

THIRTEENTH CONGRESS OF THE REPUBLIC  
OF THE PHILIPPINES  
First Regular Session

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SENATE

S. No. 469

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Introduced by Senator S. R. Osmeña III

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EXPLANATORY NOTE

This measure seeks to create the Quezon Canal Zone Authority which will oversee the construction, operation, and administration of the Quezon Canal.

The Quezon Canal stretching from the municipality of Atimonan on one end of Quezon Province to the Municipality of Unisan on the other end will shorten the travel time of sea-faring vessels and stimulate local shipping activity in the Southern Luzon area as well as the Bicol and Central Visayas regions.

In order to facilitate the development of the Quezon Canal Zone, the Authority shall

- a) acquire, own, lease, construct, reconstruct, repair, equip, maintain, administer and operate the canal, and related infrastructures and support facilities; and
- b) accept equity contributions from private landowners in the canal zone, up to seventy percent (70%) to eighty percent (80%) of their current market values which shall be in the form of preferred shares of stock

One of the vital roles of government is to provide public goods that will stimulate private sector economic activity. For the local economy of the Quezon province, the Quezon Canal is a key public good which will open windows of opportunities for the burgeoning of private sector enterprises.

In view of the foregoing, early passage of this bill is earnestly requested.

  
SERGIO OSMEÑA III  
Senator

THIRTEENTH CONGRESS OF THE REPUBLIC  
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OFFICE OF THE SECRETARY

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AN ACT  
CREATING THE QUEZON CANAL ZONE AUTHORITY, DEFINING ITS  
POWERS AND FUNCTIONS, AND OTHER PURPOSES

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

1       SECTION 1. *Creation of the Quezon Canal Zone Authority.* – There is  
2 hereby created a public corporation to be known as the “Quezon Canal Zone  
3 Authority”; hereinafter referred to as the Authority. The functions of the Authority  
4 are hereby declared to be governmental.

5       SEC. 2. *Territorial Jurisdiction.* - The territorial jurisdiction of the  
6 Authority shall cover an area approximately five (5) kilometers wide, twenty (20)  
7 kilometers long, including the rivers and waterways from the Municipality of  
8 Atimonan to the Municipality of Unisan, across the narrow isthmus of the  
9 Province of Quezon. However, the Congress of the Philippines, upon  
10 recommendation of the Authority, may extend, reduce, alter or vary the territorial  
11 limits of the Authority, may extend, reduce, alter or vary the territorial limits of the  
12 Authority if such amendments are necessary or will contribute to the attainment  
13 of its objectives.

14       SEC. 3. *Principal Office.* – The principal office of the Authority shall be in  
15 the Canal Zone. It may establish branches and agencies within the Philippines as  
16 may necessary for the proper conduct of its business.

17       SEC. 4. *Purposes and Specific Powers.* – The purposes and specific  
18 powers of the Authority are:

1           a.     To acquire, own, lease, construct, reconstruct, repair, equip,  
2 maintain, administer and operate the canal, wharves, docks, piers, quays, and  
3 the approaches to and appurtenances thereof, terminals, warehouse,  
4 refrigeration storage plants, equipment and other structures or facilities  
5 necessary or useful in aid of commerce and in the transportation and storage of  
6 goods, wares and merchandise in the Authority, including land reclamation and  
7 the improvement, development, deepening and dredging of the harbours,  
8 waterways, causeways, and fairways therein and all approaches thereto;

9           b.     To grant the use of or to rent. Lease or let, for consideration, all  
10 such port facilities, including stevedoring and port terminal services, or any  
11 concession properly incident thereto or in connection with the receipt, delivery,  
12 shipment and transfer in transit, weighing, marking, tagging, ventilating,  
13 fumigating, refrigerating, icing, storing, and handling of goods, wares and  
14 merchandise including embarking and disembarking of passengers and their  
15 baggage's to any person, association or corporation under such terms and  
16 conditions it may deem proper, after public bidding;

17          c.     To assess and collect harbour, tonnage, wharfage, berthing and  
18 storage charges and fees, fix and collect the rentals for the lease, occupancy or  
19 use of buildings, structures, warehouses, lands and other properties of the  
20 Authority, fix the fees for the issuance of permits and the rendering of other  
21 services not enumerated herein: *Provided*, That until the Authority has fixed  
22 otherwise, the rates of harbour, tonnage, wharfage, berthing and storage charges  
23 or fees as now provided by law shall be followed and enforced;

