



USAID
FROM THE AMERICAN PEOPLE

Study on the Streamlining of Business Permit Procedures for Tourism Enterprises

Investment Enabling Environment (INVEST) Project

Submitted to:

Mr. John Avila, Contracting Officer's Representative
Office of Economic Development and Governance
U.S. Agency for International Development/Philippines
under Contract No. AID-492-C-11-00005
(Output No. 3.2, Deliverable 3, Program Area 1.1, Component 1)

December 6, 2014

By Orient Integrated Development Consultants, Inc. (OIDCI)
FSS Building, 89 Scout Castor Street, Quezon City, Philippines
Tel No.: 374.0757; Fax. No. 413.2326

TABLE OF CONTENTS

List of Acronyms	iii
I. Introduction	1
A. Context and Background of the Study	1
B. Objectives of the Study	1
C. Output of the Study.....	2
D. Methodologies Employed in the Studies	2
E. Definition of Terms	3
II. Overview of the Tourism Accreditation Process in the Philippines	5
A. Legal Basis and Current Practices.....	5
B. New Legislation and Policies	6
C. The Value of Accreditation	7
D. The Accreditation Process	7
E. The National Accreditation Standards	9
F. The Star Guiding System	11
G. Mandatory Accreditation	12
H. Voluntary Accreditation	13
III. Best Practices in Other Countries	14
IV. Findings of the Study	18
V. Recommendations	22
A. Recommendations	22
B. Next Steps	25
List of Tables	
Table 1. Details of the Workshops Conducted	3
Table 2. Star-Rating Standards of DOT for Hotels, Resorts and Apartels	10
Table 3. Seven Rating Dimensions Common among Accommodation Categories	10
Table 4. Illustrative Example of Evaluation: Dimension 3 for a Hotel Establishment	12
List of Figures	
Figure 1. Process in Online Registration for Tourism Accreditation: Steps and Estimated Processing Time per Step	8
Figure 2. Current Business Licensing Process for Tourist Establishments.....	19
Figure 3. Process Complication: The Involvement of Local Tourism Office	20
Figure 4. Recommended Business Permitting Process for New Primary Tourism Business Establishments	23
Figure 5. Recommended Process in the Renewal of Business Permit for Primary Tourism Business Establishments	24
Annexes	
Annex 1. Online Registration for Accreditation thru the DOT Website	26
Annex 2. Process Mapping Table in Securing Tourism Permit	27
Annex 3. Proposed DILG-DTI Joint Memorandum Circular for Supplemental Guidelines for Joint DILG-DTI Department Administrative Order No. 10-7	28
Annex 4. Proposed DILG-DTI Joint Memorandum Circular for Supplemental Guidelines for Joint DILG-DTI Department AO (DOT version)	34

LIST OF ACRONYMS

BFP	Bureau of Fire Protection
BPLO	Business Permit and Licensing Office
BOSS	Business One-Stop Shop
CDA	Cooperative Development Authority
CFEI	Certificate of Final Electrical Inspection
CPDO	City Planning and Development Office
DOT	Department of Tourism
DILG	Department of the Interior and Local Government
DTI	Department of Trade and Industry
EO	Executive Order
FGD	Focus Group Discussion
FSEC	Fire Safety Evaluation Clearance
FSIC	Fire Safety Inspection Certificate
IEC	Information, Education and Communication
INVEST	Investment Enabling Environment
LGC	Local Government Code
LGU	Local Government Unit
OBO	Office of the Building Official
OCT	Original Certificate of Title
OTSR	Office of Tourism Standards and Regulation
SEC	Securities and Exchange Commission
TCT	Transfer Certificate of Title

I. INTRODUCTION

A. Context and Background of the Study

The Investment Enabling Environment (INVEST) Project of the United States Agency for International Development (USAID) aims to assist the Philippine government in improving the enabling environment for investments. It has two broad objectives: (1) to lower the cost of doing business attributed to local level regulations and processes in securing business permits; and (2) to increase the flow of private investments and the number of business start-ups in the Philippines.

Relative to the first objective, the Project commissioned the conduct of this study to determine the process of registering and accrediting tourism establishments and to propose a mechanism of aligning it with the streamlined process of issuing business permit at the local level. The overall intention is to provide tourism business operators a cost-effective and convenient system of registration without sacrificing integrity and efficient service delivery by the government.

Tourism is the fastest growing industry in the world and has the potential to provide jobs needed by the country. Modern tourism is closely linked to development and encompasses a growing number of new destinations. These dynamics have turned tourism into a key driver for socio-economic progress both at the national and local levels.

The Department of Tourism (DOT) has set a target of 10 million international visitors and 56 million domestic travelers by 2016. The three key strategies in moving forward to attain the goal of increased volume in tourists are: (a) developing and marketing competitive tourist products and destinations; (b) improving market access, connectivity, and destination infrastructure; and (c) improving institutional governance and human resources.

It is in this context that INVEST pursued the conduct of this study. The study pertains to Output 3.1 (Deliverable 3, Program Area 1.1 of Component 1). It was originally intended to cover the permitting processes of hotel and similar establishments. However, as the study commenced, it was decided to include the broader tourism sector since the issues identified in the study affect not only the hotel sector and the recommendations would benefit the tourism sector as a whole.

B. Objectives of the Study

The study has the following objectives:

- a. To evaluate the processes in securing business permit for hotels and similar tourism enterprises;

- b. To assess and distinguish the regulatory functions of local government units (LGUs) and the Department of Tourism (DOT) related to the setting-up of hotels and other related tourism enterprises;
- c. To recommend measures in streamlining business registration process for hotels and other tourism enterprises at the national and local levels for consideration of the DOT, Department of the Interior and Local Government (DILG) and Department of Trade and Industry (DTI).

C. Outputs of the Study

The study generated the following outputs:

- a. A detailed description of the current permitting process for hotels and similar tourism enterprises;
- b. An assessment of the regulatory functions of LGUs and DOT in relation to the establishment of hotels and other tourism enterprises;
- c. Recommendations in streamlining the business permitting processes for hotels and tourism enterprises; and
- d. A draft circular incorporating the recommendations for streamlining the hotel and tourism enterprise permitting system.

D. Methodologies Employed in the Study

The following methodologies were employed in the conduct of the study:

- a. **Review of existing documents** on tourism and general business processing with particular interest on the business processing systems in the cities of Batangas, Iloilo and Cagayan de Oro. National documents were also reviewed to determine the national policy framework and laws that guide LGUs in crafting their own investment procedures and requirements.
- b. **Series of interviews and individual consultations** were conducted with concerned LGU personnel and representatives of relevant private sector groups in three clusters that centered on the three partner cities of INVEST. Officials and personnel of DOT, particularly those involved in the implementation of the accreditation system, were also interviewed.
- c. **Focus Group Discussions** (FGD) were conducted with the LGU representatives of the three partner cities. Nearby known tourist destinations, represented by LGU tourism personnel and executives, were also invited to participate in the FGDs.
- d. Parts of the FGD are workshops designed to elicit inputs on the existing business licensing procedures (including tourism businesses) from the LGU participants (Workshop 1); and inputs on the current improvements and

reforms being implemented, and the challenges in establishing a more streamlined process to benefit both the LGU and the business owners (Workshop 2).

The workshops were conducted in order to determine the business licensing processes being adopted by the participating LGUs. Templates were prepared and were filled out by the participants. Annex 2 presents the template used in the FGD and Workshop 1. This template gathered information on the steps and requirements involved in acquiring licenses leading towards the operation of a tourism business. It was important that the participating LGU representatives and business licensing frontliners would be the ones to fill out the template to capture the unique details of each procedure, i.e. the difference in procedures for getting a building permit and a certificate of occupancy.

The clear identification of the steps, required documents, length of time per steps, signatories, and even the location of the stations made it easier to identify the areas where improvements or streamlining can be implemented – by possibly removing redundancies, lessening the number of signatories, and automating particular steps.

Table 1 lists the workshops conducted with LGUs considered as tourist destinations near (and including) the three INVEST partner cities, represented by local tourism officers and business permit and licensing officers.

**Table 1.
Details of the Workshops Conducted**

Workshop Venue	Date	Participating LGUs
Tagaytay City	April 2, 2014	Batangas City San Juan Tagaytay City
Iloilo City	April 11, 2014	Ilo-ilo City Guimaras
Cagayan de Oro City	April 24, 2014	Cagayan de Oro City Iligan City Camiguin Bukidnon

E. Definition of Terms

Over the conduct of the study, related terms were used in their respective context, as follows:

- a. **Accreditation** - refers to a certification issued by DOT to a tourism enterprise that officially recognizes it as having complied with the minimum standards for the operation of tourism facilities and services.
- b. **Primary Tourism Enterprises** - refer to travel and tour services; land, sea and air transport services exclusively for tourist use; accommodation

establishments; convention and exhibition organizers; tourism estate management services; and other enterprises as may be identified by the DOT, after due consultation with concerned sectors.

- c. **Secondary Tourism Enterprises** - refer to establishments that are the support entities that complete the tourism service functions of the Philippines. The secondary tourism enterprises are classified into restaurants, specialty or souvenir shops and department stores, recreation centers and other facilities, health and wellness facilities, rest areas in gas stations, agri-tourism farms and facilities, and tourism training centers and tourism trainers.
- d. **Tourism Enterprises** - refer to facilities, services and attractions involved in tourism, such as, but not limited to (1) travel and tour services--tourist transport services, whether for land, sea or air transportation; (2) tour guides--adventure sports services involving such sports as mountaineering, spelunking, scuba diving, and other sports activities of significant tourism potential; (3) convention organizers and accommodation establishments, including but not limited to, hotels, resorts, apartels, tourist inns, motels, pension houses, and homestay operators; (4) tourism estate management services, restaurants, shops and department stores, sports and recreational centers, museums and galleries, theme parks, convention centers and zoos.

