



HOUSE OF REPRESENTATIVES

H. No. 5263

BY REPRESENTATIVE DEL MAR, PER COMMITTEE REPORT No.1558

AN ACT ESTABLISHING THE CEBU FREEPORT, 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. This Act shall be known as the “Cebu Freeport Act of
2 2006”.

3 SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the
4 State to actively encourage, promote, induce and accelerate the sound and
5 balanced industrial, economic and social development of the country in order
6 to provide jobs to the people especially those in the rural areas, increase
7 productivity and individual and family income, and thereby improve the level
8 and quality of living conditions through the establishment, among others, of
9 freeports in suitable and strategic locations in the country and through
10 measures that will attract legitimate and productive foreign investments.

11 SEC. 3. *Creation of the Cebu Freeport Authority.* – There is hereby
12 created a body corporate to be known as the Cebu Freeport Authority,
13 hereinafter referred to as the CFPA, which shall have jurisdiction over the

1 entire area embraced by the City of Cebu, the component cities of Mandaue
2 and Lapu-Lapu, and the Municipality of Cordova, Province of Cebu which
3 shall be hereinafter referred to as the Cebu Freeport. Other cities and
4 municipalities in the entire Province of Cebu shall be included in the Cebu
5 Freeport upon application by the said city or municipality duly approved by
6 two-thirds (2/3) of all the members of the Board of Directors of the CFPA.
7 The specific metes and bounds of the Cebu Freeport shall be more particularly
8 defined in a presidential proclamation that shall be issued for this purpose.

9 SEC. 4. *Governing Principles.* – The Cebu Freeport shall be managed
10 and operated under the following principles:

11 (A) Within the framework and limitations of the Constitution and
12 applicable provisions of the Local Government Code, the Cebu Freeport shall
13 be developed into a self-sustaining, industrial, commercial, financial and
14 investment center to generate employment opportunities in and around the
15 freeport and to attract and promote productive foreign investments;

16 (B) The Bangko Sentral ng Pilipinas (BSP), through the Monetary
17 Board, shall supervise and regulate the operations of banks and other financial
18 institutions within the freeport. Banking and finance shall be liberalized with
19 the establishment of foreign currency depository units of local commercial
20 banks and offshore banking units of foreign banks with minimum BSP
21 regulation;

22 (C) Any investor within the freeport whose continuing investment shall
23 not be less than One hundred fifty thousand United States Dollars
24 (US\$150,000.00), and his/her spouse and dependent children under twenty-one
25 (21) years of age, shall be granted permanent resident status within the freeport
26 territory. They shall have freedom of ingress and egress to and from the
27 freeport territory without any need of special authorization from the Bureau of
28 Immigration (BI). The names of aliens granted permanent resident status and

1 working visas shall be reported to the BI within thirty (30) days after issuance
2 hereof; and

3 (D) The defense and security of the Cebu Freeport shall be the
4 responsibility of the national government. The freeport shall provide and
5 establish its own internal security and firefighting forces or hire others to
6 provide the same.

7 SEC. 5. *Incentives to Registered Enterprises.* – The CFPA may
8 administer the following incentives to the registered enterprises located therein
9 to the extent of the activity/project:

10 (A) Income Tax Holiday (ITH) – Registered enterprises shall be
11 entitled to an ITH from the start of their commercial operations to the extent of
12 their activity under the following categories:

13 (1) Category A – Registered domestic enterprises located in highly
14 developed areas, as determined by the Board of Investments (BOI), shall be
15 entitled to a four-year ITH.

16 (2) Category B – Registered domestic enterprises on the following shall
17 be entitled to a six-year ITH:

18 (a) Located in less developed areas as defined by the BOI, or

19 (b) Producing/rendering new products/services or having backward or
20 forward linkages.

21 (3) Category C – Registered export enterprises shall be entitled to a
22 six-year ITH: *Provided, however,* That if the export enterprise complies with
23 the following: (a) large capital investments or sizeable employment generation,
24 or (b) use high level of technology, or (c) located outside Metro Manila, it
25 shall be entitled to an eight-year ITH.

