

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

SENATE
OFFICE OF THE SECRETARY

10 JUL 26 P2:55

SENATE

Senate Bill No. 2023

RECEIVED BY 

Introduced by SENATOR EDGARDO J. ANGARA

EXPLANATORY NOTE

This Act provides for the creation of an Authority that will negotiate with interested private investors and be responsible for the construction, operation, management and administration of the Quezon Canal and the Canal Zone from the Municipality of Atimonan to the Municipality of Unisan, both in the Province of Quezon.

The Quezon Canal will provide a by-pass or short cut for ocean vessels coming from the eastern side of Luzon to Manila and the China Sea. It will also provide cheaper and faster transport of products from Luzon's eastern coastal towns to the metropolitan markets.

The Canal will increase the volume of inter-island shipping and trade between, the coastal towns of Quezon, Marinduque, Mindoro, Batangas and Bicol Region. The untapped regions north of the Province of Quezon and the marine resources of Lamon Bay, Polillo Strait and Tayabas Bay will be open to development.

The Canal Zone is envisioned as a major transshipment center to and from the United States, Japan and the ASEAN countries. Export processing facilities and light industries in the Canal Zone will boost our export potential and increase our industrial productivity. It will contribute immensely to the growth of our country's international trade and commerce. Furthermore, the Canal will stimulate the growth of tourist centers in the region.

The Canal will increase the capability of the Philippine coast Guard to patrol and safeguard our eastern coastline.

Employment opportunities will be generated by the abovementioned activities. The construction phase alone will require thousands of workers; other spin-off projects such as light industries and other facilities in the industrial area within the Canal Zone will provide long-term employment and economic benefits. In all, the Canal is expected to open an era of prosperity and peace in the region.

Early approval of this bill is earnestly requested.


EDGARDO J. ANGARA
Senator

10 JUL 26 12:55

SENATE

Senate Bill No. 2023

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Introduced by SENATOR EDGARDO J. ANGARA

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

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

1 **SEC. 1. *Creation of the Quezon Canal Zone Authority.*** - There is hereby created
2 a public corporation to be known as the "*Quezon Canal Zone Authority*," hereinafter
3 referred to as the Authority. The functions of the Authority are hereby declared to be
4 governmental.

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

13
14 **SEC. 3. *Principal Office.*** - The principal offices of the Authority shall be in the
15 Canal Zone. It may establish branches and agencies within the Philippines as may be
16 necessary for the proper conduct of its business.

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

- 20 (a) To acquire, own, lease, construct, reconstruct, repair, equip, maintain,
21 administer and operate the canal, wharves, docks, piers, quays, and the
22 approaches to and appurtenances thereof, terminals, warehouses, refrigeration,
23 storage plants, equipment and other structures or facilities necessary or useful
24 in said commerce and in the transportation and storage of goods, wares and

1 merchandise in the Authority, including land reclamation and the
2 improvement, development, deepening and dredging of the harbors,
3 waterways, causeways, and fairways therein, and all approaches thereto:

4 (b) To grant the use or to rent, lease or let, for a consideration, all such port
5 facilities including stevedoring and port terminal services, or any concession
6 properly incident thereof or in connection with the receipt, delivery, shipment
7 and transfer in transit, weighing, marking, tagging, ventilating, fumigating,
8 refrigerating, icing, storing and handling of goods, wares and merchandise
9 including embarking and disembarking of passengers and their baggage to any
10 person, association or corporation under such terms and conditions it may
11 deem proper, after public bidding;

12 (c) To assess and collect harbor, tonnage, wharfage, berthing and storage charges
13 and fees, fix and collect the rentals for the lease, occupancy or use of
14 buildings, structures, warehouses, lands and other properties of the Authority,
15 fix the fees for the issuance of permits and the rendering of other services not
16 enumerated herein: Provided, That until the Authority has fixed otherwise, the
17 rates of harbor, tonnage, wharfage, berthing and storage charges or fees as
18 now provided by law shall be followed and enforced;

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

26 (e) Subject to the general jurisdiction of the local government unit concerned, to
27 exercise police authority within the area under its control and jurisdiction as
28 provided in Section 2;

29 (f) To create and operate, and/or contract to operate such agencies, functional
30 units, offices and departments of the Authority as purposes of this Act;

31 (g) To appoint and employ such officers and employees as may be necessary to
32 carry out and employees as may be necessary to carry out the purposes of the
33 Authority, to prescribe their duties and fix their compensation.