24          d.     When essential to the proper administration of its corporate affairs  
25 or when necessary for the proper transaction of its business, or for carrying out  
26 the purposes of this Act and of said Authority, to contract indebtedness and issue  
27 bonds, subject to the conditions set forth in Section 19: *Provided*, however, That  
28 the outstanding indebtedness of the Authority shall not exceed forty percent  
29 (40%) of the total assets of the Authority and at all times to be guided by  
30 principles of sound management;

1 e. Subject to the general jurisdiction of the local government unit  
2 concerned, to exercise police authority within the area under its control and  
3 jurisdiction as provided in Section 2;

4 f. To create and operate, and/or contract to operate such agencies,  
5 functional units, offices and departments of the Authority as may be deemed  
6 necessary or useful for the furtherance of any of the purposes of this Act;

7 g. To appoint and employ such officers and employees as may be  
8 necessary to carry out the purposes of the Authority, to prescribe their duties and  
9 fix their compensation.

10 SEC. 5. *General Powers.* – The Authority shall have the following  
11 general powers:

12 a. To adopt, alter, and use a corporate seal which shall be judicially  
13 noticed; make contracts, lease, own or otherwise dispose of personal and real  
14 property; sue and be sued; and otherwise do and perform any and all things that  
15 may be necessary or proper to carry out the purposes of the Authority;

16 b. To do all such other things and to transact all such business directly  
17 or indirectly necessary, incidental or conducive to the attainment of the purposes  
18 of the Authority; and

19 c. In general, to exercise all the powers of a corporation under the  
20 Corporation Code insofar as they are no inconsistent with the provisions of this  
21 Act.

22 SEC. 6. *Capitalization.* – The authorized capital of the Authority shall  
23 consist of:

24 (a) Fixed assets of the ports presently covered in Section 2 ;

25 (b) Ten percent (10%) of the unappropriated surplus of the Portworks  
26 Special Fund as of the end of December 31, 1998.

27 © All public lands within the Canal Zone which shall be valued at  
28 market costs (values) and transferred to the Authority and such other  
29 appropriation that may be approved by the President of the Philippines. The  
30 capital and assets of the Authority shall be available for the general debts of the  
31 National Government.

1           (d)    The Authority shall accept equity contributions from private  
2   landowners in the Canal Zone, up to seventy percent (70%) to eighty percent  
3   (80%) of their current market values, which shall be in the form of preferred  
4   shares of stock.

5           SEC. 7. *Governing Body; Appointment and Removal.* – The corporate  
6   powers of the Authority shall be vested in, and exercised by, a Board of  
7   Directors, hereinafter referred to as the "Board," composed of fifteen (15)  
8   members:

9           (a)    The Secretary of Finance, or his nominee, who shall serve in  
10   alternate terms of two (2) years each with the Director-General of the National  
11   Development Authority or his nominee;

12           After the first term of two (2) years, the Secretary of Finance shall be  
13   replaced by the Director-General of the National Development Authority who  
14   shall serve for the next two (2) years, after which the Secretary of Finance shall  
15   serve in the Boar again for two (2) years, and so on.

16           (b)    The Secretary of Public Works, or his nominee, who shall serve in  
17   alternate terms of two (2) years each with the Secretary of Transportation and  
18   Communications, or his nominee, to follow the same schedule as in (a) above;

19           (c)    The Secretary of Natural Resources, or his nominee, who shall  
20   serve in alternate terms of two (2) years each with the Secretary of Trade and  
21   Industry, or his nominee, to follow the same schedule as in (a) above;

22           (d)    The Secretary of National Defense, or his nominee, to come,  
23   alternately, from the Philippine Navy and the Coast Guard, who shall serve for a  
24   term of three (3) years;

25           (e)    The Chairman of the Regional Development Council of Region IV  
26   who shall serve for a term of three (3) years;

27           (f)    The Governor, Province of Quezon, who shall serve for a term of  
28   three (3) years;

29           (g)    The Representative, Third Congressional District of Quezon, who  
30   shall serve for a term of three (3) years;

(h) The Representative, Fourth Congressional District of Quezon, who shall serve for a term of three (3) years;

(i) The Mayor, Municipality of Atimonan, who shall serve for a term of three (3) years;

(j) The Mayor, Municipality of Unisan, who shall serve for a term of three (3) years;

(k) The Administrator of the Authority, who shall act as the Vice-Chairman, and shall serve in a concurrent capacity during his term as Administrator;

(l) The Director for Public Affairs of the Authority who shall serve as member of the Board during his term as Director for Public Affairs;

(m) An individual from the private sector, to represent the shipping industry, who shall serve for a term of two (2) years;

(n) An individual from the private sector, to represent the shipping industry, who shall serve for a term of two (2) years;

(o) An individual from the private sector, to represent the environmental concern group, who shall serve for a term of two (2) years;

The members of the Board shall be appointed by the President of the Philippines, with their terms of office as designated in their appointments: *Provided*, That any person chosen to fill a vacancy shall serve only for the unexpired term of the director whom he succeeds. Directors may be suspended or removed for cause by the President of the Philippines.