26 Registered enterprises embarking on new investments that are listed in
27 the current Investment Priorities Plan (IPP) shall be entitled to incentives
28 provided herein pertaining to the new investments and subject to such terms
29 and conditions as the BOI may determine.

1 Additional investments in the project shall be entitled to the ITH
2 corresponding to such investments as may be determined by the BOI.
3 Additional ITH may be granted for as long as the investment is made on the
4 same project: *Provided*, That the project is listed in the IPP at the same time
5 the additional investment in the project is made: *Provided, further*, That the
6 entitlement period for additional investments shall not exceed three times the
7 period provided under this subsection: *Provided, however*, That the total ITH
8 period for an export enterprise availing of an eight-year ITH incentives shall
9 not exceed twenty (20) years. Any unused incentives shall therefore be deemed
10 forfeited if not used during the incentive period.

11 Enterprises registered with the CFPA are required to share in the special
12 development fund of the BOI for investment promotion projects of the
13 government equivalent to one percent (1%) of the ITH granted for every
14 application.

15 The Bureau of Internal Revenue (BIR) shall require a registered
16 enterprise availing of the ITH or the net operating loss carryover (NOLCO) to
17 secure a certificate of eligibility from the CFPA before submitting its income
18 tax return (ITR) with the CFPA for validation.

19 Failure to secure certification and/or to file the ITH or the NOLCO
20 availment for validation by the CFPA within forty-five (45) days from the last
21 day of statutory filing date for ITR shall cause the forfeiture of the availment of
22 the incentives for the taxable period.

23 (B) Net Operating Loss Carryover (NOLCO) – The net operating loss
24 of the business or enterprisc during the first three years from the start of
25 commercial operations which have not been previously offset as deduction
26 from gross income shall be carried over as a deduction from gross income for
27 the next five consecutive years immediately following the year of such loss:
28 *Provided, however*, That operating loss resulting from the availment of
29 incentives provided in this Code shall not be entitled to the NOLCO.

1 Registered enterprises availing of the ITH as herein provided shall not
2 be entitled to avail of the NOLCO.

3 (C) Imposition of a Tax Rate of Five Percent (5%) on Gross Income
4 Earned (GIE) – Except for real property tax on land, no local and national
5 taxes as prescribed under Republic Act No. 8424, also known as the “National
6 Internal Revenue Code of 1997, As Amended”, such as the income tax, the
7 excise tax and the franchise taxes shall be imposed on business establishments
8 operating within the Cebu Freeport. In lieu thereof, five percent (5%) of the
9 gross income earned shall be paid as follows:

10 (1) Two percent (2%) to the national government;

11 (2) Two percent (2%) shall be remitted by the business establishments
12 to the treasurer’s office of the municipality or city where the enterprise is
13 located; and

14 (3) One percent (1%) to the CFPA.

15 All persons and service establishments in the Cebu Freeport shall be
16 subject to national and local taxes under the National Internal Revenue Code
17 (NIRC) of 1997, as amended, and the Local Government Code.

18 (D) Accelerated Depreciation – Accelerated depreciation of plant,
19 machinery and equipment that are reasonably needed and actually used for the
20 production and transport of goods and services may be allowed using a rate not
21 exceeding twice the rate which would have been used had the annual allowance
22 been computed in accordance with the rules and regulations prescribed by the
23 Secretary of Finance and the provisions of the NIRC of 1997, as amended.

24 (E) Capital Equipment Incentives – (1) Importations of capital
25 equipment, spare parts, tools and dye, or those required for pollution
26 abatement and control, cleaner production and waste reduction including
27 consignment thereof by registered enterprises upon the effectivity of this law
28 shall be exempted to the extent of one hundred percent (100%) of the taxes and
29 customs duties: *Provided*, That the importation thereof shall be used

1 exclusively by the registered enterprise in its registered activity: *Provided,*
2 *further,* That the importation of machinery and equipment and accompanying
3 parts shall be allowed under the following conditions:

4 (a) These are not manufactured domestically in sufficient quantity, of
5 comparable quality and at reasonable prices;

6 (b) These are reasonably needed and will be used exclusively by the
7 registered enterprise in the manufacture of its products, unless prior approval
8 of the CFPA is secured for the part-time utilization of said equipment in a
9 nonregistered activity to maximize usage thereof or the proportionate taxes and
10 duties are paid on a specific equipment and machinery being permanently used
11 for nonregistered activities; and

12 (c) Approval of the CFPA was obtained by the registered enterprise
13 for the importation of such machinery, equipment and spare parts.