34
35 **SEC. 5. General Powers.** - The Authority shall have the following general
36 powers:

37 (a) To adopt, alter and use a corporate seal which shall be judicially noticed;
38 make contracts, lease, own or otherwise dispose of personal and real property;

- 1 sue and be sued; and otherwise do and perform any and all things that may be
2 necessary or proper to carry out the purposes of the Authority;
- 3 (b) To do all such other things and to transact all such business directly or
4 indirectly necessary, incidental or conducive to the attainment of the purposes
5 of the Authority; and
- 6 (c) In general, to exercise all the powers of a corporation under the Corporation
7 Code in so far as they are not inconsistent with the provisions of this Act.

8

9 **SEC. 6. Capitalization.** - The authorized capital of the Authority shall consist of:

- 10 (a) Fixed assets of the ports presently covered in Section 2;
- 11 (b) Ten percent (10%) of the unappropriated surplus of the Portworks Special
12 Fund as of the end of December 31, 1994.
- 13 (c) All public lands within the Canal Zone which shall be valued at market costs
14 (values) and transferred to the Authority and such other appropriation that
15 may be approved by the President of the Philippines. The capital and assets of
16 the Authority shall be available for the general debts of the National
17 Government.
- 18 (d) The Authority shall accept equity contributions from private landowners in
19 the Canal Zone, up to seventy percent (70%) to eighty percent (80%) of their
20 current market values, which shall be in the form of preferred shares of stock.

21

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

- 25 (a) The Secretary of Finance, or his nominee, who shall serve in alternate terms of
26 two (2) years each with the Director-General of the National Development
27 Authority, or his nominee.

28

29 After the first term of two (2) years, the Secretary of Finance shall be replaced by
30 the Director-General of the National Development Authority who shall serve in the Board
31 again for two (2) years, and so on.

- 32 (b) The Secretary of Public Works, or his nominee, who shall serve in alternate
33 terms of two (2) years each with the Secretary of Transportation and
34 Communications, or his nominee, to follow the same schedule as in (a)
35 above;
- 36 (c) The Secretary of Natural Resources, or his nominee who shall serve in
37 alternate terms of two (2) years each with the Secrecy of Trade and Industry,
38 or his nominee, to follow the same schedule as in (a) above;

- 1 (d) The Secretary of National Defense, or his nominee to come, alternately, from
2 the Philippine Navy and the Coast Guard, who shall serve for a term of three
3 (3) years;
- 4 (e) The Chairman of the Regional Development Council, Region IV who shall
5 serve for a term of three (3) years;
- 6 (f) The Governor, Province, of Quezon, who shall serve for a term of three (3)
7 years.
- 8 (g) The Representatives, Third Congressional District of Quezon, who shall serve
9 for a term of three (3) years;
- 10 (h) The Mayor, Municipality of Atimonan, who shall serve for a term of three (3)
11 years;
- 12 (i) The Mayor, Municipality of Unisan, who shall serve for a term of three (3)
13 years;
- 14 (j) The Administrator of the Authority, who shall act as the Vice- Chairman, and
15 shall serve in a concurrent capacity during his term as Administrator;
- 16 (k) The Director for Public Affairs of the Authority, who shall serve as member of
17 the Board during his term as Director for Public Affairs;
- 18 (l) An individual from the private sector, to represent the shipping industry, who
19 shall serve for a term of (2) years;
- 20 (m) An individual from the private sector, to represent the labor sector, who shall
21 serve a term of two (2) years;
- 22 (n) An individual, from the private sector, to represent the environmental concern
23 group, who shall serve for a term of (2) years.

