



PHILIPPINE ECONOMIC ZONE AUTHORITY

PEZA Inputs on Post-COVID -19 stimulus package being discussed for filing at the Committee on Economic Affairs of the House of Representatives Chaired by Congresswoman Sharon S. Garin.

Upon due consultation with our Incident Command System (ICS) in response to COVID-19 and some of the members of the Foreign Chamber of Commerce in the Philippines, we find the following relevant for consideration in the proposed Bill on COVID 19 Economic Stimulus-Response Package in the three (3) focus areas: *MSMEs* (PhP10 billion), *Bigger businesses engaged in Export and Import* (PhP66 billion), and *General Industrial Policy*, to wit:

I. MSMEs

- 1) Access to soft loan such as business loan for MSMEs and personal loan for employees of MSMEs.
- 2) Inclusion of affected ecozone workers of BPOs and export producers in the DOLE social amelioration and DOF wage subsidy programs.
- 3) PITC to provide support in the importation of expanded and basic production raw materials (tax and duty-free) for supply to MSMEs engaged in manufacturing of essential products and processing of basic foods.
- 4) TESDA to increase budget allocation for the immediate conduct of free vocational training for workers in the BPO and export manufacturing, food processing and healthcare sectors.
- 5) Aggressive grant of incentives and other benefits as provided in the laws promoting MSME and cooperative development.
- 6) Similar to Canada's Employee Insurance Work-Sharing Program, government to consider providing benefits to workers of MSMEs who agree to reduce their working hours or share them with other employees to help avoid layoff during decrease demand of products or service of the employee.

II. Bigger Businesses Engaged in Export and Import

- 1) Suspend VAT collection on fuel used for public transport, export manufacturing and power generation, which should result in rollback in transport fares and electricity rates as well as lowering in prices of basic commodities.

Another option is for government to provide a power rate discount for all users of electricity, which can be drawn from the taxes and other government mandated charges as imposed on all customers' power bills.

A similar policy can be adopted for water utilities rate.

- 2) Urgent Passage of a Law on the reduction of Corporate Income Tax rate from 30% to 28%, following the CITIRA principle and in support of the relief measures under the Bayanihan Act.

3) Outright grant of 8-years Income Tax Holiday Period for strategic projects that will be registered within the year subject to the following criteria: export-oriented and min. \$500 million investments or 3,000 jobs; or manufacturing of a (new) finished product with complete supply chain and/or min. 90% local content.

4) Inclusion of locators' expenses incurred outside the zone (e.g., housing, shuttle service and food provision for the workers) in their claim for zero VAT rating and in reporting of these expenses as allowable deductions from their 5% gross income tax payment.

III. General Industrial Policy

1) Identify in every region among the public lands a PUBLIC ECONOMIC ZONE under PEZA. PEZA's Public Ecozones established earlier under EPZA, triggered the economic growth of host LGUs & regions such as those in Cavite, Mactan, Baguio, Pampanga and Bataan. Hence, a timely economic package stimulus that will aid economic activities and job generation in the countryside. The growth of private economic zones which increased the income of both the national government and LGUs triggered the following:

- a) Massive jobs created
- b) Development of the idle lands
- c) Transfer of technology
- d) Achieving social progress
- e) Lowered the poverty and crime incidence thus, attaining total development, peace and prosperity.
- f) The aforesaid successful regions are good bench-markings in replicating their economic models
- g) Creation of more public ecozones in the countryside. *Presidential Proclamations* can be issued in declaring public lands into different types of environmental friendly economic zones, utilizing the millions of hectares of idle lands , maximizing the capability to complete the supply chain and increase the country's production, manufacturing and export capability

2) Encourage PPP, Joint Ventures (JV) and other modes of partnership in building *Transportation and Logistics Hubs* in every region to spread investments in the countryside.

3) Temporary reduction of export threshold for other ecozone export manufacturing companies including IT and Tourism service enterprises (apart from those listed in DTI-DOF JMC 2020-02)--from 70% to 50% for 2020- 2021.

4) IPAs' continuous grant of current fiscal incentives to existing and new ecozone developers and locator investors to ensure status quo in the incentives regime up to end of 2021.

5) Ecozone and Freeport authorities to be allowed to register ecozone domestic market oriented companies with entitlement to 5% GIE incentive including tax and duty-free importation privilege, as provided in their Charters.

