

[**DTI DEPARTMENT ADMINISTRATIVE ORDER NO. 07, S. 2005, December 27, 2005**]

DEVOLUTION OF IMPORT-RELATED FUNCTIONS OF THE GARMENTS AND TEXTILE EXPORT BOARD TO A ONE-STOP-SHOP FOR GARMENTS LODGED UNDER THE BUREAU OF EXPORT TRADE PROMOTION

Whereas, Executive Order No. 285 dated 23 February 2004 directs the Secretary of the Department of Trade and Industry to rationalize and streamline the operations of the GTEB and implement a winding up plan by 2005, and deactivates the Garments and Textile Export Board (GTEB) by 2005.

Whereas, in view of the deactivation of the GTEB by 2005, there is a need to devolve the functions of licensing raw material importations, Bonded Manufacturing Warehouses (BMW) and Common Bonded Manufacturing Warehouses (CBMW), accreditation of garment exporters as members of CBMW and accreditation/registration of subcontractors to other appropriate agency of the Department.

Whereas, the integration of the garments and textile sector into the mainstream machinery of government for import facilitation will need familiarization of stakeholders, and the DTI shall, for the meantime, maintain the import-related licensing functions of GTEB until subsequently integrated.

NOW, THEREFORE, in the context of the following premises and in order to ensure effective implementation and smooth transition or devolution of functions, the following are hereby prescribed:

SECTION 1. The import-related functions of GTEB is hereby devolved to a One- Stop-Shop for Garments lodged under the Bureau of Export Trade Promotion.

SECTION 2. There is hereby created a Garments and Textile Import Services (GTIS) Division under the One-Stop-Shop for Garments lodged with the BETP who shall perform and exercise the functions and authority relative to the issuance of license to import raw materials, license to operate a Bonded Manufacturing Warehouse (BMW)/ Common Bonded Manufacturing Warehouse (CBMW), accreditation of garment exporters as member of CBMW and accreditation/registration of subcontractors.

SECTION 3. GTIS Special Committee - There is hereby created a GTIS Special Committee to be composed of the Department Secretary as Chair, and the Supervising Senior Undersecretary for International Trade and the Supervising Undersecretary for Industry and Investments, as members. The GTIS Special Committee shall act as the policy-making body of the Department on all import related matters relative to exports of garments and textile.

SECTION 4. GTIS Inter-Agency Executive Committee. In addition, there is hereby created a GTIS Inter-Agency Executive Committee to be composed of three (3) Department Directors: the Executive Director of the Board of Investments Industry Development Group as Chair, the Assistant Director of the Bureau of Export Trade Promotion - Product Group and the Deputy Executive Director of the Export Development Council, as members. The GTIS Inter-Agency Executive Committee shall oversee the operations of the GTIS division and ensure that all actions of the GTIS division are in conformity with the rules and regulations on import-related services.

SECTION 5. Supervision - The GTIS Inter-Agency Executive Committee shall exercise operational supervision over the GTIS Division. Its responsibility and authority shall emanate from the GTIS Special Committee. On the other hand, the Bureau of Export Trade Promotion shall be limited to administrative supervision.

SECTION 6. Rules and Regulations on Garments and Textile Import Services (R and R on GTIS). The operations of the GTIS Division shall be governed by the R and R on GTIS. All actions and decisions of the GTIS Inter-Agency Executive Committee shall strictly adhere to the R and R on GTIS. The GTIS Special Committee shall have the authority to review and revise said R and R.

SECTION 7. Transition - A Transition Team from the GTEB shall assist and train the GTIS Division personnel during the first quarter of 2006 as part of the carry-over function of GTEB.

SECTION 8. Effectivity and Repealing Clause - This Order shall be published in two (2) newspapers of general circulation in the Philippines and shall take effect immediately after its publication. All other Orders, Circulars, Memoranda, and issuances inconsistent herewith are hereby revoked, cancelled or modified accordingly, otherwise they shall have supplementary effect.

Adopted: 27 Dec. 2005

(SGD.) PETER B. FAVILA
Secretary

Garments and Textile Import Services
Rules and Regulations

Pursuant to Sections 1 and 2 of Executive Order No. 285, in conjunction with the pertinent provisions of Executive Order No. 292 (Administrative Code) and Executive Order No. 133, and for efficient administration and proper execution of the laws, the following are the Garments and Textile Import Services (GTIS) Rules and Regulations:

Rule 1
Title, Construction and Definition

SECTION 1. Title - These shall be known as the Garments and Textile Import Services Rules and Regulations, implementing the provisions of Department Administrative Order No. 07, devolving the import-related functions of Garments and Textiles Export Board (GTEB) to a One-Stop Shop for Garments Lodged Under the Bureau of Export Trade Promotion.