24
25 The members of the Board shall be appointed by the President of the Philippines,
26 with their terms of office as designated in their appointments: Provided, that any person
27 chosen to fill a vacancy shall serve only for the unexpired term of the director whom he
28 succeeds. Directors may be suspended or removed for cause of the President of the
29 Philippines.

30
31 **SEC. 8. Chairman of the Board.** - The Directors shall annually elect a Chairman
32 from among themselves.

33
34 **SEC. 9. Meetings and Quorum.** - The Board shall hold one regular meeting
35 monthly and such special meetings provided for in the bylaws, Eight (8) members of the
36 Board shall constitute a quorum and the vote of eight (8) members shall be necessary for
37 the adoption of any rule, resolution or decision or any other Act of the Board.

38

1 **SEC. 10. *Per Diems and Allowances.*** - The Chairman and members of the Board
2 shall receive a per diem of Eight Hundred Pesos (P800.00) and Five Hundred Pesos
3 (P500.00), respectively exclusive of traveling expenses, for each day of meeting actually
4 attended by them: Provided, that in no case shall the total per diem exceed Eight
5 Thousand Pesos (P8,000.00) for the Chairman and Five Thousand Pesos
6 (P5,000.00) for each director per month.

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

16
17 **SEC. 12. *Powers and Duties of the Board.*** - The Board shall have the following
18 powers and duties:

- 19 (a) To promulgate policies and to prescribe, amend and repeal the bylaws, rules
20 and regulations governing the manner in which the general business of the
21 Authority may be exercised;
- 22 (b) To approve the annual and such supplemental budgets, which may be
23 submitted to the President, in the form and manner prescribed by the
24 Department of Budget and Management, including such explanation and data
25 as may be required to justify the appropriation;
- 26 (c) To render annual reports to the President and such special reports as may be
27 requested;
- 28 (d) To appoint, on recommendation of the Administrator, the department heads as
29 established in the organization of the Authority;
- 30 (e) To adopt rules and procedures and fix a time and place for holding meetings.

31
32 **SEC. 13. *Administrator of the Authority.*** - The Chief Executive Officer of the
33 Authority shall be an Administrator, to be appointed by the President of the Philippines.
34 The Administrator shall serve as Vice- Chairman of the Board of Directors in a
35 concurrent Capacity. The Administrator shall receive an annual salary and representation
36 allowances exclusive of traveling expenses, to be determined by the Board. He shall not
37 receive additional compensation as Vice-chairman of the Board.

1 **SEC. 14. Powers and Duties of Administrator.** – The Administrator shall have
2 the following powers and duties:

- 3 (a) To implement, enforce and apply the policies, programs, guidelines,
4 procedures, decisions, rules and regulations promulgated, prescribed, issued or
5 adopted by the Authority;
- 6 (b) To direct and manage the affairs and business of the Authority in the spirit
7 and intent of this Act and in pursuance of the policies of the Board;
- 8 (c) To submit within ten (10) days after the close of each fiscal year, an annual
9 report to the Board and such other reports as may be required;
- 10 (d) To submit an annual budget and necessary supplemental budgets to the Board
11 for its approval;
- 12 (e) To appoint, promote, remove, suspend, or otherwise discipline for cause the
13 officers and employees of the Authority, subject to such rules as may be
14 promulgated by the Board;
- 15 (f) To establish an internal organization of the Authority under such conditions
16 that the Board may prescribe: Provided, that any major reorganization shall
17 be subject to the approval of the Board;
- 18 (g) To delegate his authority, under such conditions as the Board may prescribe;
- 19 (h) To sign contracts, to approve expenditures and payments within the budget
20 provisions, and generally to do any and all acts or things for the proper
21 operation of the Authority;
- 22 (i) To perform such other duties as may be assigned to him by the Board.