14 Approval of the CFPA must be secured before any sale, transfer or
15 disposition of the imported capital equipment, machinery or spare parts is
16 made: *Provided,* That if such sale, transfer or disposition is made within the
17 first five years from the date of importation, any of the following conditions
18 must be present:

19 (i) If made to another enterprise enjoying tax and duty exemption on
20 imported capital equipment;

21 (ii) If made to another enterprise, upon payment of any taxes and
22 duties on the net book value of the capital equipment to be sold;

23 (iii) Exportation of the capital equipment, machinery, spare parts or
24 source documents or those required for pollution abatement and control; and

25 (iv) For reasons of proven technical obsolescence.

26 When the aforementioned sale, transfer or disposition is made under any
27 of the conditions provided for in the foregoing paragraphs other than paragraph
28 (ii), the registered firm shall not pay the taxes and duties waived on such items:
29 *Provided, further,* That if the registered enterprises sell, transfer or dispose the

1 aforementioned imported items without prior approval within five years from
2 the date of importation, the registered enterprise and the vendee, transferee or
3 assignee shall be solidarily liable to pay twice the amount of the tax and duty
4 exemption given it: *Provided, finally*, That even if the sale, transfer or
5 disposition of the capital equipment, machinery or spare parts is approved after
6 five years from the date of importation, the registered enterprise is still liable to
7 pay the taxes and duties based on the net book value of the capital equipment,
8 machinery or spare parts if it has violated any of its registration terms and
9 conditions. Otherwise, it shall no longer be subject to the payment of the taxes
10 and duties waived thereon.

11 (2) The purchase of machinery and capital equipment and raw
12 materials, supplies, parts and semi-finished products used in the fabrication of
13 machinery and capital equipment by a registered export-oriented enterprise
14 from a domestic manufacturer shall be subject to zero percent (0%) value-
15 added tax.

16 The registered export-oriented enterprise shall be granted a tax credit
17 equivalent to the amount of duties that would have been waived on the
18 machinery, capital equipment and raw materials, supplies, parts and semi-
19 finished products used in the fabrication of machinery and capital equipment,
20 had these items been imported, upon its submission to the Department of
21 Finance (DOF) of the bill of materials evidencing the transaction value of such
22 and other pertinent documents, for verification and proper endorsement.

23 The registered export enterprise availing of the incentive provided under
24 the immediately preceding two paragraphs shall be subject to the following: (a)
25 that said capital equipment, machinery and spare parts will be used exclusively
26 by the registered enterprise in its registered activity; (b) that the capital
27 equipment or machinery where the raw materials, supplies, parts and semi-
28 finished products were used would have qualified for tax- and duty-free
29 importation; and (c) that the approval of the CFPA is obtained by the

1 registered enterprise. If the registered enterprise sells, transfers or disposes of
2 these machineries, capital equipment and spare parts, the provision in the
3 preceding paragraphs for such disposition shall apply.

4 This incentive shall be deemed waived if application for tax credit under
5 this subsection was not filed within one year from the date of delivery.

6 (F) The importation of source documents by information technology-
7 registered enterprises shall be eligible for tax- and duty-free importation.

8 (G) Raw Material Incentives – Every registered export-oriented
9 enterprise shall enjoy a tax credit equivalent to the internal revenue taxes and
10 customs duties paid on the supplies, raw materials and semi-manufactured
11 products: *Provided*, That the same are not sufficient in quantity, quality or are
12 not competitively priced which are used in the manufacture, processing or
13 production of its export products forming part thereof, exported directly and
14 indirectly by the registered export-oriented enterprise, based on the actual
15 taxes and duties paid for such materials/supplies/semi-manufactured products
16 by the registered enterprise.

