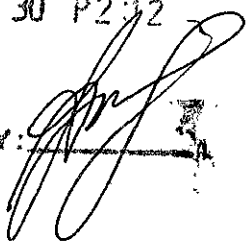


FOURTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

7 JUN 30 P2:12

SENATE
S.B. No. 127

RECEIVED BY: 

Introduced by SENATOR JUAN PONCE ENRILE

EXPLANATORY NOTE

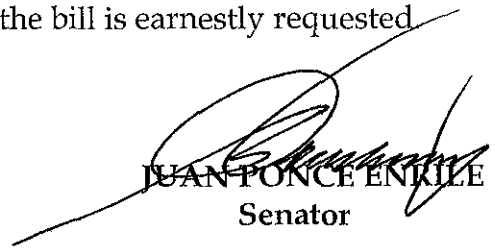
The Province of Northern Samar is abundant in agricultural land and natural resources which have remained untapped and underdeveloped. The province also hosts a total population of 500,639, a huge portion of which may be educated, trained and equipped to serve and become agents of any development effort of the government.

Presently, the government endeavors to stimulate economic development in various regions in the country. By creating industrial centers and establishing special economic zones in the rural and underdeveloped areas such as Northern Samar, the government hopes to encourage investors and spur activities that will generate employment and enhance productivity that will essentially redound to the benefit of not only the residents within these areas, but also of nearby provinces and regions as well.

This proposed bill, therefore, proposes to create a special economic zone and free port in the province of Northern Samar, covering the municipalities of San Jose, Bobon and Catarman. The location of the proposed special economic zone is ideal as the Port of San Jose can be further developed into an international port which will serve the needs of the entire coastline of Samar.

Furthermore, the bill seeks to create the Northern Samar Special Economic Zone Authority which will facilitate the development of the economic zone into a self-sustaining industrial, commercial, financial and investment center and free port. In encouraging and attracting investments into the province, the economic zone will hopefully serve as the main engine of growth in one of the most depressed parts of the country.

In view of the foregoing, approval of the bill is earnestly requested


JUAN PONCE ENRILE
Senator

FOURTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

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SENATE

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S.B. No. 127

Introduced by Senator Juan Ponce Enrile

AN ACT
ESTABLISHING A SPECIAL ECONOMIC ZONE AND FREE PORT IN THE
PROVINCE OF NORTHERN SAMAR, COVERING THE MUNICIPALITIES OF
SAN JOSE, BOBON AND CATARMAN, PROVIDING FUNDS THEREFOR, AND
FOR OTHER PURPOSES

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

1 **SECTION 1. *Short Title.*** - This act shall be known as the "*Northern Samar*
2 *Special Economic Zone Act of 2007*".

3
4 **SEC. 2. *Declaration of Policy.*** - It is hereby declared the policy of the
5 government to actively encourage, promote, and accelerate a sound and balanced
6 industrial, economic and social development of the country in order to provide jobs to
7 the people especially those in the rural areas, increase their productivity and their
8 individual and family income, and thereby improve the level and quality of their living
9 conditions. Towards this end, the government shall pursue the establishment, among
10 others, of special economic zones and free ports in suitable and strategic locations in the
11 country and other measures that shall effectively attract legitimate and productive
12 foreign investments.

13
14 **SEC. 3. *The Northern Samar Special Economic Zone and Free Port.*** - In
15 accordance with the foregoing policy, there is hereby established a special economic

1 zone and free port, to be known as the Northern Samar Special Economic Zone,
2 hereafter known as the Ecozone, which shall cover the entire area embraced by the
3 Municipalities of San Jose, Bobon and Catarman, all in the Province of Northern Samar:
4 *Provided, however,* That the free port shall be confined to the Municipality of San Jose
5 and such nearby areas the President may proclaim when the need for it arises.

6
7 **SEC. 4. *Governing Principles.*** - The Northern Samar Ecozone Zone and Free
8 Port shall be managed and operated under the following principles:

9
10 (a) Under the framework and limitations of the Constitution and the applicable
11 provisions of the Local Government Code, the Zone shall be developed into and
12 operated as a self-sustaining industrial, commercial, financial, investment and
13 tourism/recreational center and free port with suitable retirement/residential
14 areas, in order to create employment opportunities in and around the Zone, and
15 to effectively encourage and attract legitimate and productive foreign investment
16 therein;

