

[REPUBLIC ACT NO. 7103, August 08, 1991]

AN ACT TO STRENGTHEN THE IRON AND STEEL INDUSTRY AND PROMOTE PHILIPPINE INDUSTRIALIZATION AND FOR OTHER PURPOSES

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

SECTION 1. *Title.* - This Act shall be known and cited as the "Iron and Steel Industry Act."

SEC. 2. *Declaration of policy.* - It is hereby declared a policy of the State to promote industrialization through the immediate establishment of an integrated iron and steel industry that makes full and efficient use of the country's human and natural resources taking into consideration its critical impact on employment, indigenous resources utilization, foreign exchange and balance of payments position. The State shall provide impetus to the growth, promotion, and development of the iron and steel industry as the springboard and basis for launching Philippine industrialization.

SEC. 3. *Statement of Objectives.* - It is the purpose of this Act to:

- a. provide a framework for a rational integrated iron and steel program consistent with the requirements of the government environmental protection program;
- b. establish policy direction governing the rationalization of government corporations in the iron and steel industry taking into consideration the requirements of the iron and steel industry; the possible effects to the private users of iron and steel products manufactured by government corporations; and, the strategic nature and vital role of these corporations in the industry;
- c. provide measures to strengthen its demand and supply structures primarily through the establishment of an integrated iron and steel plant which is technologically and economically efficient, internationally competitive and contributing to industrialization and accelerated development of the country;
- d. provide stiffer penalties for smuggling of iron and steel products; and
- e. provide a set of quality and industry standards for iron and steel products.

SEC. 4. *Definition of Terms.* - Unless otherwise provided for in this Act:

- a. "Iron and steel industry" refers to the preparation, smelting, crushing, soaking, blooming, slabbing, melting, firing, rolling, casting, shaping, plating, galvanizing and all other processes involved in transforming raw materials (i.e. iron ore, coke, limestones, fluorspar, dolomite and silica) into semi-finished products (i.e. ingots, slabs, blooms and billets) and/or semi-finished products into finished products (products in their final physical state like hot-rolled coils and strips, plates and sheets).

- b. "Backward integration" refers to the process by which the development or increased production of a product or products in a certain stage in the industry results into the development or increased production of products in preceding stages.
- c. "Forward integration" refers to the process by which the development or increased production of a product or products in a certain stage in the industry results into the development or increased production of products in succeeding stages.
- d. "Upstream industries" refer to industries which produce and/or process raw materials for the manufacture of semi-finished products.
- e. "Downstream industries" refer to industries which process semi-finished products for the manufacture of finished products, or industries that use the finished products.
- f. "Less Developed Areas" refer to those geographic areas included in the list prepared by the Board of Investments after consultation with the National Economic and Development Authority and other appropriate government agencies, taking into consideration the following criteria: low per capita domestic product; low level of investments; high rate of unemployment and/or underemployment; and level of infrastructure development including its accessibility to developed urban centers.

SEC. 5. *Certified Enterprises.* - The Board of Investments (hereinafter referred to as the "BOI") in consultation with other government agencies shall certify as eligible for incentives under this Act enterprises that meet the following conditions:

- a. Nationality - The enterprise shall be undertaken by a citizen of the Philippines or a corporation, partnership, or other association organized under the laws of the Philippines at least thirty five percent (35%) of the capital of which is owned and controlled by citizens of the Philippines. As a matter of principle, and whenever possible, Filipino investors will be given preference in investing up to one hundred percent (100%) in the equity capital of an enterprise.
- b. Manufacturing Activity - The enterprise shall engage in:
 - 1. Production of primary steel products in the form of refined iron ore, ingots, slabs, blooms, and billets; or intermediate steel products such as plates, hot-rolled or cold-rolled coils, or sheets, or their equivalents; or
 - 2. Manufacture or processing of products or provision of infrastructure such as roads, auxiliary facilities such as ports and harbors; and, industrial services, primarily for the direct use of enterprises engaged in the activities referred to in 1) above; or
 - 3. Refinement or treatment of by-products or waste-products predominantly of the enterprises in 1) above;
- c. Technical and Economic Capability - The enterprise shall be capable of operating and establishing on a technologically up-to-date, economically efficient and internationally competitive basis and of contributing to national development, taking into account the markets proposed to be addressed by the enterprise;
- d. Separate Accounts - If the enterprise is engaged or proposes to engage in undertakings other than the manufacturing activity described in subsection b)

above, it has installed or undertakes to install an accounting system adequate to record and identify the investments, revenues, costs, and profits and losses of such manufacturing activity separate from the other projects undertaken by such enterprise; and

- e. Environmental Protection - The enterprise shall comply with laws and regulations on environmental protection so as not to adversely affect the residents and ecological balance of the location (s) of the manufacturing activity.

SEC. 6. *Incentives.* - All enterprises certified by the BOI in accordance with the foregoing section of this Act shall be entitled to the following incentives:

- a. *Power, Infrastructure and Auxiliary Facilities* - Each enterprise so certified shall be entitled to generate its own electricity, either directly or through co-generation, build-operate-and-transfer, and other contracts. Said enterprise may also provide infrastructures under BOT arrangement. Such infrastructures shall be allowed for negotiated contract;
- b. *Financing* - subject to guidelines set by the donors and Government of the Philippines, the National Economic and Development Authority shall include in its list for Official Development Assistance (ODA) financing, projects undertaken by certified enterprises, whether for capital and technical assistance, training, procurement of machinery, equipment, commodities, and services, and for rehabilitation and expansion of existing facilities.

For purposes of this Act and to facilitate financing from Official Development Assistance, the establishment and operation of the iron and steel plant composed of iron-making, steel-making and continuous casting shall be classified as infrastructure activity.

In financing manufacturing activity as herein defined, private sector participation shall be encouraged, certified enterprises shall tap other means of financing such as the build-operate-transfer scheme, and privatization in the case of government corporations.

- c. *Tax and Duty Exemption on Imported Equipment* - All importations by certified enterprises of equipment, machinery and accompanying spare parts shall be exempt from all customs duties payable upon the importation thereof, subject to the following conditions:
 - 1. Equipment and machinery of comparable quality are not manufactured domestically and available for delivery on a timely basis at equivalent cost;
 - 2. Equipment and machinery to be imported will be used by the certified enterprises exclusively in the manufacturing, rolling or processing of primary iron and steel products, or for the power-generation requirements of its facility: *Provided*, That the equipment and machinery imported for the construction of blast furnaces must be those that will cause less pollution; and
 - 3. The approval of the BOI is obtained for the importation of the desired equipment machinery, and spare parts: *Provided*, That if the certified enterprise shall within five (5) years from the date of acquisition, sell,