II. OVERVIEW OF THE TOURISM ACCREDITATION PROCESS IN THE PHILIPPINES

A. Legal Basis and Current Practices

According to Republic Act 7160, otherwise known as the Local Government Code of 1991 (LGC), documentary requirements and business permits are to be acquired from concerned local government offices like the barangay and municipal/city office. These permits also include health, safety and fire certificates or clearances. Each city has its own set of rules, requirements and procedures as well as processing standards for tourism establishments. This made the accreditation process of DOT an optional step. Hence, only about 10% to 20% of tourism establishments are actually accredited. A business establishment can be certified as “DOT Accredited” through the following processes; however, requirements differ depending on the nature and structure of the organization:

1. Business name registration from the Department of Trade and Industry (DTI), Securities and Exchange Commission (SEC) or Cooperative Development Authority (CDA);
2. Permits and clearances from the local government – Barangay and City or Municipality (including fire, health and sanitary permits);
3. Registration with the Bureau of Internal Revenue (BIR), Social Security System (SSS), Department of Labor and Employment (DOLE), Phil Health and Home Development and Mortgage Fund (HDMF or commonly known PagIBIG)¹;
4. Application for DOT Accreditation;
5. Inspection of facilities;
6. Issuance of accreditation certificate.

The six general steps enumerated above may have further sub-steps that need to be fulfilled in order to reach the next stage of application. For some cities, new businesses are given the opportunity to use facilities of One-Stop-Shops that reduce the number of offices or paper submissions. Some of the steps cover national and local offices that can be simultaneously processed.

Until the recent changes in legislation, the tourism standard rules for accreditation at the local level were those formulated in 1992. Hence, the rules needed updating to be at par with international standards.

¹ Tourist transport services also need to register their service with the appropriate transportation agency (land, sea and air).

With the implementation of the Tourism Act of 2009 (Republic Act 9593), positive organizational changes and policies on accreditation are expected. According to the Act, the DOT is still the primary planning, programming, coordinating, implementing and regulatory government agency in the development and promotion of the tourism industry for both domestic and international markets. The general purpose of the new legislation is to beef up the competence and capability of the country so that it can compete in global tourism. The re-organized Office of Tourism Standards and Regulation (OTSR) is tasked to formulate standards for tourism establishments that will ensure that facilities, personnel and services are maintained in accordance with acceptable local and international norms and standards. The OTSR also formulates accreditation rules and regulations to govern the operations and activities of all persons, firms, entities and establishments catering to tourists or engaging in any form of tourism activities.

B. New Legislation and Policies

With the Tourism Act of 2009, the DOT is given regulatory functions that specifically deal with monitoring the compliance of LGUs to national standards in the licensing of tourism enterprises, as well as in receiving, investigating and acting on complaints. The LGU and the DOT are further expected to work together in the sanction of enterprises that fail to obtain or keep their accreditation.

In addition to the general powers and functions briefly discussed, the OTSR is also tasked to evaluate tourism projects or activities to ensure that they comply with set tourism standards. The evaluated projects or activities can be endorsed to appropriate government agencies in order to avail of incentives and be accorded with specific technical assistance or the issuance of permits, such as:

- a. Commission on Election (COMELEC) – endorsement for exemption from liquor ban;
- b. Ninoy Aquino International Airport/Civil Aviation Association of the Philippines (NAIA/CAAP) – endorsement for the issuance of access pass;
- c. Metro Manila Development Authority (MMDA) – endorsement for exemption from the Unified Vehicle Volume Reduction Program (UVVRP);
- d. Board of Investments (BOI) – endorsement for simplified registration and the provision of fiscal incentives under E.O. 226 (the Omnibus Investment Act of the Philippines);
- e. Department of Environment and Natural Resources (DENR) – endorsement for environmental evaluation and issuance of Environmental Compliance Certificate (ECC);
- f. Department of Agrarian Reform (DAR) – endorsement for evaluation and issuance of land conversion certificate for areas identified for tourism;
- g. Land Transportation Franchising Regulatory Board (LTFRB) – endorsement for issuance of land transportation franchise;
- h. Maritime Industry Authority (MIA) – endorsement for the issuance of water transportation franchise;

- i. Philippine Economic Zone Authority (PEZA) – endorsement for registration as tourism ecozone or as Tourism Industry Economic Zone Area (TIEZA)
- j. Development Bank of the Philippines (DBP) – endorsement to avail of loans for the development of tourism area or establishment;
- k. Process applications for Special Investors Resident Visa (SIRV) under E.O. 63; and
- l. Conduct of tourism industry manpower development training programs.

C. The Value of Accreditation

DOT-accredited enterprises enjoy preference in availing services such as promotion, training and other programs of the Department and its attached agencies and corporations. Furthermore, accredited establishments are allowed to participate in overseas sales mission and inclusion in promotional collateral materials (e.g., brochures and leaflets) arranged and initiated by DOT or any of its attached agencies. The DOT can also arrange with other regulatory agencies on behalf of accredited establishments the issuance of special permits or licenses, as discussed in the preceding section; for example, other permits issued by concerned government agencies, such as the liquor ban permit, can be provided to accredited tourism businesses by the COMELEC with proper endorsement by the DOT, provided that the standard application processes and requirements are observed and complied with. Enterprises that are not accredited by DOT do not enjoy these privileges.

To encourage establishments to secure their accreditation and be engaged in a holistic approach in bringing about growth of the tourism industry, the DOT is now conducting seminars, trainings and information drives to educate and inform all players in the industry on the provisions of the law and the critical roles and responsibilities of each tourism establishment.

D. The Accreditation Process

Applicants for accreditation can visit the DOT regional offices. An online system has also been set up to facilitate a more convenient application process for accreditation. This is the Tourism Facilities and Services System (TFSS).² The online system requires the applicant to register for an account, pay for the required fee, accomplish and submit the application form, and claim the certificate. Note, however, that enhancements and further developments of the system are being done to make it fully operational and functional (See Annex 1).

General guidelines are provided by the DOT for business establishments in securing an accreditation certificate, among which are:

- a. *Filing of Application.* Any person, partnership, corporation or other entity desiring to operate a primary tourism enterprise as defined under the Tourism

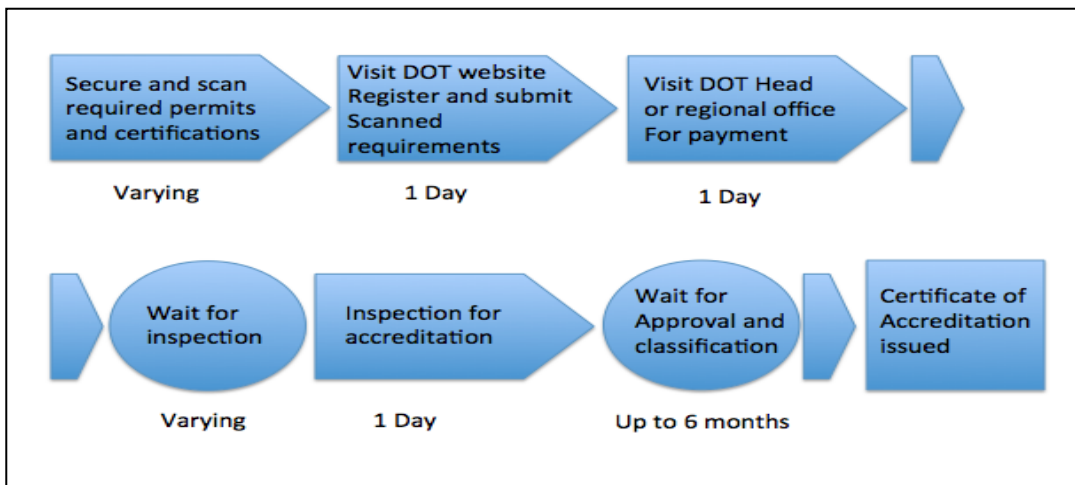
² <http://accreditationonline.tourism.gov.ph>

Code shall secure an accreditation from the DOT. Application for accreditation shall be accomplished online.

- b. *Documentary Requirements.* The DOT issues a list of documentary requirements to be complied with by applicants as part of the accreditation process.
- c. *Inspection.* An Inspection team shall conduct an audit of the establishment to determine its classification. An oversight committee from DOT shall conduct periodic inspection of the classified establishment.
- d. *Validity of Accreditation.* The Certificate of Accreditation is valid for a period of two years, unless sooner revoked by DOT.
- e. *Schedule of Fees.* DOT issues a schedule of accreditation fees to be implemented.

Figure 1 illustrates the online registration process for accreditation³ and the estimated time needed for each step. On the whole, however, the processing of application could take up to six months from the submission of the application form and the required documents.

Figure 1.
Process in Online Registration for Tourism Accreditation:
Steps and Estimated Processing Time per Step⁴



“Secure and scan required permits and certifications” or Step 1 in Figure 1 is the most tedious stage in the whole process. The applicant can secure the required permits and certifications from a local government by going through a set of more detailed

³ The online registration for accreditation can be accessed through the DOT website, as presented in Annex 1.

⁴ Based on DOT Memorandum Circular 2013-04 signed on October 9, 2012 by DOT Secretary Ramon Jimenez, it is explained that the waiting time for approval and classification may take up to six months: "Number 4. - Within a period of six (6) months after completion of assessment by the third party assessors, the DOT will announce the final star-rating classification of the inspected accommodation establishments in the DOT website and in a newspaper of general circulation..."

processes.⁵ For instance, the processes could be more tiresome when an establishment is in the process of construction or in the planning stage for construction and development. In this case, the establishment has to go through different processes of securing a building permit (before construction), a certificate of occupancy (after construction and before operation), and a business or mayor's permit (before business operation). These processes would then further stretch the processing time in securing the certificate of DOT accreditation, albeit only for business establishments that are starting from zero.