17
18 (b) Business establishments operating within the Zone shall be entitled to the
19 existing fiscal incentives as provided for under Presidential Decree No. 66, the
20 law creating the Export Processing Zone Authority (EPZA), or those provided
21 under Book VI of Executive Order No. 226, otherwise known as the *Omnibus*
22 *Investments Code of 1987*;

23
24 (c) Any provision of existing law, rules or regulations to the contrary
25 notwithstanding, no taxes, local and national, including final withholding taxes
26 on dividends and branch profit remittances to a business establishment's mother
27 company, shall be imposed on business establishment's mother company, shall

1 be imposed on business establishments operating within the Zone. In lieu of all
2 local and national taxes, said business establishments shall pay to the national
3 government a final tax of eight percent (8%) of their net income, to be divided as
4 follows:

5 (1) Three per centum (3%) shall accrue to the general fund of the national
6 government;

7 (2) Two per centum (2%) to the province of Northern Samar;

8 (3) One per centum (1%) to be shared by the municipalities affected by the
9 declaration of the Zone, in proportion to their income from business
10 activities within the Zone; and

11 (4) Two per centum (2%) to the Northern Samar Economic Zone
12 Authority which shall be created under this Act: *Provided, however,*
13 *that the final tax of eight percent (8%) of net income may be increased*
14 *by the President of the Philippines after ten (10) years from the*
15 *effectivity of this Act upon the recommendation of the Secretaries of*
16 *Finance, and Trade and Industry, the Director General of the National*
17 *Economic Development Authority, and the Administrator of the*
18 *Northern Samar Economic Zone Authority; Provided, further, that in*
19 *no case shall the final tax to be imposed exceed fifteen per cent (15%)*
20 *of net income.*

21 In case of conflict between local and national tax laws on the one hand, and the
22 tax incentives herein granted on the other, the same shall be resolved in favor of
23 the latter.

24
25 (d) Existing banking laws and *Bangko Sentral ng Pilipinas* (BSP) rules and
26 regulations shall apply on foreign exchange and other current account
27 transactions (trade and non-trade), local and foreign banks, foreign investments,

1 establishment and operation of local and foreign banks, foreign currency deposit
2 units, offshore banking units and other financial institutions under the
3 supervision of the BSP: *Provided, however,* that the Northern Samar Economic
4 Zone Authority may, in coordination with the *Bangko Sentral ng Pilipinas* and the
5 Department of Trade and Industry, adopt, more liberal rules to attract offshore
6 banking, financial services or trading institutions to operate in the Zone:
7 *Provided, further,* That such rules, if adopted, will be deemed to repeal, modify or
8 amend existing legislation on offshore banking, financial, financial services or
9 trading institutions insofar as the Zone is concerned;

10
11 (e) Any foreign investor who establishes a business enterprise within the Zone and
12 who maintains capital investment of not less than One Hundred Fifty Thousand
13 United States Dollar (US\$150,000.00) shall be granted, along with his or her
14 spouse, dependents, and unmarried children below twenty-one (21) years of age,
15 a permanent resident status within the Zone. The responsibility and authority to
16 grant such permanent residents status is hereby delegated to the Northern Samar
17 Economic Zone Authority.

18
19 Such foreign investor and his or her spouse, dependents, and unmarried
20 children below the age of twenty-one (21) years, shall have the freedom of
21 ingress and egress to and from the Zone without need of any special
22 authorization from the Bureau of Immigration.

23
24 Likewise, the Northern Samar Economic Zone Authority shall issue
25 working visas renewable every two (2) years to foreign executives and foreign
26 technicians with highly specialized skills which no Filipino possesses, as certified
27 by the Department of Labor and Employment.

1 The names of foreigners granted permanent resident status and working
2 visas by the Northern Samar Economic Zone Authority shall be reported to the
3 Bureau of Immigration within thirty (30) days from such grant.

4
5 The foregoing is without prejudice to a foreigner acquiring permanent
6 resident status in the Philippines in accordance with applicable immigration,
7 retirement and other related laws; and,

8
9 (f) Except as otherwise provided herein, the local government units totally or
10 partially embraced by the Zone shall retain and maintain their basic autonomy
11 and identity. The municipalities of San Jose, Bobon and Catarman shall operate
12 and function in accordance with Republic Act No. 7160, otherwise known as the
13 Local Government Code of 1991, insofar as the areas within their respective
14 jurisdiction covered in this Act are concerned.