17 This incentive shall be deemed waived if application for tax credit under
18 this subsection was not filed within one year from the date of exportation of the
19 final product.

20 (H) Incentives on Breeding Stocks and Genetic Materials –
21 Importation of breeding stocks and genetic materials within ten (10) years from
22 the date of registration of commercial operation of the enterprise shall be
23 exempt from all taxes and duties: *Provided*, That such breeding stocks and
24 genetic materials are reasonably needed in the registered activity and approved
25 by the CFPA.

26 The availment of the incentives by a registered enterprise availing of the
27 incentives shall be subject to the following: (1) that said breeding stocks and
28 genetic materials would have been qualified for tax- and duty-free importation
29 under the preceding paragraph; (2) that the breeding stocks and genetic

1 materials are reasonably needed in the registered activity; (3) that approval of
2 the CFPA has been obtained by the registered enterprise; and (4) that the
3 purchase is made within ten (10) years from the date of registration of
4 commercial operation of the registered enterprise.

5 This incentive shall be deemed waived if application for tax credit under
6 this subsection is not filed within one year from the date of delivery.

7 (I) Exemption from Wharfage Dues – The provisions of law to the
8 contrary notwithstanding, exports by a registered enterprise shall be exempted
9 from wharfage dues.

10 (J) Deferred Imposition of the Minimum Corporate Income Tax – The
11 minimum corporate income tax (MCIT) of two percent (2%) of the gross
12 income as of the end of the taxable year shall be imposed when the MCIT is
13 greater than the income tax computed under the NIRC of 1997, as amended,
14 for the taxable year: *Provided, however,* That said MCIT shall be imposed
15 only after the enterprise's entitlement period to the income tax-based
16 incentives.

17 (K) (1) Tax Treatment of Merchandise in the Cebu Freeport Zone –
18 The Cebu Freeport Zone shall be operated and managed as a separate customs
19 territory ensuring free flow or movement of goods within, into and exported
20 out of the free trade/freeport zone. Importations of raw materials and capital
21 equipment are tax- and duty-free. However, exportations or removal of goods
22 from the Cebu Freeport Zone to the other parts of the Philippine territory shall
23 be subject to customs and internal revenue regulations.

24 (2) Tax Treatment of Services in the Cebu Freeport Zone – (a) Sale of
25 service by an entity from the customs territory to a registered ecozone or free
26 trade enterprise; or by a registered ecozone or freeport enterprise to another
27 ecozone or freeport enterprise shall be treated as indirect export and hence,
28 entitled to the benefits allowed by law for such transaction; and

1 (b) Sale of service by a registered ecozone or freeport enterprise to the
2 customs territory shall be subject to applicable internal revenue laws and
3 regulations.

4 (L) *Registered export-oriented enterprise shall have access to the*
5 *utilization of the bonded warehousing system in accordance with the rules and*
6 *regulations of the Bureau of Customs (BoC).*

7 (M) Employment of Foreign Nationals – Subject to the provisions of
8 Section 29 of Commonwealth Act No. 613, as amended, a registered enterprise
9 *may employ foreign nationals in supervisory or technical positions for a period*
10 *not exceeding ten (10) years from its registration: Provided, That when the*
11 *majority of the capital stock of a registered enterprise is owned by foreign*
12 *investors, the positions of the president, treasurer and general manager or their*
13 *equivalents may be retained by foreign nationals beyond the period set forth*
14 *herein and such officer is the owner or a stockholder owning at least ten*
15 *percent (10%) of the outstanding capital stock of the registered enterprise and*
16 *he remains the owner or maintains his stockholdings therein.*

17 Foreign nationals under employment contract within the purview of this
18 incentive, their spouses and unmarried children under twenty-one (21) years of
19 age, who are not excluded by Section 29 of Commonwealth Act No. 613, as
20 amended, shall be permitted to enter and reside in the Philippines during the
21 period of employment of such foreign nationals. They shall be issued a
22 multiple-entry visa, valid for a period of three years and shall be allowed to
23 enter and leave the Philippines without further documentary requirements other
24 than valid passports or other travel documents in the nature of passports. The
25 validity of the multiple-entry visa shall be extendible yearly.

