President and implementation by all agencies with operations at international airports and seaports.

- 5) Development of Medical Tourism and Retirement sub-sectors is actively being pursued by the private sector, in cooperation with government. Among these initiatives are:
- Promotion of long stay tourism as entry point for building market confidence in the Philippines.
 - Promotion of transparency of medical tourism packages through unbundling and standardizing of hospital and doctor fees.
 - Increase in capacity and capability of local hospitals through: partnerships with overseas facilities, investments in systems including documentation processes in order to facilitate accreditation and insurance portability.

Recommendations Not Under Way. The Breakout Session categorized the following *Arangkada Philippines* reform recommendations as not yet under way:

- 1) Restrictions on foreigners should be liberalized in designated tourism and retirement zones to allow foreign ownership of land and retail facilities and the practice of profession.
- 2) Allow more foreign dentists, doctors, medical technologists, nursing, optometrists, physical therapists, and teachers to practice their professions.
- 3) Development of infrastructure for retirement: assisted living and integrated retirement facilities.
- 4) Review the Travel tax.

Separately, we will write a letter to Executive Secretary Ochoa to urge approval of the 24/7 Executive Order submitted by the Export Development Council of the Department of Trade Industry in July 2010. Also we will write to Congressman Jerry Treñas expressing our support for House Bill 4444 or Act Rationalizing the Taxes Imposed on International Air Carriers Operating in the Philippines.

The Workshop affirmed that a strong start has been made on the reforms needed to accelerate investment and job creation. A number of recommended reforms have been implemented and a considerable number are under way. Results of the improved Investment Climate should begin manifesting themselves in 2011, and even more in 2012.

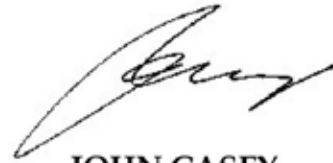
But major challenges remain - including unanticipated ones – and the implementation of other important reform recommendations is not yet under way. Be assured that we remain committed to a partnership with the Aquino Administration to achieve the goal of an accelerating economy for the benefit of the Filipino people.

We look forward to another opportunity to discuss these issues with you in the months ahead.

Best Regards,



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Cc:

Executive Secretary Paquito N. Ochoa, Jr., Office of the President
Secretary Gregory L. Domingo, DTI
Secretary Enrique Ona, DOH
Secretary Cesar V. Purisima, DOF
Secretary Rogelio L. Singson, DPWH
Secretary Mario G. Montejo, DOST
Secretary Albert F. Del Rosario, DFA
Commissioner Angelito A. Alvarez, BOC
Chairperson Teresita R. Manzala, PRC
Director General Cayetano W. Paderanga, Jr., NEDA
Chief Operating Officer Mark T. Lapid, TIEZA
National President Alfonso V. Umali, Jr., League of Provinces of the Philippines
National Chair Enrico R. Echiverri, League of Cities of the Philippines