SECTION 2. Construction - These rules shall be liberally construed in order to promote its objectives, facilitate export, and assist exporters in the manufacture and export of garments from the Philippines.

SECTION 3. Definition of Terms - For purposes of these Rules, the following shall be defined:

a. Garments and Textile Import Services (GTIS) Division hereinafter known as the GTISD - a division created under the One-Stop-Shop for Garments of the Bureau of Export Trade Promotion who shall perform and exercise the functions and authority of the GTEB relative to the issuance of license to import raw materials, license to operate Bonded Manufacturing Warehouse (BMW)/Common Bonded Manufacturing Warehouse (CBMW), accreditation of garment exporters as member of CBMW and accreditation/ registration of subcontractors.

b. GTIS Special Committee hereinafter known as GTIS-SC - A special committee created under Department Administrative Order No. 07 composed of the Department Secretary, as Chair and the Supervising Undersecretary for International Trade and the Supervising Undersecretary for Industry and Investments Group, as members. The GTIS- SC shall act as the policy-making body of the Department on all import-related matters.

c. GTIS Inter-Agency Executive Committee hereinafter known as the GTIS IA Ex- com- A committee composed of the Executive Director of the Infrastructure and other Industrial Goods Department, as Chairman, Assistant Director of the Bureau of Export Trade Promotion-Product Group and Deputy Executive Director of the Export Trade Promotion-Product Group and Deputy Executive Director of the Export Development Council, as members. The GTIS IA Excom shall oversee the operation of the GTISD and ensure that all actions of the GTISD are in conformity with the rules and regulations on import-related services.

d. Accreditation - Procedure set by the GTIS-SC whereby an exporter becomes a member of a CBMW or a subcontractor becomes eligible to undertake a subcontracting job for a garment manufacturer.

e. Bonded Manufacturing Warehouse - Includes the premises, rooms, compartments and other areas necessary for storing, processing and manufacturing of imported raw materials, accessories, supplies, under bond and by products or wastages incident thereto.

f. Bonded Manufacturing Warehouse (BMW) License - Authority granted to a person, firm or corporation to operate a Bonded Manufacturing Warehouse.

g. Common Bonded Manufacturing Warehouse (CBMW) License - Authority granted to a BMW operator person, firm or corporation to service the importation requirements of garment exporters which are not BMW operators.

h. Consignment Basis - Method of importation and/or local procurement whereby a foreign principal buyer consigns raw materials, accessories and supplies, free of charge, to local garment manufacturer-exporter who shall assume responsibility for its manufacture into finished garments to be exported to specified buyers abroad.

i. Days - Calendar days.

j. Direct Purchase - Method of importation and/or local procurement whereby a manufacturer-exporter pays for the new raw materials, accessories, and supplies. The title to the imported and/or locally procured materials is vested in the manufacturer-exporter.

k. Export Performance - Actual exports made in a year/period supported by proofs of shipment such as bill of lading or airway bills.

l. Import License - Authority issued to manufacturer-exporter to import tax and duty free regulated raw materials, accessories and supplies for the manufacture and export of textile and/or textile products, without need of further endorsement from other government agencies.

m. Import License Value - Value of raw materials that may be imported by a manufacturer-exporter against a particular import license under the bulk importation scheme.

n. Job-Order - The method of importation where raw materials, accessories, and supplies may be imported based on specific export order(s).

o. Liberalized System of Importation (Bulk Importation) - Method of importation where raw materials, accessories, and supplies may be imported in bulk to enable the manufacture-exporter to stock desired materials that may be used in the manufacture and export of textiles and/or textiles products.

p. Local Value Added (LVA) - F.O.B value less cost of imported raw materials, accessories, and supplies.

q. Garment Manufacturer-Exporter - Person, firm or corporation duly registered with the GTIS-SC which manufactures textiles and/or textile products for export.

r. Operator - Manufacturer-exporter who operates a Bonded Manufacturing Warehouse or Common Bonded Manufacturing Warehouse.

s. R.A. 3137 (Bulk Importation) Act authorizing a manufacturer-exporter licensed by the Embroidery and Apparel Board to receive consigned raw materials from foreign principal with the condition that the same shall be manufactured into finished textiles and/or textile products and exported to the buyer designated by the principal abroad.

t. Raw materials, Accessories, and Supplies - Textiles and related materials, such as, but not limited to, fabrics (in pre-cut or continuous forms), yarns, leather materials, trimmings, accessories and supplies necessary for the manufacture and export of garments. These do not include remnants.

u. Subcontractor - Person, firm or corporation who performs any production process for a manufacturer or exporter.