15
16 **SEC. 5. *Creation of the Northern Samar Economic Zone Authority.*** - A body
17 corporate to be known as the Northern Samar Economic Zone Authority, hereafter
18 referred to as the NSEZA, is hereby created to manage and operate, in accordance with
19 the provisions of this Act, the Northern Samar Special Economic Zone and Free Port.
20 This corporate franchise shall expire in fifty (50) years from the first day of the fifty (5th)
21 calendar year after the effectivity of this Act, unless otherwise extended by Congress.

22
23 **SEC. 6. *Powers and Functions of the Northern Samar Economic Zone Authority.***
24 - The Northern Samar Economic Zone Authority shall have the following powers and
25 functions:

26

1 (a) To adopt, alter, use a corporate seal; to contract, lease, buy, sell, acquire, own and
2 dispose movable and immovable as well as personal and real property of
3 whatever nature (including but not limited to shares of stock or participation in
4 private corporations or in limited partnerships, or in joint ventures with limited
5 liability), bonds, precious metals in bullions, ingots and easily convertible foreign
6 exchange, to sue and be sued in order to carry out its duties, responsibilities,
7 privileges, powers and functions as granted and provided for in this Act; and to
8 exercise the power of eminent domain for public use and public purposes;

9
10 (b) Within the limitation provided by laws, to raise or borrow adequate and
11 necessary funds from local or foreign sources to finance its projects and
12 programs under this Act, and for that purpose to issue bonds, promissory notes,
13 and other form of securities, and to secure the same by a guarantee, pledge,
14 mortgage, deed of trust, or an assignment of all or part of its property or assets;

15
16 (c) To approve, accept, accredit and allow any local or foreign business, enterprise
17 or investment in the Zone subject only to such rules and regulations as NSEZA
18 may promulgate from time to time in conformity with the provisions of this Act
19 and the limitations provided in the Constitution;

20
21 (d) To authorize or undertake, on its own or through others, and regulate the
22 establishment, operation and maintenance of public utilities, services and
23 infrastructure in the Zone such as shipping, ship building, ship registry and
24 every matter related or attendant thereto, barging, stevedoring, cargo handling,
25 hauling, warehousing, storage or cargo, port services or concessions, piers,
26 wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads, bridges,
27 terminals, conveyors, water supply and storage, sewerage, drainage, airport

1 operations in coordination with the Civil Aeronautics Board, and such other
2 services or concessions or infrastructure necessary or incidental to the
3 accomplishment of the objectives of this Act; *Provided, however,* That the private
4 investors in the Zone shall be given priority in the awarding of contracts,
5 franchises, licenses, or permits for the establishment, operation and maintenance
6 of utilities, services and infrastructure in the Zone;

7
8 (e) To construct, acquire, own, lease, operate and maintain on its own or through
9 others by virtue of contracts, franchises, licenses, or permits under the build-
10 operate-transfer scheme or under a joint venture with the private sector any or
11 all of the public utilities and infrastructure required or needed in the Zone, in
12 coordination with appropriate national and local government authorities and in
13 conformity with applicable laws thereon;

14
15 (f) *To operate on its own, either directly or through a subsidiary entity, or license to*
16 *others, tourism-related activities, under priorities and standards set by the*
17 *NSEZA;*

18
19 (g) To protect, preserve, maintain and develop, among others, the virgin forests,
20 beaches, coral and coral reefs within the Zone. The virgin forests within the
21 Zone shall be proclaimed as a national park and shall be covered by a permanent
22 total log ban. For this purpose, the rules and regulations of the Department of
23 Environment and Natural Resources and other government agencies involved in
24 the above functions shall be implemented by the NSEZA, including the issuances
25 of environmental clearance certificates, patents and leasehold rights over
26 government lands and mining, drilling and timber licenses;

27

1 (h) To adopt, implement and enforce reasonable measures and standards to control
2 pollution within the Zone;

3
4 (i) To provide security for the Zone in coordination with the national and local
5 governments. For this purpose, NSEZA may establish and maintain its own
6 security force and firefighting capability or hire others to provide the same;

7
8 (j) To form, establish, organize and maintain subsidiary corporations, as its business
9 and operations may require, whether under the laws of the Philippines or not;

10
11 (k) To issue rules and regulations consistent with the provisions of this Act as may be
12 necessary to implement and accomplish the purposes, objectives and policies
13 herein provided;

14
15 (l) To provide, in cooperation with the Department of Tourism, incentives to
16 tourism-related business operating within the Zone, such as but not limited to
17 duty-free buying privileges for non-resident visitors;

18
19 (m) To charge reasonable fees for the provisions of services and the maintenance of
20 infrastructure and utilities;