26 The foreign nationals admitted herein, as well as their respective
27 spouses and dependents, shall be exempt from: (1) obtaining Alien Certificate
28 of Registration and Emigration Clearance Certificates, and (2) securing the
29 Alien Employment Permit (AEP) and all types of clearances, permits, licenses

1 or their equivalents required by any government department or agency.

2 SEC. 6. *Incentive to Investors.* – Any foreign national covered under
3 Section 5(M) of this Act, who invests an amount of US\$150,000.00, either in
4 cash and/or equipment, in a registered enterprise shall be entitled to an
5 investor's visa: *Provided, That,*

6 (A) He is at least eighteen (18) years of age;

7 (B) He has not been convicted of a crime involving moral turpitude;

8 (C) He is not afflicted with any loathsome, dangerous or contagious
9 disease;

10 (D) He has not been institutionalized for any mental disorder or
11 disability: *Provided, further,* That in securing the investor's visa, the alien-
12 applicant shall be entitled to the same privileges provided for under Section
13 5(M), last paragraph.

14 As a holder of investor's visa, an alien shall be entitled to reside in the
15 Philippines while his investment subsists. For this purpose, he should submit
16 an annual report, in the form duly prescribed for the purpose, to prove that he
17 has maintained his investments in the country. Should said alien withdraw his
18 investments from the Philippines, then the investor's visa issued to him shall
19 automatically expire.

20 SEC. 7. *Administration, Implementation and Monitoring of Incentives.*

21 – The CFPA shall be responsible for the administration and implementation of
22 the incentives granted to its respective registered enterprises: *Provided, That*
23 any incentive administration policy adopted by the BOI for registered
24 enterprises shall be uniformly applied by the CFPA.

25 The following are the duties and responsibilities of the CFPA in the
26 administration of incentives:

27 (A) To adopt consistent procedures of administering incentives in
28 accordance with the guidelines established by the BOI;

1 (B) To adopt and implement systems and procedures affecting trade
2 and customs policies in accordance with the requirements established by the
3 DOF and the BOI;

4 (C) To submit data and information to the DOF and the BOI as
5 required by any of these agencies to ascertain consistency of investment
6 policies and incentives, including their implementation as provided in
7 paragraph (A) hereof and to ensure proper implementation of systems and
8 procedures affecting trade and customs policies, as provided in paragraph (B)
9 hereof; and

10 (D) To perform all other duties and responsibilities as may be required
11 by the President of the Philippines.

12 For proper monitoring, the BOI shall create a single database of all
13 incentives provided by all incentives-granting agencies, including the CFPA,
14 and all information thereto. Double-entry accounting shall be done by the BOI
15 in recording all incentives granted by the government for transparency
16 purposes.

17 SEC. 8. *Extension of Period of Availment.* – The availment period of
18 the incentives provided herein may be extended by the CFPA in the event that
19 the registered enterprise suffers operational *force majeure* or any event
20 equivalent thereto, impairing its viability.

21 SEC. 9. *Duration of Incentives.* – Enterprises registered with the CFPA
22 may enjoy the ITH or the NOLCO granted by the latter prior to the availment
23 of the five percent (5%) GIE.

24 Fiscal incentives under this Act shall be terminated after a cumulative
25 period of twenty (20) years from the date of registration or the start of
26 commercial operation, whichever is applicable, except that it could be
27 extended with regard to industries deemed indispensable to national
28 development.

1 The industries exempted from this provision shall be recommended by
2 the BOI, with the concurrence of the secretaries of the DOF and the
3 Department of Trade and Industry (DTI).