SECTION 4. Coverage - These rules and regulations shall govern:

a. Issuance of license to garment exporters to import tax and duty free raw materials under a bonded warehousing system.

b. Issuance of license to garment exporters to operate a Bonded Manufacturing Warehouse (BMW).

- c. Issuance of license to garment exporters to operate a Common Bonded Manufacturing Warehouse (CBMW).
- d. Accreditation of garment exporters applying as members of a CBMW for tax and duty free importation of materials.
- e. Accreditation and registration of subcontractor for purposes of moving bonded raw materials from BMWs/CBMWs for a specific manufacturing process.

Rule II
Bonded Manufacturing Warehouse (BMW)

SECTION 1. Requirements - The following are the requirements for application for operation of a bonded manufacturing warehouse (BMW):

- a. Track record of annual FOB US\$1.0 M Export Sales (actual or projected).
- b. Capacity to produce annual export sales of US\$1.0 M either in-house or through subcontractors
- c. Confirmation of orders by principals/buyers.
- d. Submission of plan (blueprint) of the proposed BMW showing and describing the size, layout and location of the proposed premises.
- e. Must have no previous record of violation of the Tariff and Customs Code nor any pending case for violation of the GTIS-SC, or of its precursor agency, and Bureau of Customs (BOC) Rules and Regulations.

SECTION 2. Conditions - The following are the conditions for the operations of a BMW:

- a. All garment and apparel articles manufactured in whole or in part out of bonded raw materials and intended for exportation may be manufactured in whole or in part in a bonded manufacturing warehouse; provided that the manufacturer-exporter of such articles has secured a permit from the GTIS-SC to operate such warehouse and has posted a bond from a reputable bonding company acceptable to the Bureau of Customs guaranteeing faithful compliance with all laws, rules and regulations applicable thereto.
- b. Extension and expansion of a BMW shall be licensed only if the established capacity of the present facility has been utilized.
- c. A BMW license shall be valid for a period of two (2) years and shall be renewable every two(2) years.
- d. A BMW shall pay the following fees:
 - 1. Filing fee of P500.00
 - 2. P5,000.00 fee upon issuance of the BMW license or any extension of such warehouse.

SECTION 3. Renewal - A BMW license may be renewed upon compliance with the requirements and conditions provided under the Sections 1 and 2 of this rules and regulations and upon payment of the following fees:

- 1. Renewal fee of P5,000.00 to be paid upon approval of its application for renewal of BMW license.
- 2. Extension/Renewal fee of P5,000.00 for every BMW extension.

The GTIS-SC shall have the prerogative to waive compliance with any of the fore- going conditions in meritorious cases. In the event that the BMW operator fails to comply with the requirements for renewal of the BMW license due to meritorious reasons, it may be given a period of two (2) years within which to comply with the said requirements. During this period the GTIS-SC may allow the continuous operation of the BMW upon payment by its operator of a forbearance fee of Ten Thousand Pesos (P10,000.00).

Rule III
Common Bonded Manufacturing Warehouse (CBMW)

SECTION 1. Requirements - The following are the requirements for the issuance of CBMW license;

- a. The applicant manufacturer-exporter shall submit a plan (blueprint) of the proposed CBMW showing and describing the size, layout and location of the proposed premises.
- b. Applicant manufacturer-exporter and its principal officers and/or directors must have no previous record of violation of the Tariff and Customs Code nor any pending case for violation of GTIS-SC, or of its precursor agency, and BOC Rules and Regulations. The GTIS-SC may order an audit of the manufacturer-exporter and its stockholders should it deem necessary.
- c. Applicant manufacturer-exporter shall undertake that the construction of the CBMW is in conformity with the specifications as required by the GTIS-SC and BOC.
- d. Applicant manufacturer-exporter shall be required to submit a viability study containing information on the following aspects of its operation;
 - 1. Organizational data on management structure.
 - 2. Data on personnel, operational and control procedures, plant facilities/ warehouses specifications, machineries, services offered to members and service rates.
 - 3. Financial Statements and ratio including assumptions used as bases of projections.
 - 4. Marketing Data on potential clients or accredited member.