The set of more defined and detailed processes are described below:

- a. *Building Permit*. An applicant needs to secure and submit the following, in addition to its application form and design plans before the Office of the Building Official (OBO) could issue a building permit: (1) certified true copy of Original Certificate of Title (OCT) or Transfer Certificate of Title (TCT); (2) barangay clearance; (3) locational or zoning clearance from the City/Municipal Planning and Development Office (CPDO) or zoning office; (4) original and certified true copies of tax declaration and real property tax receipt; (5) Fire Safety Evaluation Clearance (FSEC) from the Bureau of Fire Protection (BFP); and (6) clearances from concerned national government agencies.
- b. *Certificate of Occupancy*. In addition to the approved building permit and structural design before the OBO could issue a certificate of occupancy, an applicant needs to secure and submit the following: (1) certificate of final electrical inspection (CFEI) from the OBO; and (2) fire safety inspection certificate (FSIC) from the BFP.
- c. *Business or Mayor's Permit*. An applicant for a new business registration needs to secure and submit the following: (1) unified form; (2) SEC/ DTI/ CDA Certificate; (3) location map; (4) barangay clearance; (5) occupancy permit. An applicant for the renewal of business registration needs to secure and submit the following: (1) unified form; (2) previous business permit; and (3) barangay clearance.⁶

E. The National Accreditation Standards

The DOT has published information, education and communication (IEC) materials containing the national standards to be used in issuing accreditation of accommodation facilities such as hotels, resorts and apartment hotels. The Tourism Act provides that said standards, based on points system, shall also guide the DOT in the proper classification of accommodation facilities such as assigning the star rating for an accredited hotel, a resort, or an apartment hotel (apartel).⁷

⁵ It is important to highlight the role of local government as the Tourism Code emphasized the joint responsibilities of DOT and DILG in implementing standards, rules and regulations for the operation of tourism establishments.

⁶ As provided under DILG-DTI Joint Memorandum Circular (JMC) No. 1, s. 2010. It should be noted, however, that the requirements vary from one LGU to another because of distinct and unique practices and processes being employed by the LGUs despite the standards prescribed by the JMC.

⁷ Said document can be downloaded from the DOT website or purchased at the DOT office.

Should a hotel or resort business owner target a particular star rating (e.g., 4 stars), the property must already possess the required facilities, amenities and services befitting the star rating.

The tourism business owner or operator may initially submit a self-assessment form indicating the number of points earned based on his/her evaluation. The DOT will then send third party assessors to inspect and assign points to each specific category. A maximum of 1,000 points may be earned by a property for it to be categorized as a 5-star facility. Table 2 indicates the number of points per star category.

Table 2.
Star-Rating Standards of DOT for Hotels, Resorts and Apartels

Star Rating or Grading	Total Score
1 Star	251 - 400 points
2 Star	401 - 550 points
3 Star	551 - 700 points
4 Star	701 - 850 points
5 Star	851 - 1,000 points

Source: Department of Tourism

Alternately, percentage weight for each dimension is also used. To do this, a set of criteria is adopted. The criteria are divided into seven dimensions that are common to the categories (except in apartels that include the lounge and the kitchen areas). Percentage weight per dimension is assigned, as shown in the Table 3.

Table 3.
Seven Rating Dimensions Common among Accommodation Categories

Rating Dimension	Hotel	Resort	Apartel
Arrival and Departure	10%	10%	8%
Public Areas	10%	10%	7%
Bedrooms	30%	30%	30%
Bathrooms	15%	15%	15%
Food and Beverage	15%	15%	N/A
Lounge Area	N/A	N/A	15%
Kitchen Area	N/A	N/A	10%
Amenities	10%	10%	5%
Business Practices	10%	10%	10%
Total	100%	100%	100%

* *Apartels have nine dimensions*

Source: Department of Tourism

Further explained, the Star Rating or Grading System provides a way of assessing the availability and quality of facilities and services present in a tourism establishment.

F. The Star Rating/Grading System

Accommodation facilities aiming to earn a particular star would have to understand the differences of each star rating in order to cater to a particular market segment or their target clientele.

One Star: 25-40% achievement (251 - 400 points) - These enterprises appeal to budget-minded travelers. There is a limited range of facilities and services.

Two Star: 40-55% achievement (401 - 550 points) - These enterprises appeal to the tourists seeking more than basic accommodation. They offer expanded facilities and higher level of comfort.

Three Star: 55-70% achievement (551 - 700 points) - These enterprises offer a very good level of accommodation. There are more spacious public areas, higher quality facilities and a greater range of services.

Four Star: 70-85% achievement (701 - 850 points) - These properties are upscale in all areas. Accommodation is refined and stylish. Service is responsive, often including an extensive array of facilities.

Five Star: 85-100% achievement (851 - 1,000 points) - These properties reflect the characteristics of luxury and sophistication. The facilities are world-class in every manner and the meticulous service exceeds all guest expectations.

Example of Assessment and the Application of Rating

An example of the assessment and rating of an accommodation facility is indicated in Table 4.⁸ The example provides an idea on how assessors may assign points for each facility, amenity or service in a tourism accommodation business.

⁸ For the complete information of the categories and assessment, please refer to the DOT publication, National Accommodation Standards (selection of Hotel, Resort, Apartment Hotel).

Table 4.
Illustrative Example of Evaluation: Dimension 3 (Bedroom) for a Hotel Establishment

No.	Ratings	Criteria/ Indicators	Points	Star Rating*					My Score
				1	2	3	4	5	
41		3.1 Room Size							
	Minimum 1	Size including bathroom \geq 16 sq.m	4	m					
	Minimum 2	Size including bathroom \geq 18 sq.m	8		m				
	Minimum 3	Size including bathroom \geq 20 sq.m	12			m			
	Minimum 4	Size including bathroom \geq 25 sq.m	16				m		
	Minimum 5	Size including bathroom \geq 30 sq.m	20					m	
42		3.2 Suites Availability**							
	Minimum 4	2% of rooms are suite	3				m		
	Minimum 5	5% of rooms are suite	5					m	

**M - Mandatory Requirements - shall refer to those requirements without which an enterprise shall not be accredited.*

m - Minimum Requirements - shall refer to those requirements which are minimum to a certain classification, without which the establishment will not be awarded such classification but instead be downgraded to a lower one, regardless of the total points accumulated.

***Suites shall have a Master's bedroom, pantry, separate living room and en-suite bathroom with enclosed shower and telephone extension in bathroom.*

Source: Department of Tourism

G. Mandatory Accreditation

Prior to the enactment of the Tourism Act of 2009, DOT accreditation was not considered a requirement for the operation of tourist establishments. It was optional and voluntary. With the law, however, DOT accreditation has become mandatory for primary tourism enterprises, such as:

- a. Accommodation Establishments;
- b. Travel and Tour Services;
- c. Tour Guides;
- d. Tourism Estate Management Services;
- e. Meetings, Incentive Travel, Convention and Exhibition (MICE) Facilities;
- f. Sports and Recreation Facilities; and
- g. Tourist Transport Services (land, sea and air).

These primary tourism enterprises are the basic establishments that directly provide services to tourists, guests and visitors. They are considered to be integral in completing the travel purpose of a tourist. With this provision of the law, establishments classified

under the above list need to ensure their compliance to standards and secure the DOT certificate of accreditation. Prior accreditation by the DOT shall be required by the LGU for the issuance of license or permit to operate primary tourism enterprises.

H. Voluntary Accreditation

Secondary tourism enterprises are not required to get an accreditation prior to their normal course of business operation. These establishments are the support entities that complete the tourism service functions of the country. The secondary tourism enterprises are classified into:

- a. Restaurants;
- b. Specialty or Souvenir Shops and Department Stores;
- c. Recreation centers and other facilities;
- d. Health and Wellness Facilities;
- e. Rest areas in gas stations;
- f. Agri-tourism farms and facilities; and
- g. Tourism training centers and tourism trainers.

Accreditation of these secondary establishments, although optional, would ensure quality of services as these establishments would be entitled to enjoy the benefits of such accreditation, as previously discussed.

III. BEST PRACTICES IN OTHER COUNTRIES

Ensuring the standards and quality of the service providers in the tourism industry is a challenge for the Philippines. Other countries that are considerably more progressive in their performance in the global tourism market have gone through significant institutional reforms in order to establish a reliable, predictable and stable business environment for tourism-related establishments.

Based on the existing practices and norms set by the more advanced tourism country-destinations, the following are deemed important elements for a world-class tourism industry:

- a. rational tourism-related policies;
- b. established handling and management of tourism-related information;
- c. institutionalized mechanism of resource utilization and management; and
- d. well-established standard operating procedures for accreditation and monitoring of compliance to standards.

Also apparent is the conscious and proactive effort of national tourism organizations and responsible government bodies in enforcing tourism standards and regulations. Countries with well-appointed tourism business licensing and accreditation systems focus in maintaining tourism quality standards as part of their efforts in keeping a high quality tourism supply chain with the end of ensuring industry sustainability. Standard ratings serve as benchmark of quality and provide visible manifestations of the quality of products and services offered by tourist destinations. Further, most tourism boards and national tourism organizations work closely with other key production industries and send out messages, directly and indirectly, that encourage consumers to choose establishments that meet set standards.

Other countries have adopted their tourism standards and accreditation programs. Some of these are considered best practices in the global tourism industry with specific brands and trademarks. Most notable approaches are those of England, Australia and France.

1. England - Awards for Excellence

VisitEngland is England's national tourism board whose main role is to grow the value of tourism by working in partnership with the industry to deliver inspirational marketing campaigns and to provide advocacy of quality services to both the industry practitioners and service providers, on one hand, and to visitors and tourists, on the other. The United Kingdom ranks eighth in global tourism arrivals and international receipts. England represents 84% of the total visitor economy in the United Kingdom.

The **Awards for Excellence** recognizes businesses that incorporate best practices in the whole spectrum of their operation. Ensuring the best in quality and innovation helps them to raise the bar across the industry and ensures England's position as a world-class holiday destination. The platform for this system is a website (<http://www.qualityintourism.com/>) that works two ways, to wit: (1) for establishments to

apply for accreditation; and (2) for prospective clients to explore and check for quality ratings of a varied menu of establishments. This web interface allows the accredited establishments or tourism supply chain to proactively manage their quality assurance procedures and gain access to real time data within the tourism regions. The system also acts as a monitoring and feedback mechanism for accommodation facilities and the whole tourism industry by generating and providing reliable information on guest expectations and satisfaction levels as well as the level of quality of the different facilities and services.⁹

Included in the website are useful information such as classification of accommodation, date of last assessment and, if any, awards received, scheme badge earned and guestbook reviews.