SEC. 8. *Chairman of the Board.* – The Directors shall annually elect a Chairman from among themselves.

SEC. 9. *Meetings and Quorum.* – The Board shall hold one regular meeting monthly and such special meetings provided for in the by-laws. Eight (8) members of the Board shall constitute a quorum and the vote of eight (8) members shall be necessary for the adoption of any rule, resolution or decision or any other act of the Board.

SEC. 10. *Per Diems and Allowances.* – The Chairman and members of the Board shall receive a *per diem* of Eight hundred pesos (P800.00) and Five

1 hundred pesos (P500.00), respectively, exclusive of travelling expenses, for each  
2 day of meeting actually attended by them: *Provided*, That in no case shall the  
3 total *per diem* exceed Eight thousand pesos (P8,000.00) for the Chairman and  
4 Five thousand pesos (P5,000.00) for each director per month.

5 SEC. 11. *Prohibition for Directors.* – No director shall, at the same time,  
6 be employed by the Authority in any capacity whatsoever, except as may be  
7 authorized by the President of the Philippines. Whenever any director has a  
8 personal or business interest in the discussion or resolution of any matter, or any  
9 of his relatives within the third degree of consanguinity or second degree of  
10 affinity has such interest, such director shall abstain himself in the discussion or  
11 resolution of the matter and must retire from the meeting during the deliberation.  
12 The withdrawal of such director shall be noted in the minutes of the meeting.

13 SEC. 12. *Powers and Duties of the Board.* – The Board shall have the  
14 following powers and duties:

15 (a) To promulgate policies and to prescribe, amend and repeal the by-  
16 laws, rules and regulations governing the manner in which the general business  
17 of the Authority may be exercised;

18 (b) To approve the annual and such supplemental budgets which may  
19 be submitted to it by the Administrator; *Provided*, That any request for  
20 appropriation shall be submitted to the President, in the form and manner  
21 prescribed by the Department of Budget and Management, including such  
22 explanation and data as may be required to justify the appropriation;

23 (c) To render annual report to the President and such special reports  
24 as may be requested;

25 (d) To appoint, on recommendation of the Administrator, the  
26 department heads as established in the organization of the Authority; and

27 (e) To adopt rules and procedures and fix the time and place for  
28 holding meetings.

29 SEC. 13. *Administrator of the Authority.* – The Chief Executive Officer of  
30 the Authority shall be an Administrator, to be appointed by the President of the

1 Philippines. The Administrator shall serve as Vice Chairman of the Board of  
2 Directors in a concurrent capacity.

3 The Administrator shall receive an annual salary and representation  
4 allowances exclusive of travelling expenses, to be determined by the Board. He  
5 shall not receive additional compensation as Vice Chairman of the Board.

6 SEC. 14. *Powers and Duties of the Administrator.* – The Administrator  
7 shall have the following powers and duties;

8 (a) To implement, enforce and apply the policies, programs, guidelines,  
9 procedures, decisions, rules and regulations promulgated, prescribed, issued or  
10 adopted by the Authority;

11 (b) To direct and manage the affairs and business of the Authority in  
12 the spirit and intent of this Act and in pursuance of the policies of the Board;

13 (c) To submit within ten (10) days after the close of each fiscal year, an  
14 annual report to the Board and such other reports as may be required;

15 (d) To submit an annual budget and necessary supplemental budgets  
16 to the Board for its approval;

17 (e) To appoint, promote, remove, suspend, or otherwise discipline for  
18 cause the officers and employees of the Authority, subject to such rules as may  
19 be promulgated by the Board;

20 (f) To establish an internal organization of the Authority under such  
21 conditions that the Board may prescribe: Provided, That any major  
22 reorganization shall be subject to the approval of the Board;

23 (g) To delegate his authority, under such conditions as the Board may  
24 prescribe;

25 (h) To sign contracts, to approve expenditures and payments within the  
26 budget provisions, and generally to do any and all acts or things for the proper  
27 operation of the Authority; and

28 (i) To perform such other duties as may be assigned to him by the  
29 Board.

30 SEC. 15. *Management and Staff.* – The Administrator shall, subject to  
31 the approval of the Board, determine the staffing pattern and the number of

1 personnel in the Authority, define their duties and responsibilities, and subject to  
2 confirmation by the Board, fix their salaries and emoluments. For professional  
3 and technical positions, the Administrator shall recommend salaries and  
4 emoluments that are comparable to those of similar positions in other  
5 government-owned or controlled corporations, the provisions of existing rules  
6 and regulations on wage and position classification notwithstanding.