SECTION 2. A CBMW shall pay the following fees:

- a. Filing fee - P1,000
- b. P50,000 fee upon issuance of CBMW license.
- c. P2,500 annual fee.

SECTION 3. Conditions - CBMW may operate under the following conditions:

- a. The CBMW operator shall pay a CBMW license fee of Fifty Thousand Pesos (P50,000.00) upon the issuance of a license to operate a CBMW or any extension thereof.
- b. The CBMW operator shall apply with GTIS-SC for the accreditation of its proposed members.
- c. The CBMW operator shall secure an Import License (IL) from GTIS-SC prior to the importations of raw materials for the account of its accredited members.
- d. The fabrics imported by the CBMW operator for the account of its accredited members must be cut-to-pattern or panel cut as approved by BOC prior to the release therein to the accredited members.
- e. The CBMW operator shall be directly responsible for the liquidation of all raw materials imported through its CBMW.
- f. The CBMW facilities shall be used solely to service the importation requirements of its accredited members.
- g. The transfer of imported raw materials, accessories, and supplies in the following instances shall require prior approval from BOC
 - 1. Transfer of materials imported by the CBMW operator through its own BMW to any of its accredited members.
 - 2. Transfer from one accredited member to another
- h. The CBMW operator shall pay an annual fee of P2,500.00 not later than end of 1st quarter of the year.
- i. The CBMW license shall be valid for as long as the CBMW operator complies with the foregoing conditions.
- j. A CBMW operator desiring to discontinue the operations of its CBMW shall file written application with the GTIS-SC.

SECTION 4. Accreditation of Members of CBMW - Manufacturer-exporter who are not BMW operators may import raw materials, accessories, and supplies to be manufactured into textiles and/or textile products for export through CBMW. Provided that the garment firms are duly accredited with the GTIS-SC as the manufacturer-exporter and accredited members of the CBMW through which the importation shall be made.

SECTION 5. Conditions for Accreditation - A CBMW Accreditation is subject to the following conditions:

- a. Documentary requirements
 - 1. A plan showing and describing the size, layout, and location of the premises of the intended member;
 - 2. Records to update requirements for registration as manufacturer-exporter.
- b. Terms and Conditions
 - 1. Applications for the accreditation of member of CBMW shall be filed with the GTIS-SC by the CBMW operator.
 - 2. A manufacturer-exporter shall at any one time be accredited with only one common bonded manufacturing warehouse.
 - 3. The accredited member shall pay an accreditation fee of P500.00
 - 4. The accredited member shall maintain at all times in its place of business and make available for inspection its books and accounts and records of imported materials.
 - 5. The warehouse/place of business of the accredited member shall be made accessible to all authorized GTIS-SC officials or representatives upon presentation of an approved mission order or proper demand for ocular inspection.
 - 6. The accredited member shall secure the materials imported through the CBMW against pilferage and loss thru fires, floods, and other such occurrences.
 - 7. The imported raw materials shall be cut-to-pattern or panel cut (requires BOC approval) in the CBMW prior to release to the accredited member.
 - 8. The GTIS-SC shall conduct periodic inspections of the facilities of the CBMW.
 - 9. The transfer of imported raw materials in the following instances shall require prior approval from the BOC.
 - a. The transfer of imported raw materials by the CBMW operator through its own BMW to any of its accredited member.
 - b. Transfer of imported raw materials from one accredited member to another.
 - 10. The accredited member shall not issue materials to subcontractors who are not registered with the GTIS-SC.
 - 11. The list of raw materials previously approved by the GTIS-SC may be updated by the CBMW operator should any other raw material not originally on the list be needed.
 - 12. The accreditation of a member of a CBMW which has not applied for nor effected importation within a minimum period of twelve months shall be considered cancelled without prejudice to filing another application for accreditation.
 - 13. A Letter of No Objection from CBMW operator may be required to terminate membership of the CBMW member.
 - 14. The GTIS-SC shall have the prerogative to waive compliance with any of the foregoing conditions in meritorious cases.
 - 15. The GTIS-SC reserves the right to cancel for just cause the accreditation of any member violating any of the provisions of this Rules and Regulations.