G4S is a consultancy firm hired by **VisitEngland** in establishing and maintaining the system. The consultants relay that one of the major challenges encountered in starting up this kind of system was the integration of nine individual databases that contained 19,000 accreditation scheme members, which they had to clean up within a period of six weeks. The system was designed to hold property and assessment data and to automate several processes, which were previously done manually. The updating of records, which also resolved the backlog of the old system, resulted to a more efficient cash flow for the organization. To date, the company processes 12,000 renewals in a month; and an average of 2,000 visits and assessment trips in a month. Membership also increased by 30%.

The systems have been enhanced and now surpass **VisitEngland's** original expectations. The database now includes a customer relationships management (CRM) system, complaint management and marketing system, and has automated the production or generation of assessment reports and grades that are all available online.

There are 16 schemes or categories that have to be hurdled for accreditation. The criteria used in these schemes or categories are all within England's National Quality Assessment Scheme (NQAS). The accreditation process is summarized in six major steps, namely:

- (a) initial application by an applicant;
- (b) processing of payment by **VisitEngland**;
- (c) conduct of different levels of assessment;
- (d) conduct of site inspection;
- (e) preparation of written report of findings that will be received by the concerned establishment in not more than 21 days; and
- (f) assessment confirmation by the concerned establishment.

In order to pass the assessment stage, the establishment must have already secured the statutory documentary requirements, permits and licenses related to: safety; location and premises of establishment; compliance to anti-discrimination regulations; custody of records; and trade descriptions (advertising, pricing, and contract terms).

⁹ On the level of accreditation, the rating system is used, which is done through a scale of one to five stars. In certain service categories, a silver or gold award is used.

VisitEngland also makes clear the benefits that members of the tourism industry can enjoy. These include: (a) an internationally recognized brand based on the marque and awards received; (b) an annual assessment by one of **VisitEngland's** professional assessors; (c) access to business advice, certificate and assessment reports; (d) exterior signs and awards (silver, gold and “breakfast”); (e) online listing; (f) marketing and booking opportunities; and (g) subscriptions to reviews and guides.

2. Australia

Australia is part of the top ten countries with the highest international tourism receipts, according to the 2013 report of the United Nations World Tourism Organization (UNWTO). **T-QUAL** Accreditation is the quality framework for the tourism industry adopted by **Tourism Australia**, the national tourism organization. Establishments that have been included as members receive the symbolic **T-QUAL Tick**.

In general, the **T-Qual Tick** elevates and standardizes the quality of tourism service providers to ensure the sustainability of the tourism industry in Australia. This also gives consumers more choices and information before purchasing tourism products and availing of services or when making travel plans.

Businesses endorsed by the **T-QUAL Tick** benefit in the form of increased credibility, visibility, and higher level of competitiveness. **Tourism Australia**, acting on behalf of the Tourism Quality Council of Australia (TQCA), is responsible for an extensive marketing campaign that educates travel trade partners and consumers on the benefits derived from the **T-QUAL Tick**. The **T-Qual Tick** serves as an information hub for prospective visitors on which tourism products to look for, especially the products and services endorsed by **T-QUAL**. **T-Qual** is not solely managed by a single organization. The system is delivered by a cooperative partnership with TQCA (the oversight body that grants the licenses), Austrade, Tourism Australia, and the State and Territory Tourism Organizations and quality assurance entities.

Since the **T-QUAL** framework grants accreditation through the quality assurance schemes, accreditation is not freely given to all individual businesses. Companies must join one of the partner organizations, which by default will give them the **T-Qual** endorsement. These partner organizations are: Accor Hotel Group, Australian Tourism Accreditation Program, BIG4 Holiday Parks, Caravan, RV and Accommodation Industry, China Ready and Accredited, EarthCheck, Ecotourism Australia, Guiding Organizations Australia, InterContinental Hotels Group, Luxury Lodges of Australia, National Accommodation, Recreation and Tourism Accreditation (NARTA), Respecting our Culture Program (developed by Industry and Aboriginal Tourism Australia (ATA)), Restaurant and Catering Savour Australia, Tourism and Events Queensland, and YHA Australia.

As a general rule, businesses are objectively assessed to ensure that they hold relevant licensing and possess quality in customer service, business practice, presentation and provision of facilities, policy enforcement and administration, complaints handling procedures, accurate advertising, and committed to continuous improvement. Businesses may be assessed under additional criteria specific to the quality assurance scheme of the partner organization they choose to join.

3. France: Quality Tourism

France continues to be the first rank in international tourist arrivals with a record of 83 million in 2012, based on the 2013 report of the UNWTO. The France Tourism Development Agency (FTDA) is the national tourism organization tasked to handle tourism development and management. FTDA developed the **Qualite Tourisme** (*Tourism Quality Plan*) – a trademark and a “challenge.”

As a trademark, **Qualite Tourisme** was established to ensure and provide a package of high-quality welcome services to guests and visitors. The trademark stands for quality assurance measures introduced for maximum guest satisfaction in accommodation facilities (hotels, holiday homes, resorts, camp sites, etc.) hospitality and catering, cafes and brasseries, convention centers, travel agents, holiday rentals, transport and tourist offices. Visitors who choose to transact with establishments embedded with the trademark (i.e., have undergone assessment of quality of their services and facilities) are assured of personalized welcome, clear and accurate information customized to their needs, services of skilled staff, and comfortable and clean facilities and premises.

To bear the **Qualite Tourisme** trademark, establishments need to:

- (a) meet the national quality commitments of France;
- (b) pass an external audit;
- (c) have a system of managing customer complaints and receiving satisfactory customer feedback; and
- (d) provide coaching facilities.¹⁰

Membership could either be nationwide or area-specific. Institutions that have been adopting quality assurance initiatives or schemes are considered as potential recipients of the trademark. These institutions include voluntary chains, integrated channels and professional associations.

¹⁰ The criteria have been defined by a technical working group composed of industry representatives, government ministers, professional organizations, and quality experts.

IV. FINDINGS OF THE STUDY

A. Current Procedure for Business Registration of Tourism Enterprises

Tourism enterprises are treated in the same manner as any establishment by the LGU when they register their businesses. They go through the usual processes and comply with the requirements set forth in relevant laws and other pieces of legislation. Prior to the issuance of a business or a mayor's permit (either new or renewal), a tourism establishment has to secure a zoning clearance, a building permit, a certificate of occupancy, fire safety clearances (FSEC and FSIC), and a sanitary permit. Other permits that may be required include the Environmental Compliance Certificate (ECC) from the DENR, and the Certificate of Accreditation from the DOT.

The certificate of accreditation from DOT has become mandatory for primary tourism establishments by virtue of the Tourism Act of 2009, which took effect in 2013. The Act provides that all businesses classified as primary tourism enterprises shall be required to have a certificate of accreditation from DOT.

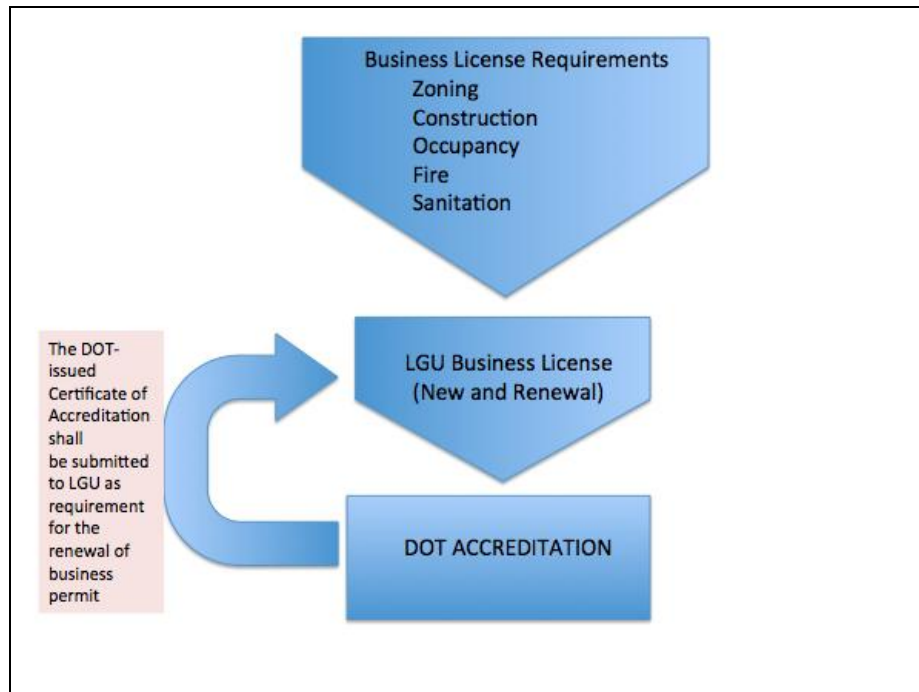
Other permits that are issued by other national government agencies, which become prerequisites to the issuance of the certificate of DOT accreditation only when applicable, include the following: (a) permit for land conversion from the DAR; (b) land transportation franchise from the LTFRB; and (c) water transportation franchise from the MIA.

Tourism establishments could benefit from their DOT accreditation in securing additional permits that may later on be needed when they opt to expand their business operation. For example, securing a liquor ban exemption permit from the COMELEC could be facilitated by being endorsed by DOT, being a DOT-accredited establishment. Other permits that could be facilitated for and benefits that could be extended to DOT-accredited establishments include the permit for foreign exchange operation from the Bangko Sentral ng Pilipinas (BSP), and registration as economic zone or the grant of fiscal incentives through EO 226 from the BOI.

The processes of securing permits or licenses related to business registration, both new and renewal, especially for tourism establishments have to be adjusted in consideration of the provisions of the 2009 Tourism Act whereby primary tourist businesses are now required to secure a mandatory DOT Accreditation before they can start or continue their business operation.

Figure 2 presents the current business permitting and licensing processes for tourism enterprises at the local level.

Figure 2.
Current Business Licensing Process for Tourist Establishments



B. Findings

1. Redundant Requirements for DOT Accreditation and Business Registration

At the time the study was undertaken, the DOT requires the submission of the following documents as part of the accreditation process: (1) business registration in DTI, SEC or CDA; (2) LGU clearances – Barangay and Mayor’s Permit (including fire, health and sanitary permits); and (3) registration with BIR, SSS, DOLE, Phil Health and HDMF. These requirements are the same requirements for a Mayor’s Permit. Hence, the DOT can just require a Mayor’s Permit and be assured that the establishment applying for accreditation has already complied with basic registration (SEC,DTI or CDA) and other legal requirements (registration with SSS, Philhealth, BIR and HDMF).