4 SEC. 10. *Powers and Functions of the Cebu Freeport Authority.* –
5 The CFPA shall have the following powers and functions:

6 (A) To authorize or undertake on its own and regulate the
7 establishment, operation and maintenance of public utilities, services and
8 infrastructure in the Cebu Freeport such as shipping, barging, stevedoring,
9 cargo, port services or concessions, piers, wharves, bulk heads, bulk terminals,
10 mooring areas, storage areas, roads, bridges, terminals, conveyors, water
11 supply and storage, drainage and such other services or concessions or
12 infrastructure necessary or incidental to the accomplishment of the objectives
13 of this Act;

14 (B) To construct, acquire, own, lease or operate and maintain on its
15 own or through others by virtue of contracts, franchise, licenses or permits
16 under the build-operate-transfer scheme or under a joint venture with the
17 private sector;

18 (C) To issue rules and regulations consistent with the provisions of this
19 Act as may be necessary to implement and accomplish the purposes, objectives
20 and policies provided herein;

21 (D) To adopt and use a seal;

22 (E) To acquire, own, hire, use, operate and dispose of personal property
23 and to acquire, own, use, lease, operate and dispose of real property and
24 interests thereon, and to make improvements on such real property, including
25 *the reclamation for port purposes, of foreshore submerged lands within its*
26 territorial jurisdiction;

27 (F) To make expenditures in foreign currencies to pay commission, and
28 hire or contract experts and consultants, both foreign and local, in accordance
29 with existing laws, rules and regulations;

- 1 (G) To make expenditures for the promotion of the Cebu Freeport;
- 2 (H) To prescribe its bylaws and such rules and regulations as may be
3 found necessary to promote or enhance the business of the Cebu Freeport;
- 4 (I) To levy dues and import rates and charges for the use of the
5 premises, works, appliances, facilities or for services provided by or belonging
6 to the Cebu Freeport, the proceeds of which shall be actually, directly and
7 exclusively used for the operations of the Cebu Freeport;
- 8 (J) To operate, directly or indirectly, or license tourism-related
9 activities subject to priorities and standards set by the Cebu Freeport; and
- 10 (K) To exercise all the powers of a corporation under the Corporation
11 Law insofar as they are not inconsistent with the provisions of this Act.

12 SEC. 11. *Board of Directors.* – The powers and functions of the CFPA
13 shall be vested in and exercised by a board of directors, hereinafter referred to
14 as the Board, which shall be composed of nine members, to wit:

- 15 (A) Mayor of the City of Cebu;
- 16 (B) Mayors of the cities of Mandaue and Lapu-Lapu, Province of Cebu;
- 17 (C) Mayor of the Municipality of Cordova, Province of Cebu;
- 18 (D) Governor of the Province of Cebu; and
- 19 (E) Four representatives of the private sector.

20 The *ex officio* members shall elect four representatives of the private
21 sector, after which, all nine members, including the four representatives of the
22 private sector shall elect a chairman from among themselves. The members of
23 the Board, except the *ex officio* members, shall serve for a term of three years,
24 unless sooner separated from the service due to death, voluntary resignation or
25 removal for cause. In case of death, resignation or removal for cause, the
26 replacement shall serve only the unexpired portion of the term.

27 The members of the Board shall receive *per diem* at rates to be
28 determined by the Department of Budget and Management pursuant to existing

1 rules and regulations: *Provided, however,* That the total *per diem* collected
2 each month shall not exceed the equivalent *per diems* for four meetings.

3 SEC. 12. *Powers, Functions and Duties of the Board.* – In addition to
4 the powers vested in the Board under Section 10 hereof, the Board shall have
5 the following powers, functions and duties:

6 (A) To define and approve the programs, plans, policies, procedures
7 and guidelines of the Cebu Freeport for its development and operation;

8 (B) To approve the CFPA's organizational and administrative structure,
9 staffing pattern, operating and capital expenditures, and financial budgets,
10 upon recommendation of the administrator, subject to existing laws, rules and
11 regulations;

12 (C) To approve salary ranges, benefits and other terms and conditions
13 of the service for all officers and employees of the CFPA, upon
14 recommendation of the administrator, in accordance with existing laws on
15 compensation and position classification;

16 (D) To fix the rate of dues, charges, fees or assessments for the use of
17 the freeport premises, work, appliances, facilities, concessions, services and
18 other fees and charges related to the activities of the freeport, upon
19 recommendation of the administrator; and

20 (E) Generally, to exercise all the functions and powers necessary or
21 incidental to attain the purposes and objectives of this Act.