7 All other officials and employees of the Authority shall be selected and  
8 appointed on the basis of merit and fitness based on a comprehensive and  
9 progressive merit system to be established by the Authority immediately upon its  
10 organization and consistent with Civil Service rules and regulations: *Provided,*  
11 *however,* That all professional and technical positions shall be considered policy  
12 determining, primarily confidential and highly technical in nature. The recruitment,  
13 transfer, promotion and dismissal of all personnel of the Authority, including  
14 temporary workers, shall be governed by such merit system.

15 The Administrator shall, subject to approval by the Board, appoint and  
16 remove personnel below the rank of department heads.

17 SEC. 16. *Exemption from Civil Service Law and Wage and Classification*  
18 *Office.* – Officers and employees of the Authority shall not be subject to Civil  
19 Service laws and wage and position classification and other rules and regulations  
20 in relation thereto.

21 SEC. 17. *Internal Audit.* – Internal auditing of the Authority's accounts  
22 and transactions shall be the sole responsibility of the authority.

23 SEC. 18. *Audit of Funds.* – No funds of the Authority shall be used to pay  
24 for the salaries or expenses of the Commission on Audit in excess of one-third of  
25 the total accounting costs of the Authority. Any audit by the Commission on Audit  
26 shall be entitled to disburse its funds without prior approval from the Chairman of  
27 the Commission on Audit. The results of such audit shall be transmitted to the  
28 Board.

29 SEC. 19. *Power to Issue Bonds or Incur Indebtedness.* –

30 (a). Domestic Indebtedness – Whenever the Board deems it advisable  
31 and necessary for the Authority to issue bonds to carry out approved capital

1 investment projects, it shall, by resolution, so manifest and declare, stating the  
2 purpose for which the loan or issue is to be applied and citing the project study  
3 devised for the purpose. In order for such resolution to be valid, it shall be  
4 passed by the affirmative vote of at least eight (8) members of the Board and  
5 approved by the President upon the recommendation of the Secretary of  
6 Finance, after consultation with the Monetary Board.

7 The Secretary of Finance, in consultation with the Monetary Board, shall  
8 prescribe the form, the rate of interest, the denominations, securities,  
9 negotiability, convertibility, call and redemption and payment of all bonds issued  
10 under the Authority of this Act.

11 The bonds issued under the authority of this Section may be made  
12 payable both as to the principal and interest, in Philippine currency or on readily  
13 convertible foreign currency.

14 Nothing in this Section shall be interpreted to mean that the Secretary of  
15 Finance, in the redemption of securities, is prevented from applying the lottery  
16 principle by which bonds drawn by lot, may be redeemed before maturity either  
17 at their face value or above. The Republic of the Philippines hereby guarantees  
18 the payment by the Authority of both the principal and the interest of the bonds  
19 issued by the Authority by virtue of this subsection, and shall pay such principal  
20 and interest in case the Authority fails to do so; and there are hereby  
21 appropriated, out of the general funds of the Philippine Treasury not otherwise  
22 appropriated, the sums necessary to make the payments guaranteed by this sub-  
23 section: *Provided*, That the sum so paid by the Republic of the Philippines shall  
24 be refunded by the Authority.

25 (b) Foreign Loans – The Authority is being authorized to contract  
26 loans, credits and indebtedness from foreign governments, foreign financial  
27 institutions, and other international organizations or fund sources, from time to  
28 time, upon such terms and conditions as may be agreed, for the accomplishment  
29 of its purposes, the total principal amount of which outstanding at any time,  
30 exclusive of interest and other charges, shall not exceed forty percent (40%) of

1 its total assets, United States dollars or its equivalent in other foreign currencies  
2 at the time the loans, credits and indebtedness are incurred.

3 The President of the Philippines, by himself or through any representative  
4 duly designated by him in writing, is hereby authorized to guarantee, absolutely  
5 and unconditionally as primary obligor and not as surety merely, in the name and  
6 on behalf of the Republic of the Philippines, the payment of the loans, credits,  
7 indebtedness herein authorized, as well as the performance of any or all of the  
8 obligations undertaken by the Authority pursuant to any agreement entered into  
9 in connection therewith on such terms and conditions as he shall deem proper  
10 and reasonable.