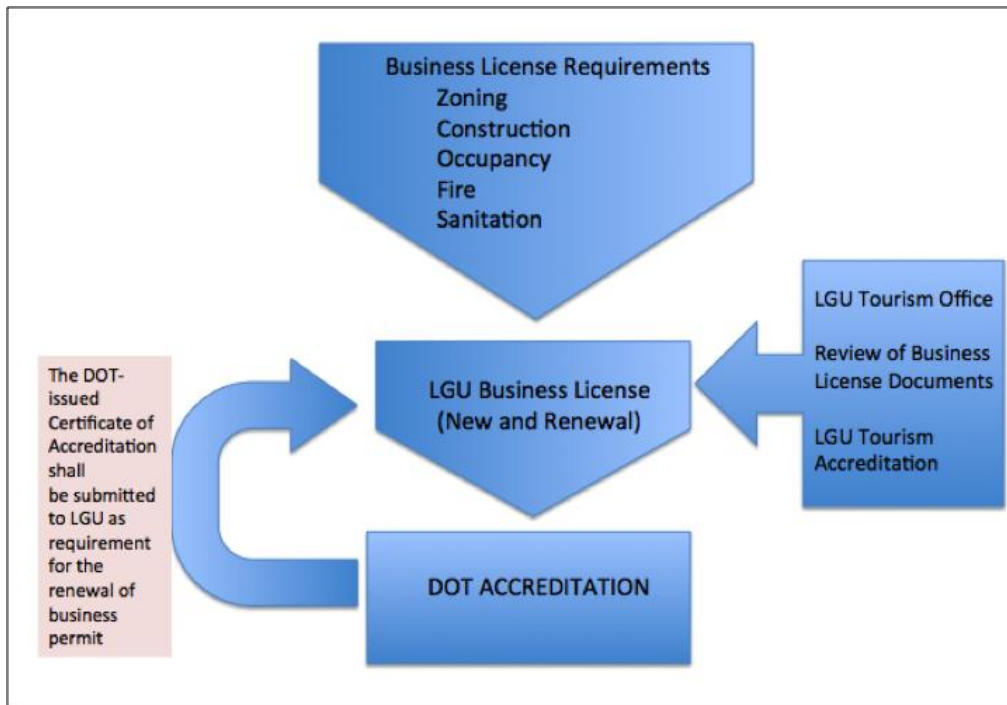
2. Confusion on the DOT Accreditation as a Requirement for Business Permitting

a. LGUs’ accreditation of tourism enterprises

In some LGUs, the accreditation of tourism businesses has been delegated to the local tourism offices, outside the organizational structure of DOT, but within the LGU jurisdictional supervision. In Camiguin province, for instance, there are moves to mandate the local tourism offices to "accredit" tourism business as part of the business licensing process. Further, Cagayan de Oro City also shared in the FGD that the evaluation of the business license documents is being done by the local tourism office. In the Tourism Act, only DOT is mandated to accredit tourism enterprises.

Figure 3 presents an illustration of the steps created by some LGUs, like Camiguin and Cagayan de Oro, which are deemed redundant and unnecessary.

Figure 3.
Process Complication: The Involvement of Local Tourism Office



b. LGUs require all tourism enterprises to get accreditation from DOT

In many LGUs, restaurants are considered a tourism enterprise and are required to submit a DOT accreditation. However, the Tourism Act states that only primary enterprises are mandated to get DOT accreditation where primary tourism enterprises have been earlier defined; and secondary tourism enterprises may voluntarily get DOT accreditation. Hence, LGUs are not authorized to require a DOT accreditation certification from all tourism enterprises.

c. LGUs require a DOT Accreditation Certificate for both new business applications and business renewals

The LGUs consulted as part of the study require a DOT certificate of accreditation even during the initial application for a business permit. This is contrary to the DOT position that the certificate of accreditation can be secured after the issuance of the business permit. Submission of a CA should be made a requirement for tourism businesses only during the annual renewal of the business permit in January.

d. Synchronization of the DOT accreditation and the business permit application

According to the DOT, there is an internal target of six months for processing the applications for accreditation. In instances when the accreditation certificate is not yet available during the renewal period, the DOT arranges for issuance of a certification to the LGU of pending accreditation application. This would trigger issuance of a permit by the LGU.

3. Need for a Comprehensive Database on Tourism Enterprises in the Philippines

Since all operating establishments are required to register with LGUs, the latter would have a comprehensive list of tourism related enterprises in the country. However, there is no existing information sharing arrangement between DOT and the LGUs that would enable the DOT to put up a comprehensive database of all tourism enterprises in the country. Such a database will be useful for both DOT and the LGUs in ensuring that all tourism businesses are registered with the LGU and have the proper accreditation if necessary.

V. RECOMMENDATIONS

A. Recommendations

1. *Simplify the requirements for DOT accreditation*

The DOT has already reviewed its requirements for accreditation, which has been limited to the following for all types of tourism enterprises: (a) certificates of registration with SEC or DTI; (b) Mayor's Permit or municipal license; (c) valid Fire Safety Inspection Certificate (FSIC). There are additional requirements depending on the type of tourism enterprise. In addition, the DOT may still consider the following recommendations:

- a. Do away with the requesting copies of the certificates of registration with the SEC or the DTI since the DOT can actually check whether an applicant is registered with SEC through the SEC *iview* online portal and with the DTI through its website for the Business Name Registration System.
- b. Since the FSIC is already a requirement for the Mayor's Permit, which is a documentary requirement for accreditation, it can also be removed in the list of documents required in the application for accreditation.

2. *Streamline the procedures for securing a Mayor's Permit for tourism enterprises*

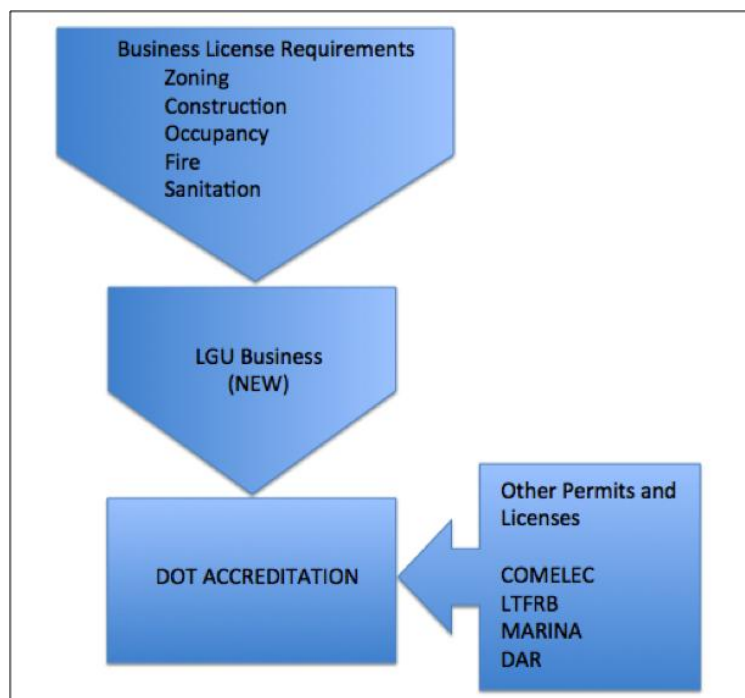
To address the findings of the study, the following are recommended:

- a. Clarify with the LGUs that the DOT accreditation is a requirement for tourism enterprises that fall under the "primary enterprises" classification only, and not for secondary tourism enterprises, although the latter could get accreditation on voluntary basis;¹¹
- a. Inform the LGUs that the DOT accreditation certificate should only be a requirement for business renewal but not when a primary tourist establishment applies for business registration for the first time;
- b. Inform the LGUs that their tourism departments are not mandated to give accreditation or the process accreditation papers since only the DOT can grant accreditation certificates;
- c. Inform LGUs that they may accept a certificate of ongoing accreditation application for tourism businesses that is issued by the DOT as basis for granting business registration renewal.

¹¹Secondary Tourism Enterprises – facilities and services that may be related to tourism and which may opt to secure a DOT-accreditation for the availment of its non-fiscal benefits such as, but not limited to, restaurants; specialty shops and department stores; sports facilities and recreational centers such as, museums and galleries, theme parks, zoos; health and wellness facilities such as, but not limited to, spas, tertiary hospitals, ambulatory clinics and medical concierge; rest areas in gas stations; agri-tourism farms and facilities; tourism training centers or institutes and such other enterprises as may be identified by the Secretary, after due consultation with concerned sectors.

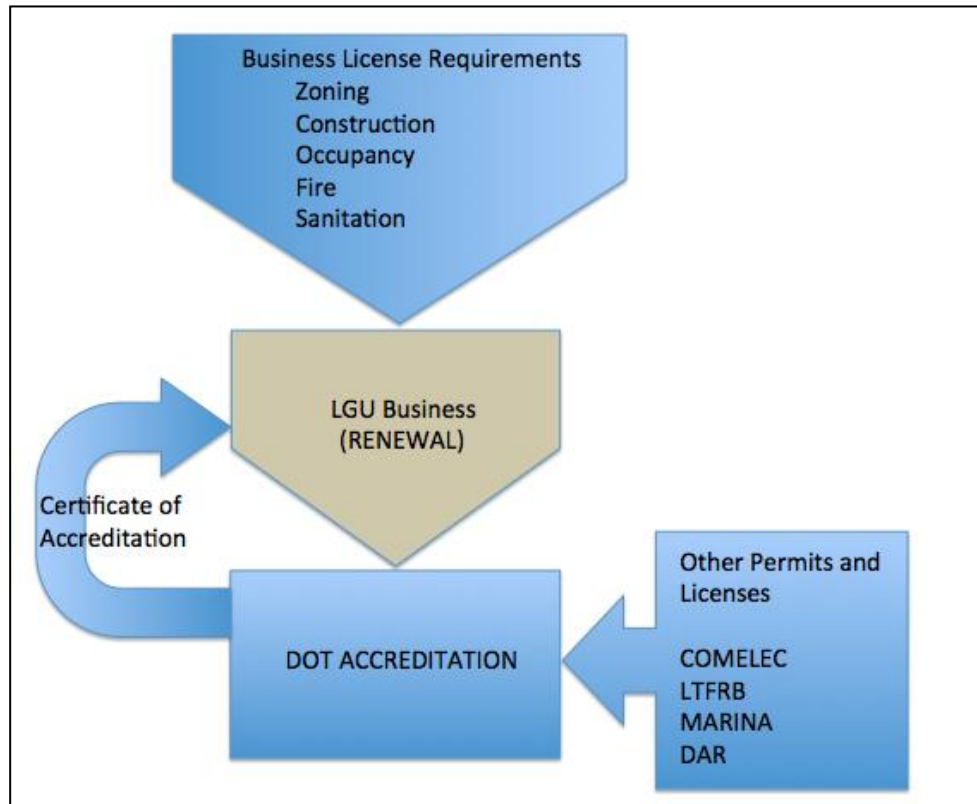
Figure 4 illustrates the process that is proposed to be followed by LGUs in issuing new business permits to tourism establishments requiring DOT accreditation. This proposed process provides that the DOT certificate of accreditation may not be required yet at the time of application. By institutionalizing this protocol, new tourism businesses would be properly guided on the process of getting the initial business permit (from the LGU) before securing accreditation (from DOT). Tourism business owners may begin the process of securing other permits and licenses from other government agencies while their business license application is being processed by the LGU.