22 SEC. 13. *Administrator.* – The Board shall appoint a full-time
23 professional and competent administrator for the CFPA whose compensation
24 shall be in accordance with existing laws on compensation and position
25 classification. The administrator of the CFPA shall be responsible to the
26 Board for the efficient management and operation of the freeport.

27 The administrator shall be a Filipino citizen, of good moral character,
28 with proven probity and integrity, and a degree holder in any of the following
29 fields: economics, business, public administration, law, management or their

1 equivalent, and with at least ten (10) years relevant working experience
2 preferably in the field of management or public administration.

3 SEC. 14. *Powers and Functions of the Administrator.* – (A) To
4 manage, direct and supervise the operations and internal administration of the
5 Cebu Freeport, subject to the control and supervision of the Board;

6 (B) To prepare all memoranda pertaining to each and every item in the
7 agenda for the meetings of the Board and to submit for the consideration
8 thereof such proposals or recommendations which he believes to be necessary
9 to carry out effectively and beneficially the business of the Cebu Freeport;

10 (C) To implement the policies and administer the measures approved by
11 the Board;

12 (D) To devise the executive organization pattern of the Board and
13 submit from time to time to the Board the corresponding organizational and
14 functional charts and enforce the executive elements thereof;

15 (E) To appoint and employ the services of the subordinate officials and
16 employees, subject to the confirmation of the Board;

17 (F) To prepare and submit to the Board budget proposals of all kinds;
18 and

19 (G) To perform such other duties and exercise such other powers as
20 may be directed or authorized specifically by the Board.

21 SEC. 15. *Capitalization.* – The CFPA shall have an authorized capital
22 stock of two billion (2,000,000,000) no-par shares with a minimum issue of
23 Ten pesos (P10.00) each, the majority shares of which shall be subscribed and
24 paid for by the national government and the local government units (LGUs)
25 embracing the CFPA. The Board of Directors of the CFPA, with the written
26 concurrence of the Secretary of Finance, may sell shares, representing not
27 more than forty percent (40%) of the capital stock of the CFPA to the general
28 public under such policy as the Board and the Secretary of Finance may
29 determine. The national government and the LGUs shall in no case own less

1 than sixty percent (60%) of the total issued and outstanding capital stock of the
2 CFPA.

3 The amount necessary to subscribe and pay for the shares of the national
4 government to the capital stock of the CFPA shall be included in the annual
5 General Appropriations Act. For LGUs, the funds shall be taken from the
6 internal revenue allotment and other local funds.

7 SEC. 16. *Relationship with Local Government Units.* – The LGUs
8 comprising the Cebu Freeport shall retain their integrity, powers and functions
9 as such under the Local Government Code of 1991. However, in case of any
10 conflict between the Cebu Freeport and any of the LGUs on matters affecting
11 the operation of the freeport, the decisions of the Cebu Freeport shall prevail.

12 SEC. 17. *Supervision.* – The CFPA shall be under the control and
13 supervision of the Office of the President of the Philippines for the purposes of
14 policy direction and coordination.

15 SEC. 18. *Auditing.* – The Commission on Audit shall appoint a
16 representative who shall be a full-time auditor of the CFPA and assign such
17 number of personnel as may be necessary to assist said representative in the
18 performance of his/her duties. The salaries and emoluments of the assigned
19 auditor and personnel shall be in accordance with pertinent laws, rules and
20 regulations.

21 SEC. 19. *Separability Clause.* – If any provision of this Act shall be
22 held unconstitutional or invalid, the other provisions not otherwise affected
23 under this Act shall remain in full force and effect.

24 SEC. 20. *Repealing Clause.* – All laws, executive orders or issuances,
25 or any part thereof which are inconsistent herewith are hereby repealed or
26 amended accordingly.

27 SEC. 21. *Effectivity Clause.* – This Act shall take effect after its
28 publication in at least one newspaper of general circulation.

Approved,