

**MALACAÑANG**  
Manila

**BY THE PRESIDENT OF THE PHILIPPINES**

**EXECUTIVE ORDER NO. 592**

**IMPOSING THE MANDATORY PAYMENT OF CONTAINER SECURITY FEE IN  
THE IMPLEMENTATION OF THE NON-INTRUSIVE CONTAINER  
INSPECTION SYSTEM (NCIS) PROJECT OF THE BUREAU OF CUSTOMS  
AND CREATING A TRUST FUND FOR THE USE THEREOF**

**WHEREAS**, under Section 602 of the Tariff and Customs Code of the Philippines, as amended, the Bureau of Customs (BOC) is mandated to, among others, assess and collect lawful revenues from imported articles, prevent and suppress smuggling and other frauds against Customs, and exercise supervision and control over all import and export cargoes, landed or stored in piers, airports, terminal facilities, including container yards and freight stations, for the protection of government revenue;

**WHEREAS**, in the pursuit of trade facilitation and law enforcement, the BOC issued Customs Administrative Order (CAO) No. 1-2002 providing for the use of container x-ray machine as an alternative to actual physical examination to further speed up the examination of shipments and movement of cargoes;

**WHEREAS**, in line with such mandate, the BOC proposed to the National Economic and Development Authority (NEDA) Board, and the latter approved, the Non-Intrusive Container Inspection System (NCIS) Project, which is the most reliable means of container content identification while at the same time improving accuracy and correctness of assessment and collection of duties and taxes; abating smuggling and the illegal entry of drugs and hazardous materials; and improving the inflow and outflow of containers through the ports;

**WHEREAS**, the NCIS Project, as embodied in the Framework of Bilateral Agreement between the Republic of the Philippines and the People's Republic of China, provides for the acquisition by the BOC of its NCIS through the grant of a concessional loan by China and pursuant to a government-to-government (G-to-G) procurement arrangement;

**WHEREAS**, pursuant to the government-to-government (G-to-G) procurement arrangement, the BOC and Nucotech Co Ltd. of China, the company nominated by the Chinese government as being the only qualified supplier of the required container scanning machines, signed a purchase agreement for the procurement of the NCIS;



**WHEREAS**, the loan agreement between the BOC thru the Department of Finance and the Export-Import Bank of China, the bank nominated by the Chinese Government for the loan processing, was signed, thus, the purchase agreement entered into by and between the BOC and Nucotech Co. Ltd. has come into force and effect;

**WHEREAS**, to ensure the sustainability of the NCIS Project, the importers and/or exporters, being the direct beneficiaries, shall be charged a container security fee (CSF), for every importation/exportation that passes through any customhouse; and

**WHEREAS**, the CSF to be collected shall cover loan repayment, maintenance, operational costs and other related expenses.

**NOW, THEREFORE, I GLORIA MACAPAGAL-ARROYO**, President of the Republic of the Philippines, by virtue of the powers vested in me by law, do hereby order:

**Section 1. Scope.** - This Executive Order shall apply to all import and export cargoes, landed or stored in piers, airports, terminal facilities, including container yards and freight stations under the jurisdiction of the BOC.

**Section 2. Container Security Fee.** All shipments covered by this Executive Order shall be imposed the NEDA Board-approved mandatory container security fee (CSF) in Philippine currency equivalent to US\$50 for every forty-footer container or US\$25 for every twenty-footer container or twenty equivalent units (TEUs), provided that the Commissioner of Customs shall adjust the rates of the CSF in accordance with the schedule of fees as approved by the NEDA Board.

**Section 3. Utilization of the CSF.** The CSF shall be expended and utilized in the following manner :

- a. Seventy five percent (75%) shall be remitted to the National Treasury as part of the General Fund for the repayment of the concessional loan to China, including interest, fees and other charges attendant thereto.

After the completion of the concessional loan payment, the 75% allocation shall be deposited in a Trust Fund, hereinafter created, in addition to the 25% allocation.

- b. Twenty five percent (25%) shall be retained by the BOC and maintained as an administrative support system to be deposited in





a Trust Fund for the sustainability of the NCIS Project including but not limited to the following purposes:

- b.1 Maintenance and improvement of the operation of the NCIS, including the upgrading thereof;
- b.2 Institutionalization of post audit procedures and processes;
- b.3 Fraud and fraud-related investigations and prosecutions;
- b.4 Training and related programs to enhance the capability and competence of personnel tasked to operate and maintain the system;
- b.5 Other activities and programs to enhance the effectiveness and efficiency of the system as the BOC may deem to be appropriate.

**Section 4. Creation of a Trust Fund.** A NCISP Trust Fund is hereby created and established which shall be sourced from the twenty five percent (25%) portion of the CSF collected as stated in Section 3, paragraph b of this Executive Order. A permanent committee created under Section 45, Chapter 5, Book VI of Executive Order No. 292, otherwise known as the Administrative Code of 1987, shall monitor and evaluate the activities and the balances of the Trust Fund.

**Section 5.** Failure to follow the directives of this Executive Order shall subject concerned officials to administrative sanctions pursuant to existing laws, rules and regulations.

**Section 6.** This Executive Order shall take effect immediately upon its publication in a national newspaper of general circulation.

DONE in the City of Manila, this 15<sup>th</sup> day of December, in the year of Our Lord, Two Thousand and Six.

*Gloria M. Arroyo*



By the President:

*Eduardo R. Ermita*

**EDUARDO R. ERMITA**  
Executive Secretary



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