Figure 4.
Recommended Business Permitting Process for New Primary Tourism Business Establishments



For the tourism businesses seeking renewal of their business permits, the assumption is that these establishments have already acquired their certificate of DOT accreditation on the first year of their operation; hence, the concerned LGUs can now require DOT's Certificate of Accreditation as a requirement for business renewal (Figure 5). However, in instances where DOT failed to issue the certificate of accreditation before the renewal period, the concerned LGUs may accept a certification from DOT that the application for accreditation is still in progress with a caveat that DOT does not interpose objection for the issuance of business permit to a primary tourism business enterprise.

**Figure 5.
Recommended Process in the Renewal of Business Permit for
Primary Tourism Business Establishments**



3. *Set up a system for information exchange between the DOT regional offices and the LGUs*

Some of the proposals for improving the database of the DOT and LGUs on tourism enterprises include:

- (a) DOT submission of data to the concerned LGUs on the accredited primary tourism enterprises that fall within the jurisdiction of the LGU;
- (b) DOT submission of the list of primary tourism enterprises with pending applications with the OTSR, which may be granted a Mayor's permit;
- (c) DOT submission of a "negative list" of primary tourism enterprises that should not be granted a Mayor's permit because of the absence of a DOT accreditation; and
- (d) The LGU to provide a list of business registrants that have been given a business permit for the year.

4. *Issue a DOT-DILG Joint Memorandum Circular on the Procedures for Securing a Business Permit by Tourism Enterprises*

The proposed circular is intended to (a) clarify the roles of the LGU and DOT in accrediting tourism enterprises; (b) present the requirements for tourism enterprises in

securing a business permit; (c) specify the roles and responsibilities of the LGUs (cities and municipalities), DOT and DILG in ensuring the implementation of the streamlined procedures for granting a Mayor's Permit for tourism enterprises,

A draft JMC was prepared as part of the study (refer to Annex 3). This draft has been discussed in meetings between the DILG and the DOT, with the latter agreeing to take charge of its finalization.

5. Inclusion of the DOT in the LGU's Business One-Stop Shop (BOSS)

Since the DOT, by virtue of the Tourism Act of 2009, has become a requirement for business renewal, similar to the social security agencies and the BFP, the LGUs should be requested to accommodate them as part of the BOSS every January. This implies the DOT assigning a staff at the BOSS area and the LGU providing a space for them.

6. Conduct an information, education and communication (IEC) drive

The DOT and the LGUs should closely coordinate on the implementation of the Tourism Act of 2009. A joint DOT and DILG IEC drive should be undertaken on the features of the law, clarifying the roles of DOT and LGU in relation to the accreditation of tourism business establishments and the issuance of business permits.

B. Next Steps

The DOT presented the latest version of the DOT-DILG JMC on the streamlined procedures for securing a business permit for tourism enterprises during the meeting of the Oversight Committee on Business Permits and Licensing System held on November 20, 2014. This version took off from what was prepared as part of the study and already incorporated the comments of DOT offices (refer to Annex 4). As stated in the circular, the implementation of the streamlined procedures will be in 2016 to give the primary tourism enterprises enough time to comply with the requirements.

Based on the analysis of the latest version of the JMC, some of the recommendations of the study needs further revision to address the various issues earlier raised such as: (1) the confusion of LGUs on their role in accrediting tourism enterprises; (2) the requirements for tourism enterprises for new business applications and business renewal; (3) the requirements for primary tourism enterprises versus all other tourism establishments.

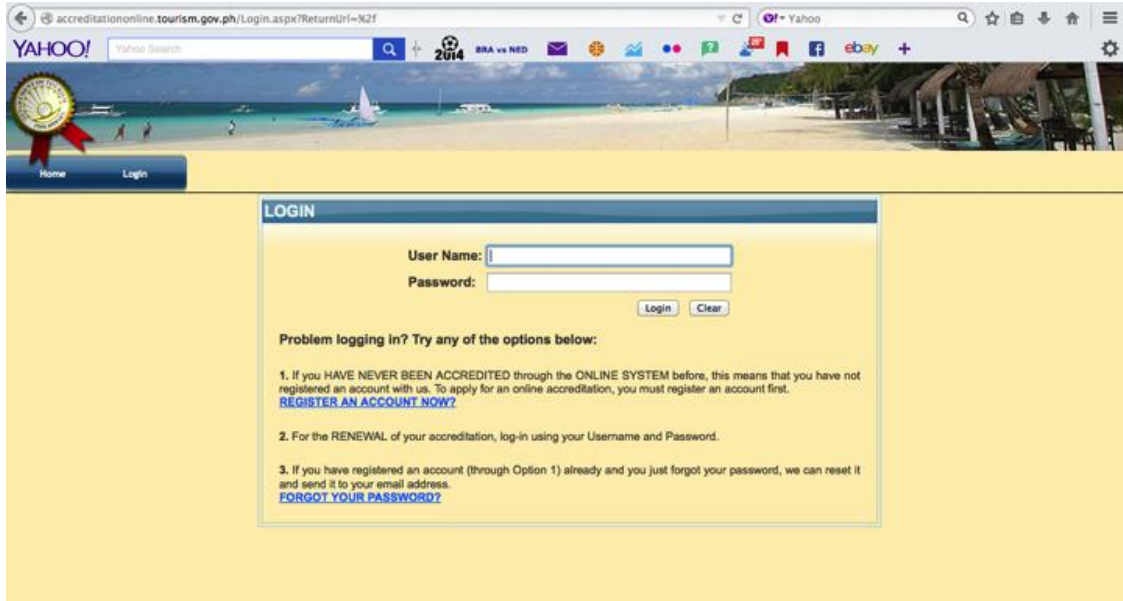
The Project, before its ending in December 2014, will relay its comments on the latest version of the JMC and will continue to push for its signing by the DOT and LGUs before year-end.

After the JMC has been signed, both the DILG and the DOT will need to undertake the following: (1) issue internal department orders on the content the JMC especially on the roles of both agencies on the implementation of the circular; and (2) formulate a communication plan addressed to primary tourism enterprises and cities and municipalities to disseminate the proposed new procedures.

ANNEXES

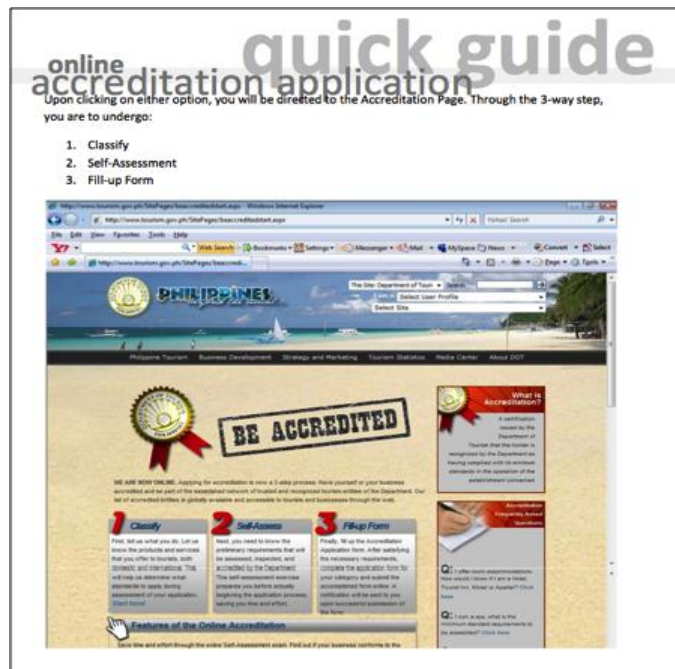
Annex 1. Online Registration for Accrediation through the DOT Website

A screen shot of the Login page to access the Online Registration for Tourism Accreditation:



Source: www.itsmorefuninthephilippines.com

Online Menu of Transactions: A Step-by-Step Guide



Source: www.itsmorefuninthephilippines.com

Annex 2. Process Mapping Table in Securing Tourism Permit

Step No	Name of Step	Sub-steps		Forms			Legal Basis	Documents		Signatory/ies	Automated? Y/N	Cost (Php)	Office	Location	Processing Time
		Sub Step/Task (per step)	Automated? Y/N	Type of form/s	Automated? Y/N	No. of Forms		Required Documents	Automated? Y/N						

Annex 3. Draft DOT-DILG Joint Memorandum Circular

**DRAFT/NOT FOR QUOTATION
V1;08.05.2014**

REPUBLIC OF THE PHILIPPINES

**Joint Memorandum Circular No. __, Series of 2014
XX _____ 2014**

TO: THE REGIONAL AND PROVINCIAL DIRECTORS OF THE DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT (DILG) AND THE DEPARTMENT OF TOURISM (DOT), MEMBERS OF THE SANGGUNIANG PANG LUNGSOD AND SANGGUNIANG BAYAN, AND LOCAL CHIEF EXECUTIVES OF ALL CITIES AND MUNICIPALITIES

SUBJECT: GUIDELINES FOR PROCESSING BUSINESS PERMIT APPLICATIONS OF TOURISM ENTERPRISES

1.0 Purpose

- 1.1 To clarify the procedures for processing business permits and licenses for tourism-related enterprises;
- 1.2 To identify the roles and responsibilities of the DILG, the DOT and the various cities and municipalities in the country in ensuring the implementation of the relevant provisions of Republic Act No. 9593, otherwise known as Tourism Act of 2009, related to the processing business permits and licenses for tourism enterprises.