23
24 **SEC. 15. Management and Staff.** - The Administrator shall, subject the approval
25 of the Board, determine the staffing pattern and the number of personnel in the Authority,
26 define their duties and responsibilities and subject to confirmation by the Board, fix their
27 salaries and emoluments that are comparable to those of similar positions in other
28 government-owned or-controlled corporations, the provisions of existing rules and
29 regulations on wage and position classification notwithstanding. All other officials and
30 employees of the Authority shall be selected and appointed on the basis of merit and
31 fitness based on a comprehensive and progressive merit system to be established by the
32 Authority immediately upon its organization and consistent with Civil Service rules and
33 regulations: Provided, however, That all professional and technical positions shall be
34 considered policy determining, primarily confidential and highly technical in nature. The
35 recruitment, transfer, promotion and dismissal of all personnel of the Authority, including
36 temporary workers, shall be governed by such merit system.

1 The Administrator shall, subject to Civil Service laws and wage and position
2 classification and other rules and regulations in relation thereto.

3
4 **SEC. 16. *Exemption from Civil Service Law and Classification Office.*** -
5 Officers and employees of the Authority shall not be subject to Civil Service laws and
6 wage and position classification and other rules and regulations in relation thereto.

7
8 **SEC. 17. *Internal Audit.*** - Internal auditing of the Authority's accounts and
9 transactions shall be the sole responsibility of the Authority.

10
11 **SEC. 18. *Audit of Funds.*** - No funds of the Authority shall be used to pay for the
12 salaries or expenses of the Commission on Audit in excess of one-third of the total
13 accounting costs of the Authority. Any audit by the Commission on Audit shall be
14 conducted on post-audit basis, and the Authority shall be entitled to disburse its funds
15 without prior approval from the Chairman of the Commission on Audit. The results of
16 such audit shall be transmitted to the Board.

17
18 **SEC. 19. *Power to Issue Bonds or Incur Indebtedness.*** -

19 (a) *Domestic Indebtedness* - Whenever the Board deems it advisable and
20 necessary for the Authority to issue bonds to carry out approved capital
21 investment projects, it shall, by resolution, so manifest and declare, stating the
22 purpose for which the loan or issue is to be applied and citing the project
23 study devised for the purpose. In order for such resolution to be valid, it shall
24 be passed by the affirmative vote of at least eight (8) members of the Board
25 and approved by the President upon the recommendation of the Secretary of
26 Finance, after consultation with the Monetary Board.

27
28 The Secretary of Finance, in consultation with the Monetary Board, shall
29 prescribe the form, the rate of interest, the denominations, securities, negotiability,
30 convertibility, call and redemption features, and all other terms and conditions of
31 issuance, placement, sale, servicing, redemption and payment of all bonds issued under
32 the authority of this Act.

33 The bonds issued under the authority of this Section may be made payable both as
34 to the principal and interest, in Philippine currency or on headily convertible foreign
35 currency.

36 Nothing in this Section shall be interpreted to mean that the Secretary of Finance,
37 in the redemption of securities, is prevented from applying the lottery principle by which
38 bonds drawn by lot, may be redeemed before maturity either at their face value or above.

1 The Republic of the Philippines hereby guarantees the payment by the Authority of both
2 the principal and the interest in case the Authority fails to do so; and there are hereby
3 appropriated, out of the general funds in the Philippine Treasury not otherwise
4 appropriated, the sums necessary to make the payments guaranteed by this subsection:
5 Provided, That the sum so paid by the Republic of the Philippines shall be refunded by
6 the Authority.

7 (b) Foreign Loans - The Authority is being authorized to contract loans, credits,
8 and indebtedness from foreign governments, foreign agreed, for the
9 accomplishment of its purposes, the total principal amount of which
10 outstanding at any time, exclusive of interest and other charges, shall not
11 exceed forty percent (40%) of its total assets, United States dollars or its
12 equivalent in other foreign currencies at the time the loans, credits and
13 indebtedness are incurred.