21
22 (n) To impose fines and penalties for violations of the provisions of this Act, the
23 rules and regulations to be established by the NSEZA or any other law that the
24 NSEZA is tasked to enforce; and
25

1 (o) To exercise such powers as may be essential, necessary or incidental to the
2 powers granted to it hereunder as well as those that shall enable it to carry out,
3 implement, and accomplish the purposes, objectives and policies of this Act.
4

5 **SEC. 7. *Board of Directors of NSEZA.*** - The powers of the Northern Samar
6 Economic Zone Authority shall be vested in and exercised by a Board of Directors,
7 hereinafter referred to as the Board, which shall be composed of eleven (11) members,
8 to wit;

9
10 (a) The Secretary of the Trade and Industry who shall serve as an ex-officio voting
11 chairman of the Board of Directors;

12
13 (b) The Administrator of NSEZA who shall serve as ex-officio voting Vice Chairman
14 of the Board;

15
16 (c) The Director-General of the National Economic And Development Authority, or
17 his representative, as ex-officio voting member of the Board;

18
19 (d) The Mayors of the Municipalities of San Jose, Bobon, and Catarman, all in the
20 Province of Northern Samar, as ex-officio voting members;

21
22 (e) One (1) representative of labor from among the workers in the Northern Samar
23 Special Economic Zone;

24
25 (f) Two (2) representatives from the business and investments sectors in the Zone,
26 one (1) of whom must come from the investors in the Municipalities of San Jose,
27 Bobon, and Catarman; and,

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(g) One (1) representative of the private sector coming from the residents of the municipalities of San Jose, Bobon, and Catarman.

The Members of the Board, except the ex-officio voting members, shall be appointed by the President of the Philippines to serve for a term of three (3) years, unless sooner removed for cause, dies or resigns voluntarily. In case of death, resignation or removal for cause, the replacement shall serve only the unexpired portion of the term.

Except for the representatives of the business and investment sectors, no person shall be appointed by the President of the Philippines as a member of the Board unless he is a Filipino citizen, of good moral character and of recognized competence in some relevant fields in business, banking, shipping, business or labor management, port, operations, engineering, or law.

The Members of the Board shall receive a per diem of not more than Ten Thousand Pesos (P10,000.00) for every board meeting actually attended: *Provided, however,* That no per diem shall be paid for more than four (4) Board Meetings per month: *Provided, further,* That the President of the Philippines may fix a higher per diem for the members of the Board.

SEC. 8. *Administrative and Chief Executive Officer.* - The President of the Philippines shall appoint a full time professional and competent administrator and chief executive officer for the Northern Samar Economic Zone Authority who shall serve for a term of six (6) years and whose compensation shall be determined by its Board of Directors. The Administrator as chief executive officer NSEZA shall be responsible to

1 the Board and the President of the Philippines for the efficient management and
2 operation of the Northern Samar Special Economic Zone.

3
4 **SEC. 9. Capitalization.** – The Northern Samar Economic Zone Authority shall
5 have an authorized capital stock of Two Billion (P2,000,000,000.00) no par shares with a
6 minimum issue value of Ten Pesos (P10.00) each. The National Government shall
7 initially subscribe and fully pay Three Hundred Million (300,000,000.00) shares of such
8 capital stock. All unoccupied government-owned lands as of the creation of the Zone,
9 falling within its jurisdiction shall also be included as part of the equity of NSEZA and
10 may only be disposed of by the NSEZA: *Provided, That,* in case of absolute sale or
11 conveyance, NSEZA shall seek the approval of the Office of the President. The initial
12 amount necessary to subscribe and pay for the shares of stock shall be included in the
13 General Appropriation Act of the year following its enactment into law and thereafter.
14 The Board of Directors of NSEZA may from time to time and with the written
15 concurrence of the Secretary of Finance, increase the issue value of the shares
16 representing the capital stock of the Northern Samar Economic Zone Authority. The
17 Board of Directors of NSEZA, with the written concurrence of the Secretary of Finance,
18 may sell shares representing not more than forty per centum (40%) of the capital stock
19 of the NSEZA to the general public with such annual dividend policy as the Board and
20 the Secretary of Finance may determine. The National Government shall in no case
21 own less than sixty per centum (60%) of the total issued and outstanding capital stock of
22 the NSEZA.

23
24 **SEC. 10. Supervision.** – The Northern Samar Special Economic Zone shall be
25 under the direct control and supervision of the Office of the President for purposes of
26 policy direction and coordination.