11 In the negotiation and contracting of any loan, credit or indebtedness  
12 under this subsection, the President of the Philippines may, when made a  
13 condition to the granting of such loans, credits or indebtedness, agree to waive  
14 the application of any law granting preferences or imposing restrictions on  
15 international competitive bidding, including among others, Act No. 423,  
16 Commonwealth Act No. 138, Commonwealth Act No. 541, and Republic Act No.  
17 5183: *Provided*, however, That is every case where competitive bidding is agreed  
18 upon in the purchase of machineries, equipment, materials and supplies  
19 produced, processed or manufactured in the Philippines, at such rate and in such  
20 manner as may be agreed upon from time to time with the institution providing  
21 financing for the project.

22 (c) The bonds issued under subsection (a) as well as loans, credits  
23 and indebtedness contracted under subsection (b) of this Section, and the  
24 payment of the principal, interest and other charges thereon, as well as the  
25 importation of machinery, equipment, materials and supplies by the Authority,  
26 paid from the proceeds of any loan, credit or indebtedness incurred under this  
27 Act, shall be exempt from all taxes, fees, imposts and other charges and  
28 restrictions, including import restrictions, by the Republic of the Philippines or any  
29 of its agencies and political subdivision. Said bonds shall be receivable as  
30 security in any transaction with the Government, its subdivisions, agencies and  
31 instrumentalities, in which such security is required.

1        SEC. 20. *Eminent Domain.* – For the acquisition of rights of way and  
2        property for the construction of the Canal, wharves, piers, docks, quays,  
3        warehouses and other terminal facilities, structures and approaches thereto, the  
4        Authority shall have the right and power to acquire the same by purchase by  
5        negotiation, or by condemnation proceedings. Should the Authority elect to  
6        exercise the right of eminent domain, condemnation proceedings shall be  
7        maintained by and in the name of the Authority and it may proceed in the manner  
8        provided by law.

9        SEC. 21. *Transfer of Personnel, Records, Functions, Rights, Assets and*  
10       *Liabilities.* – All books, records, and documents which appertain to the ports  
11       administration in the Canal Zone and all personnel assigned to the sub-port  
12       within the Canal Zone are hereby transferred to the Authority, subject to the  
13       organization that may be effected.

14       The priority use of all lands and of all facilities owned by the National  
15       Government, its agencies and instrumentalities, including those owned by semi-  
16       government offices or leased to foreign governments within the sub-port district  
17       are hereby transferred to the Authority: *Provided*, however, That the Board shall,  
18       as soon as constituted, make an inventory of all such facilities and identify those  
19       facilities which were constructed and financed wholly or partly from general funds  
20       and bond funds of the National Government, as distinguished from those  
21       financed wholly by the Portworks Special Funds, indicating therein the physical  
22       condition and relative book value thereof.

23       Upon such inventory, all properties and facilities generated, by financing  
24       wholly out of the Portworks Special Funds shall be transferred to the Authority  
25       without reimbursement to the original agencies having control over them; and for  
26       all the properties and facilities that were financed partly or wholly from the  
27       general fund or bond fund of the Government, the Authority, by virtue of this  
28       Section, may secure transfer of ownership thereof by providing a systematic  
29       schedule or repayment of the corresponding share of the general fund or bond  
30       fund invested therein, including interests in the case of the latter.

1       The Authority shall, upon consultation with the department head  
2       concerned, reserve and make available within the port district such area or areas  
3       necessary for the proper operation of the Bureau of Customs, Quarantine,  
4       Immigration or any of the national, city or municipal government agency which,  
5       by reason of the nature of its duties and functions, require the establishment and  
6       operation of such office.

7       All appropriations for the Authority and ten percent (10%) of the surplus of  
8       the Portworks Special Funds are hereby transferred to the Authority, which shall  
9       administer the same effective upon the date of constitution of the Board of  
10      Directors. All income or revenue accruing heretofore to the Portworks Special  
11      Funds collected by the Authority shall first accrue to the Authority to defray the  
12      following expenses: (1) Cost of port administration, operation, maintenance,  
13      repair work and dredging; (2) Payment of interest on, and in the redemption of  
14      previous construction loans on properties or facilities transferred to the Authority  
15      pursuant to this Section; (3) Purchase of new equipment; and (4) Costs of  
16      approved new construction work as detailed in the Authority's annual budget:  
17      *Provided, That any balance thereof shall be turned over to the Portworks Special*  
18      Funds.

19      SEC. 22. *Repealing Clause.* – All laws, decrees, orders, proclamation,  
20      and rules and regulations or parts thereof which are inconsistent with any of the  
21      provisions of this Act are hereby repealed or modified accordingly.

22      SEC. 23. *Effectivity.* – This Act take effect fifteen (15) days from its  
23      publication in two (2) newspapers of general circulation.

Approved,