6) Inclusion of establishment of Medical Waste Disposal Facility and production of Medical Waste Disposal Equipment among the eligible and priority products/activities for registration with incentives, pursuant to the DTI-DOF JMC No. 2020-02.

Following the objectives and applicable provisions of said JMC, ecozone food processing companies (into basic foods) shall be allowed to sell as much as 80% of their production to the local market with entitlement to full incentives.

7) On logistics concerns (cost issues and bureaucratic hurdles)-- Mandatory implementation of National Single Window for all agencies involved with import/export facilitation; BOC rendering 24/7 service in the ports including weekends; BOC accrediting more off-dock Container Yards and Container Barge Terminals as a port decongestion measure; LTFRB's prompt issuance of franchises and PTOs to truck providers; and DTI's issuance of a policy to regulate port and shipping charges for shippers of FCL shipments.

8) On power concerns (cost and contract administration issues)-- Temporary suspension of bi-lateral off-take agreements to prevent imposition of penalties due to the buyer's decreased demand (as a force majeure condition); and, ERC's temporary suspension of collection of FIT-ALL from ecozone locators (considering the status of ecozones as a separate franchise territory).

9) IPAs to come up with a detailed plan on the following:

a) Post-Covid recovery measures for the industries (e.g., grant of tax deductions and other subsidies, as allowed under the law);

b) Support for Covid-management related projects (e.g., production of PPEs, covid test kits, and other medical products with incentives; tax and duty free importation of mass public transport vehicles and shuttle buses that conform to social distancing; inclusion of disinfection materials/facilities and medical waste disposal equipment/facility as eligible projects for registration, etc.); and

c) Investment attraction strategies to capture the Japanese, American and European companies moving out of China (e.g., proposed PEZA's 888 program for qualified projects: ITH for 8 years, 8 years free rent of PEZA-owned public lands/SFBs, max 8 months for project development in terms of facilitation of project approval, issuance of all permits for building construction and start of commercial operation).

10) OP to lift the AO 18 moratorium to allow for the declaration of more IT Centers in Metro Manila under PEZA, and to facilitate the immediate proclamation of all pending and compliant ecozones with OP.

11) DA, DAR, NCIP and DENR to relax the rules on lease and utilization of public domain, IP areas and forest lands by private investors and agricultural cooperatives that will venture into large-scale agri-plantation/processing including aqua-culture--to augment production of basic foods for supply to the local market.

12) Government to provide free covid testing for all ecozone workers including free covid tracing system network with the IPAs and host LGUs, and to allow free use of idle public buildings that will be used as temporary isolation medical facilities or temporary housing facilities for workers pursuant to the ECQ measures.

13) Retain PEZA Incentives but enhanced, which will include increased ITH for basic, essential, strategic and big ticket industries.

14) Provision of REHABILITATION / RESTORATION Assistance Fund, credit /loan funds and subsidy to Food / Agriculture and Medical Manufacturing industries in the form of power subsidy (low power rate, cheaper land rent fees in public Ecozones)

15) Other relevant government extended assistance programs to PEZA registered businesses post-COVID-19 to enable their faster recovery, specifically:

- a) Tax deductions, and extensions on tax payment deadlines to ease businesses' compliance burdens to corporate regulations;
- b) Loan programs, subsidies and relief for import/export enterprises, training grants and incentives for upskilling programs, and free visa renewals to facilitate access to much-needed capital; and
- c) Moratorium on lease payments for commercial tenants.
- d) Rationalize the strict implementation of DAO 2016-08 which provides additional parameters for monitoring and compliance of wastewater discharge. It is suggested that the DENR undertakes cost-benefit study on the additional or more stringent parameters. This was not done before the new guidelines was passed. If the implementation is not rationalized, companies will have to infuse huge capital investment for PEZA and private developers.

16) If the ECQ will be extended for another months, some companies will surely declare permanent closure. Hence, the need for the following:

- a) Financial assistance to all ecozone workers being retrenched/ Layoffs/terminated due to closure, this is different from CAMP or SAP or referral system for possible employment thru DOLE and TESDA. Instead of requiring our locators to pay the mandated separation pay.
- b) Job Assistance for the retrenched/Layoffs/terminated employees.
- c) In relation to Item No 11, to further encourage new investments and businesses following reports of companies from Europe and Japan relocating from China to East Asia. This may address the aforesaid employment issues.

For your kind information and consideration.