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

21 In the negotiation and contracting of any loan, credit or indebtedness under this
22 subsection, the President of the Philippines may, when made a condition to the granting
23 of such loans, credits or indebtedness, agree to waive the application of any Law granting
24 preferences or imposing restrictions on international competitive bidding, including
25 among others, Act No. 423, Commonwealth Act No. 138, Commonwealth Act No. 541,
26 and Republic Act No. 5183: Provided, however, That in every case where competitive
27 bidding is agreed upon in the purchase of machineries, equipment, materials and supplies
28 financed out of proceeds of such loans, credits and indebtedness, preference may be
29 granted in favor of such machinery, equipment, materials or supplies produced, processed
30 or manufactured in the Philippines, at such rate and in such manner as may be agreed
31 upon from time to time with the institution providing financing for the project.

32 (c) The bonds issued under subsection (a) as well as loans, credits and
33 indebtedness contracted under subsection (b) of this Section, and the payment
34 of the principal, interest and other charges thereon, as well as the importation
35 of machinery, equipment, materials and supplies by the Authority, paid from
36 the proceeds of any loan, credit or indebtedness incurred under this Act, shall
37 be exempt from all taxes, fees, imposts and other charges and restrictions, by
38 the Republic of the Philippines or any of its agencies and political subdivision.

1 Said bonds shall be receivable as security in any transaction with the
2 Government, its subdivisions, agencies and instrumentalities, in which such
3 security is required.
4

5 **SEC. 20. *Eminent Domain.*** - For the acquisition of rights of way and property
6 for the construction of the canal, wharves, piers, docks, quays, warehouses and other
7 terminal facilities, structures and approaches thereto, the Authority shall have the right
8 and power to acquire the same by purchase by negotiation, or by condemnation
9 proceedings. Should the Authority elect to exercise the right of eminent domain,
10 condemnation proceedings shall be maintained by and in the name of Authority and it
11 may proceed in the manner provided by law.
12

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

18 The priority use of all lands and of all facilities owned by the National
19 Government, its agencies and instrumentalities, including those provided, however, that
20 the Board shall, as soon as constituted, make an inventory of all such facilities and
21 identify those facilities which were constructed and financed wholly or partly from \
22 general funds of the National Government, as distinguished from those financed wholly
23 by the Portworks Special Funds, indicating therein the physical condition and relative
24 book value thereof.

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

35 The Authority shall, upon consultation with the department head concerned,
36 reserve and make available within the port district such area or areas necessary for the
37 proper operation of the Bureau of Customs, Quarantine, Immigration or any of the

1 national, city or municipal government agency which, by reason of the nature of its duties
2 and functions, require the establishment and operation of such office.

3 All appropriations for the Authority and ten percent 26 (10%) of the surplus of the
4 Portworks Special Funds are hereby transferred to the Authority, which shall administer
5 the same effective upon the date of constitution of the Board of Directors. All income or
6 revenue accruing heretofore to the Portworks Special Funds collected by the Authority
7 shall first accrue to the Authority to defray the following expenses; (1) Cost of port
8 administration, operation, maintenance, repair work and dredging; (2) Payment of interest
9 on, and in the redemption of, previous construction loans on properties or facilities
10 transferred to the Authority pursuant to this Section; (3) Purchase of new equipment; and
11 (4) Costs of approved new construction work as detailed in the Authority's annual budget:
12 Provided, That any balance thereof shall be turned over to the Portworks Special Funds.

13
14 **SEC. 22. Repealing Clause.** - All laws, decrees, orders, proclamation, and rules
15 and regulations or parts thereof which are inconsistent with any of the provisions of this
16 Act are hereby repealed or modified accordingly .

17
18 **SEC. 23. Effectivity.** - This Act shall take effect fifteen (15) days from its
19 publication in two (2) newspapers of general circulation.

20
21 ***Approved,***