2.0 Statement of Policies

- 2.1 Republic Act No. 9593, otherwise known as Tourism Act of 2009, mandates the Department of Tourism, a national government agency, to implement the accreditation of tourism businesses and monitor the LGUs' compliance to national standards in the licensing of tourism enterprises.
- 2.2 The Tourism Act, as part of its objectives, recognizes the role of LGUs in tourism development between urban and rural areas to address regional imbalances and provides for capability building of LGUs in the management of tourism projects in partnerships with stakeholders.
- 2.3 The DOT as part of its functions prescribed in the Tourism Act is mandated to "formulate and promulgate, in consultation with the LGUs, the private sector industries and other tourism stakeholders, rules and regulations governing the operation and activities of all tourism enterprises, including but not limited to a

national standard for licensing, accreditation and classification of tourism enterprises, prescribing therein minimum levels of operating quality and efficiency for their operation in accordance with recognized international standards, impose reasonable penalties for violation of accreditation policies and recommend to the LGUs concerned the suspension or prohibition of operation of a tourism enterprise.”

- 2.4 In the DOT, the Office of Tourism and Regulations is mandated by law to develop and enforce a comprehensive system of mandatory accreditation for primary tourism enterprises, and voluntary accreditation for secondary tourism enterprises, in accordance with prescribed guidelines and standards.

3.0 Definition of Terms

- 3.1 Tourism Enterprises (as defined by the Tourism Act) refers to facilities, services and attractions involved in tourism, such as, but not limited to: travel and tour services; tourist transport services, whether for land, sea or air transportation; tour guides; adventure sports services involving such sports as mountaineering, spelunking, scuba diving, and other sports activities of significant tourism potential; convention organizers; accommodation establishments, including, but not limited to, hotels, resorts, apartelles, tourist inns, motels, pension houses, and home stay operators; tourism estate management services, restaurants, shops and department stores, sports and recreational centers, spas, museums and galleries, theme parks, convention centers and zoos.
- 3.2 Accreditation - refers to the mandate of the Department of Tourism to classify and provide certificate of accreditation to a tourism establishment.
- 3.2 Business One-Stop-Shop (BOSS) - refers to an arrangement where a single common site or location is designated for all concerned agencies in the BPLS system to receive and process applications for business registration thru a streamlined system.
- 3.3 Primary Tourism Businesses - refers to tourism businesses that are required to be accredited by the Department of Tourism and, as defined by the Tourism Act, pertains to travel and tour services; land, sea and air transport services exclusively for tourist use; accommodation establishments; convention and exhibition organizers; tourism estate management services; and such other enterprises as may be identified by the Secretary, after due consultation with concerned sectors.
- 3.4 Secondary Tourism Businesses - refers to tourism businesses where DOT-accreditation is optional and is defined as all other tourism businesses not included in section 3.3 above.

4.0 Procedures for Processing Business Permits of Tourism Enterprises

4.1. Accreditation of Tourism Enterprises

4.1.1 Consistent with Section 14 of the Tourism Act, the DOT, through the Office of Tourism and Regulations, is mandated to accredit establishments engaged in tourism activities. While Section 39 of the Tourism Act allows the DOT to delegate the enforcement of the system of accreditation to LGUs that have adopted and successfully implemented their tourism development plans, such delegation has not been done and hence, local government units are not authorized to accredit tourism enterprises at this time.

4.1.2 Under the Tourism Act, the following types of business are classified as **Primary Tourism Enterprises** that are required to acquire DOT Accreditation Certificates:

1. Accommodation Establishments;
2. Travel and Tour Services;;
3. Tour Guides;
4. Tourism Estate Management Services;
5. Meetings, Incentive Travel, Convention and Exhibition Facilities;
6. Sports and Recreation Facilities; and
7. Tourist Transport Services (Land, Sea and Air).

4.1.3. The following are classified under the Tourism Act as **Secondary Tourism Enterprises** that have the option to be DOT-Accredited but are not mandated to get DOT accreditation:

1. Restaurants;
2. Specialty or Souvenir Shops and Department Stores;
3. Recreation centers and other facilities;
4. Health and Wellness Facilities;
5. Rest areas in gas station;
6. Agri-tourism farms and facilities; and
7. Tourism training centers and tourism trainers.

4.1.4. The DOT shall require the submission of the Mayor's permit as a requirement for accreditation. The following documents which are required by cities and municipalities for business registration shall no longer be submitted to the DOT by tourism enterprises for accreditation purposes: (1) proof of registration with the Securities and Exchange Commission for partnerships and corporations, the Department of Trade and Industry for single proprietorships and the Cooperative Development Authority for cooperatives; and (2) proof of membership with the Social Security System, the Philippine Health Insurance Corporation and the Philippine Home Development Mutual Corporation.

4.2. Procedures for Business Licensing of Tourism Enterprises

Cities and municipalities are enjoined to adhere to the following procedures in processing applications for business registration of tourism enterprises:

- 4.2.1 DOT accreditation shall not be included as a documentary requirement for new applications for a Mayor's Permit for tourism-related enterprises;
- 4.2.2 Only primary tourism enterprises as defined above shall be required to present DOT accreditation certificates during the renewal period in January of every year. However, for primary tourism enterprises whose applications for accreditation are still pending with the DOT, cities and municipalities can accept a certification from the DOT indicating that such tourism business enterprises are in the process of acquiring their Certificate of Accreditation.
- 4.2.3 Secondary tourism enterprises as defined above shall not be required to submit DOT accreditation certificates as a requirement for business registration.
- 4.2.4 Primary tourism enterprises which have been issued tourism advisories by the DOT for violating the terms of their accreditation shall be issued the necessary closure order by the LGU should the tourism enterprise fail to rectify its deficiencies despite being accorded a reasonable period to comply with the standards [DOT and DILG may wish to specify the period].

5.0 Roles and Responsibilities

5.1 Local Government Units (Cities and Municipalities)

- 5.1.1. The LGUs, represented by the Local Chief Executive/Mayor, shall coordinate with the regional offices of the DOT and the DILG in the implementation of the prescribed procedures for processing business permits of tourism enterprises.
- 5.1.2 The LGUs shall ensure that the legal requirements for the implementation of procedures (i.e. executive issuances and/or ordinances in partnership with the local councils) are set in place before the 2015 renewal.
- 5.1.3 Primary tourism enterprises, which have violated the terms of their accreditation, as determined by the DOT, shall be advised by the LGUs to settle their violations or be subjected to closure. LGUs shall provide the DOT with the list of primary tourism enterprises that have not been granted a Mayor's permit or have been closed due to failure to settle their violations of the accreditation requirements.

5.2. Department of Tourism

- 5.2.1 The Department, together with the DILG, shall be responsible for providing policy directions in the implementation of the revised procedures nationwide and shall issue the necessary department orders to its regional offices on their responsibilities for the implementation of this circular.
- 5.2.2 The Department, through their regional offices in coordination with the Office of Standards and Regulations, shall provide the concerned cities and municipalities with the list of primary tourism enterprises located in their area that failed to obtain or loses their accreditation every November, which the LGUs can use in determining the tourism enterprises that shall be granted a Mayor's permit to operate.
- 5.2.3 The Department shall also furnish concerned LGUs with tourism advisories pertaining to tourism enterprises found to have violated the terms of their accreditation so that the latter may take appropriate action in relation to an enterprise's licenses and permits to operate, following Section 39 of the Tourism Act.
- 5.2.4 The Department shall develop support and training programs to enhance the capability of LGUs to enforce the prescribed procedures/regulations in their respective jurisdictions.
- 5.2.5 The Department, together with the DILG, shall formulate and implement a communication plan for disseminating the above procedures for registering tourism enterprises to the public, especially to the tourism organizations, business groups nationwide.
- 5.2.6 The Department, in coordination with its regional offices and the Office of Standards and Regulations, shall report to DILG and the LGA the actions taken by LGUs with respect to the implementation of the above procedures.

5.3. Department of the Interior and Local Government

- 5.3.1 The Department, together with the DOT, shall be responsible for providing policy directions in the implementation of the revised procedures nationwide and shall issue the necessary department orders to its regional offices on their responsibilities for the implementation of this circular.
- 5.3.2 In line with its program to streamline business permits and licensing systems (BPLS) of cities and municipalities, the Department, through its regional offices and the Local Government Academy, shall ensure that the additional requirement of the DOT, following the Tourism Act, is implemented as efficiently as possible, with the intent of limiting the burden of the tourism enterprises.
- 5.3.3 The Department, together with the DILG, shall formulate and implement a communication plan for disseminating the above procedures for

registering tourism enterprises to the public, especially to the tourism organizations and business groups nationwide.

6.0 Enforcement Clause

This Joint Memorandum Circular shall enforce all the provisions of Republic Act No. 9593, otherwise known as Tourism Act of 2009, Republic Act 7160 or the Local Government Code of 1991 and Republic Act 9485 or Anti-Red Tape Act of 2007 and their Implementing Rules and Regulations.

7.0 Separability Clause

If any clause, sentence or provision of this Joint Memorandum Circular shall be invalid or unconstitutional, its remaining parts shall not be affected thereby.

8.0 Effectivity

This Joint Memorandum Circular shall take effect immediately.