27

1 **SEC. 11. *Relationship with the municipalities of San Jose, Bobon, and***
2 ***Catarman.*** – In case of any conflict between the Northern Samar Economic Zone
3 Authority and the Municipalities of San Jose, Bobon, and Catarman on matters affecting
4 the Northern Samar Special Economic Zone other than in defense and security matters,
5 the decision of NSEZA shall prevail.

6
7 **SEC. 12. *Legal Counsel.*** – The Northern Samar Economic Zone Authority and
8 the corporations in which NSEZA owns a majority of the issued capital stock shall have
9 its own internal legal counsel who shall be solely responsible for reviewing the
10 contracts entered into by the NSEZA. When the exigencies of its business and
11 operations demand it, the NSEZA may engage the services of an outside counsel either
12 on a case to case basis or on a fixed retainer.

13
14 **SEC. 13. *Non-Applicability of Salary Standardization Law and Revised***
15 ***Compensation and Positive Classification System.*** – The provisions of Republic Act
16 No. 6758, otherwise known as the Salary Standardization Law, and the Revised
17 Compensation and Position Classification System, shall not apply to the Northern
18 Samar Economic Zone Authority. The salaries, benefits and other emoluments of the
19 officers, directors and employees of the NSEZA shall be commensurate to private
20 industry standards to be determined by the Board of Directors of NSEZA.

21
22 **SEC. 14. *Retention of all Earning.*** – The NSEZA shall retain all earnings from all
23 its activities, regulatory or propriety, and need not remit the same to the National
24 Treasury. Such earnings shall be considered as corporate income which NSEZA may
25 invest in its various infrastructure or special projects, corporate undertakings, payments
26 of salaries, honoraria, per diem and/or related matters.

1 **SEC. 15. Auditor.** The Commission on Audit shall appoint a representative who
2 shall be a full-time auditor of the Northern Samar Economic Zone Authority and its
3 subsidiaries in which it controls a majority of the shares of stock, and assign such
4 number of personnel as may be necessary to assist said representative in the
5 performance of his/her duties. The salaries and emoluments of the assigned auditor
6 and personnel of the Commission on Audit shall be accordance with the revised
7 compensation and position classification system. The Commission on Audit shall
8 render an annual report to the *President of the Philippines* and to the Congress on the
9 business activities, transactions and operations of the Northern Samar Economic Zone
10 Authority.

11
12 To ensure the expeditious implementation of the economic policy and purpose
13 embodied in this Act, the Commission of Audit in cooperation with the Northern Samar
14 Economic Zone Authority, shall formulate special rules on audit, disbursement funds,
15 bidding, procurement of good and services, accounting, use of government equipment
16 and resources and the like, towards realizing the aforesaid needs: *Provided*, That such
17 rules and any amendment thereto shall be approved by the Office of the President.

18
19 **SEC. 16. Injunctions, Restraining Orders and Other Interlocutory Orders.** The
20 development of the Northern Samar Special Economic Zone and Free Port is a National
21 Government priority and, therefore, no injunctions, restraining order and other
22 interlocutory order which seek to stop or interrupt any contract entered into or project
23 undertaken by the NSEZA may be issued by any court of law or quasi-judicial body
24 except by the Supreme Court of the Philippines.

25
26 **SEC. 17.** Any incentives, powers, privileges, exemption and immunities granted
27 to the Subic Special Economic Zone and Free Port, the Cagayan Special Economic Zone

1 and Free Port, and the Zamboanga City Special Economic Zone under Republic Act No.
2 7227, Republic Act No. 7922 and Republic Act No. 7903, respectively, except the
3 operation of any gambling, games, amusements, recreational and sports activities such
4 as horse racing, casinos and cock fighting which are not granted to the Northern Samar
5 Special Economic Zone and Free Port, as if such incentives, powers, privileges,
6 exemptions and immunities are granted and embodied in this Act.

7

8 **SEC. 18. *Separability Clause.*** If any provision of this Act shall be held
9 unconstitutional or invalid, the other provisions not otherwise affected shall remain in
10 full force and effect.

11

12 **SEC. 19. *Repealing Clause.*** All laws, executive order or issuances, or any parts
13 thereof which are inconsistent herewith are hereby repealed or amended accordingly.

14

15 **SEC. 20. *Effectivity Clause.*** This Act shall take effect upon its publication in at
16 least one (1) newspaper of general circulation.

17

18 *Approved ,*

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