MANUEL A. ROXAS II
Secretary
Department of the Interior and Local
Government

RAMON R. JIMENEZ, JR.
Secretary
Department of Tourism

Annex 4. Draft DOT-DILG Joint Memorandum Circular (DOT Version)

**DRAFT/NOT FOR QUOTATION
V2;09.20.2014
(BPLS Oversight Committee)**

REPUBLIC OF THE PHILIPPINES

**Joint Memorandum Circular No. __, Series of 2014
XX _____ 2014**

TO: THE REGIONAL DIRECTORS OF THE DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT (DILG) AND THE DEPARTMENT OF TOURISM (DOT), MEMBERS OF THE SANGGUNIANGPANGLUNGSOD AND SANGGUNIANG BAYAN, AND LOCAL CHIEF EXECUTIVES OF ALL CITIES AND MUNICIPALITIES

SUBJECT: GUIDELINES FOR PROCESSING BUSINESS PERMIT APPLICATIONS OF PRIMARY TOURISM ENTERPRISES

1.0 Purpose

- 1.3 To clarify the procedures for processing business permits and licenses for tourism-related enterprises;
- 1.4 To identify the roles and responsibilities of the DILG, the DOT and the Local Government Units (LGUs) in the country in ensuring the implementation of the relevant provisions of Republic Act No. 9593, otherwise known as Tourism Act of 2009, related to the processing business permits and licenses for tourism enterprises.

2.0 Statement of Policies

- 2.1 Republic Act No. 9593, otherwise known as Tourism Act of 2009, mandates the Department of Tourism, a national government agency, to implement the mandatory accreditation of primary tourism businesses and monitor the LGUs' compliance to national standards in the licensing of tourism enterprises;
- 2.2 The Tourism Act of 2009 expressly provided for the coordination and shared responsibilities between the DOT and LGUs, emphasizing the need to develop a national strategy for tourism development while giving due regard to the local autonomy. The DOT, DILG and LGUs shall integrate and coordinate local and national plans for tourism development;
- 2.3 The DOT as part of its functions prescribed in the Tourism Act is mandated to *"formulate and promulgate, in consultation with the LGUs, the private sector industries and other tourism stakeholders, rules and regulations governing the*

operation and activities of all tourism enterprises, including but not limited to a national standard for licensing, accreditation and classification of tourism enterprises, prescribing therein minimum levels of operating quality and efficiency for their operation in accordance with recognized international standards, impose reasonable penalties for violation of accreditation policies and recommend to the LGUs concerned the suspension or prohibition of operation of a tourism enterprise.”

- 2.4 The DOT, through the Office of Tourism Standards and Regulations (OTSR), is mandated by law to develop and enforce a comprehensive system of mandatory accreditation for primary tourism enterprises, in accordance with prescribed guidelines and standards.

3.0 Definition of Terms

- 3.1 Accreditation – shall refer to a certification issued by the DOT after a determination that the concerned tourism enterprise has complied with the minimum standards in the operation of tourism facilities and services.
- 3.2 Primary Tourism Enterprises (PTEs)– facilities and services that are directly related to tourism and which are required by law to secure a prior DOT-accreditation for its operation such as, accommodation establishments but not limited to, hotels, resorts, apartment hotels, tourist inns, motels, pension houses, homestay, ecolodges, condotels, serviced apartments, and bed and breakfast facilities; hotel and tourism estate management services; meetings, incentives, conventions and exhibition organizers and facilities (MICE facilities); sports and recreational facilities such as, but not limited to dive shops, amusement parks, adventure and ecotourism facilities and such enterprises as may be identified by the Secretary, after due consultation with concerned sectors.
- 3.5 Business One-Stop-Shop (BOSS) - refers to an arrangement where a single common site or location is designated for all concerned agencies in the BPLS system to receive and process applications for business registration thru a streamlined system.

4.0 Guidelines for the Accreditation and Processing of Business Permits and Licenses of Primary Tourism Enterprises (PTE)

4.1 Accreditation of Tourism Enterprises

- 4.1.1 Consistent with Section 14 of the Tourism Act of 2009, the DOT, through its Office of Tourism Standards and Regulations, is mandated to accredit establishments engaged in tourism activities.
- 4.1.2 Under the Tourism Act of 2009, the following types of business are classified as **Primary Tourism Enterprises** that are required to secure prior DOT-accreditation Certificates:

8. Accommodation Establishments:
 - Hotel
 - Resort
 - Apartment Hotel
 - Tourist Inn
 - Pension House
 - Motel
 - Bed and Breakfast
 - Ecolodge
 - Homestay

9. Travel and Tour Services:
 - Tourist Transport Services
 - Land Transport
 - Water Transport
 - Air Transport
 - Travel and Tour Agency/Operator
 - Tour Guides
 - Meetings, Incentives, Conventions and Exhibitions (MICE) Facilities and Organizers

10. Sports and Recreational Facilities/Operator
 - Dive shops
 - Surfing facilities
 - Adventure and ecotourism facilities
 - Amusement Parks/Theme Parks; and

11. Such other primary tourism enterprises as may be identified by the Secretary, after due consultation with concerned sectors.

4.1.4. The DOT shall require from PTEs the submission of the Certificate of DTI registration (for Single Proprietorship) or Certificate of Incorporation /SEC Registration (for Corporations and Partnerships); or Cooperative Development Authority (CDA) registration (for cooperatives) as a documentary requirement for DOT accreditation. Provided, however, that the following documents which are required for cities and municipalities for the issuance of a Mayor's Permit shall no longer be submitted to the DOT for accreditation purposes, to wit: (1) Barangay Clearance; (2) Sanitary Permit; and (3) Fire Safety Inspection Certificate.

4.2 Procedures for Business Licensing of Tourism Enterprises

LGUs are enjoined to adhere to the following procedures in processing applications for business registration of tourism enterprises:

4.2.5 DOT-accreditation shall be included as a mandatory documentary requirement for the applications for the renewal of the Mayor's Permit for primary tourism enterprises;

4.2.6 Primary tourism enterprise which have been issued a tourism advisory (Notice of Non-Compliance) by the DOT as a result of the violations/non-compliance of the terms and conditions of its accreditation shall be issued the necessary closure order by the LGU should the said tourism enterprise fail to rectify its deficiencies despite being accorded a reasonable period to comply with the DOT advisory.

5.0 DUTIES AND RESPONSIBILITIES OF GOVERNMENT AGENCIES

The LGUs (Cities and Municipalities) shall:

- a. Coordinate with the regional offices of the DOT in the implementation of the prescribed procedures for processing business permits of primary tourism enterprises;
- b. Ensure that the legal requirements for the implementation of procedures (i.e. executive issuances and/or ordinances in partnership with the local councils) are set in place before the 2016 renewal for the Mayor's permit;
- c. Upon recommendation of the DOT, advise primary tourism enterprises within their jurisdiction of the committed by the latter on the terms of their DOT accreditation and to rectify the same within the period provided for in the Tourism Advisory. Otherwise, non-compliant tourism enterprise shall be subjected to applicable fines/penalties. LGUs shall provide the DOT with the list of primary tourism enterprises that have not been granted a Mayor's permit or have been closed due to failure to settle their violations of the accreditation requirements;
- d. Require the DOT endorsement as a condition sine qua non for the issuance of the necessary building permit for new primary tourism enterprises and tourism development projects.

The DOT shall:

- a. Together with the DILG, shall be responsible for providing policy directions in the implementation of the revised procedures nationwide and shall issue the necessary department orders to its regional offices on their responsibilities for the implementation of this circular;
- b. Provide the LGUs with the list of accredited primary tourism enterprises located within their jurisdiction and those, which failed to secure, or loses their DOT accreditation, every fourth quarter of the year. The LGUs shall use the list provided for by the DOT in determining the primary tourism enterprises that shall be granted a Mayor's permit for its operation;
- c. Furnish the concerned LGUs with tourism advisories pertaining to primary tourism enterprises found to have violated the terms of their accreditation so that the latter may take appropriate action in securing the necessary licenses and permits for its operation, pursuant to Section 39 of the Tourism Act of 2009;

- d. Together with the DILG, shall formulate and implement a communication plan for disseminating the above procedures and processes for the accreditation of primary tourism enterprises to the stakeholders and the public, especially to the tourism organizations and business groups nationwide.

The DILG shall:

- a. Together with the DOT, be responsible for providing policy directions in the implementation of the revised procedures nationwide and shall issue the necessary department orders to its regional offices on their responsibilities on the implementation of this circular;
- b. Include in the prescribed criteria for the awarding of the Seal of Good Housekeeping to LGUs the proper observance of the latter of the guidelines and procedures on the issuance of Mayor's Permit to Primary Tourism Enterprises, as enjoined by this Circular;
- c. Ensure that the expressed provisions of Tourism Act of 2009 is implemented as efficiently as possible, in line with its objective to streamline business permits and licensing systems (BPLS) of cities and municipalities to ease the doing of business of the primary tourism enterprises.

6.0 Enforcement Clause

This Joint Memorandum Circular shall enforce all the provisions of Republic Act No. 9593, otherwise known as Tourism Act of 2009, Republic Act 7160 or the Local Government Code of 1991 and Republic Act 9485 or Anti-Red Tape Act of 2007 and their Implementing Rules and Regulations.

7.0 Transitory Clause

- 7.1 The implementation of the mandatory accreditation on primary tourism enterprises by the Department of Tourism, as herein provided for and pursuant to the expressed provision of Tourism Act of 2009, shall take effect on the 2016 renewal period for the Mayor's permit.
- 7.2 All primary tourism enterprises which failed to secure a DOT-accreditation for the preceding years shall be granted an "amnesty period" within which to file an application for the DOT Certificate of Registration to the concerned DOT Regional Office as a condition sine qua non for the renewal of their 2016 Mayor's Permit. All PTEs shall be given a reasonable period until June 30, 2015 to apply for DOT registration.

8.0 Separability Clause

If for any reason any provision of this Joint Memorandum Circular or any portion thereof or the application of such provision to any person or circumstance is declared invalid or unconstitutional, the remaining portion of this Circular shall not be affected.

9.0 Effectivity

This Joint Memorandum Circular shall take effect immediately after publication in a newspaper of general circulation or in the Official Gazette. Let three (3) copies hereof be filed with the Office of the National Administrative Register (ONAR), UP Law Center pursuant to Presidential Memorandum Circular No. 11, dated 09 October 1992.

MANUEL A. ROXAS II
Secretary
Department of the Interior and Local
Government

RAMON R. JIMENEZ, JR.
Secretary
Department of Tourism