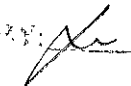


'11 JUL 26 P2:30

SENATE

S. No. 2916

RECEIVED BY: 

Introduced by Senator Ralph G. Recto

EXPLANATORY NOTE

It is in the best interest of the state that a Government-owned or Controlled Corporation be allowed to operate at a profit and provide substantial revenues for the Government and thereafter contribute to the government's thrusts of poverty alleviation, employment generation and sustained economic growth and recovery.

It is under the same objective that Presidential Decree No. (PD) 949, as amended by PD 1803, vested on the Philippine National Oil Company (PNOC) the administration and ownership of an industrial estate located in the municipalities of Limay and Mariveles in Bataan with the end in view of creating an industrial park (the "Park") that is fully integrated and where a homogeneous group of petrochemical-related plants shall be located. It was aimed at providing the country with key polymers (or plastic resins) such as polypropylene, polyethylene, polyvinyl chloride, and polystyrene.

However, PD 949, as amended, limited the use of the Park to petrochemical-related enterprises/purposes only. This has rendered the Park unavailable to potential investors who are engaged in businesses other than petrochemicals.

Actual development of the Park began in 1995. However, the PNOC, through a subsidiary, has developed an area of 170 hectares only out of the total land area of 530 hectares. Furthermore, since its inception, the Park never achieved financial and commercial viability and has incurred losses totaling ₱1.3 billion (1997-2010). At present, there are only three (3) locators in the 170 hectare developed portion when it can accommodate at least ten (10). With the low turnout of locators, most of the landholdings remain idle or underutilized. Also, losses can be attributed to the high cost in the administration, operation and maintenance of the Park. Meanwhile, revenues remain low owing to the fact that they come only in the form of throughout fees, administrative dues from the locators, water and payment of right of way.

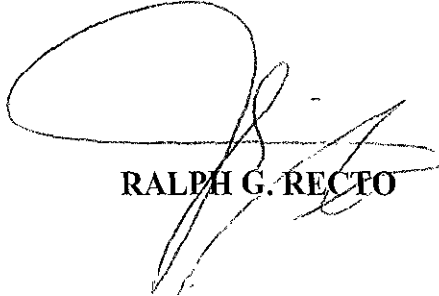
The low turnout of locators or investors in the Park mirrors the current state of the petrochemical industry in the country in which financial viability is adversely affected by various factors, among which are as follows: **a)** Low domestic demand – among ASEAN countries, the Philippines is one of the lowest in terms of per capita consumption of plastics in the region (i.e. Singapore: 105 kgs./capita; Thailand: 32 kgs./capita; Philippines: 11

kgs./capita); **b) Competition** – the petrochemical industry is facing intense competition with imports from fully integrated sources due to low tariffs. Moreover, other petrochemical parks in the region do not only have modern and superior facilities but also provide more attractive fiscal and other incentives.; **c) Capital intensive** – Petrochemical companies are highly capital intensive and therefore require huge financial investment. As of December 31, 2010, the total capital expenditure investments of the Park amounted to ₱ 400 million. On the other hand, operating expenses as of December 31, 2010 amounted to ₱-1.3 billion, specifically, labor cost (₱430 million), impairment loss (₱245 million), purchased services and utilities (₱150 million), and other business/miscellaneous expenses (₱475 million); **d) Smuggling**; and **e) Free Trade Agreements** between China and ASEAN which will eliminate barriers to tariffs on petrochemicals trade between China and ASEAN states.

With the low turnout of locators and huge losses incurred since the inception of the project, the original vision of establishing a fully integrated homogeneous petrochemical park proved to be unsound and unattainable. Instead of totally scrapping the project, one solution that can be adopted is to maximize the economic potential of the Park by implementing a multipurpose or mixed utilization thereof.

Towards this end, the bill will lift the restriction imposed by PD 949 on the use of the industrial park for petrochemical-related enterprises and allow the possible entry of a wider array of enterprises and reinvigorate the business environment at the Park.

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



RALPH G. RECTO

'11 JUL 26 P2:30

SENATE
S. No. 2916

RECEIVED BY: 

Introduced by Senator Ralph G. Recto

AN ACT
FURTHER AMENDING PRESIDENTIAL DECREE NO. 949 ENTITLED,
"VESTING THE ADMINISTRATION IN FAVOR OF THE PHILIPPINE
NATIONAL OIL COMPANY OF THAT PARCEL OF LAND OF THE
PUBLIC DOMAIN LOCATED AT LAMAO, LIMAY, BATAAN WHICH WAS
RESERVED FOR INDUSTRIAL PURPOSES PURSUANT TO
PROCLAMATION NO. 361 DATED MARCH 6, 1968 AS AMENDED BY
PROCLAMATION NO. 630 DATED NOVEMBER 29, 1969 AND FOR OTHER
PURPOSES"

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

1 Section 1. Section 1 of P.D. 949 is hereby further amended to read as follows:

2 "Section 1. ASSIGNMENT OF DUTY. — The
3 administration, management, and ownership of that parcel of land
4 of the public domain located at Lamao, Limay, Bataan which is
5 reserved for industrial estate purposes and more particularly
6 described in Presidential Proclamation No. 361 dated March 6,
7 1968 as amended by Proclamation No. 630 dated November 29,
8 1969, subject to private rights, if any, which shall be the subject of
9 expropriation, is hereby transferred to the Philippine National Oil
10 Company (PNOC) in full and absolute ownership for the nominal
11 sum of One Peso; *Provided*, that, ALL LOCATORS, LESSEES
12 AND SUB-LESSEES, [the Philippine Explosives Corporations]

1 now operating therein shall be allowed to continue with its usual
2 business operations, transactions and activities as authorized by
3 law subject to such rules and regulations as PNOC may prescribe.
4 x x x.”

5 Sec. 2. Section 2 of P.D. 949 is hereby further amended to read as follows:

6 “Section 2. PURPOSE OF LAND USE. — The [Philippine
7 National Oil Company] PNOC shall manage, operate and develop
8 the said parcel of land as AN [a petrochemical] industrial zone and
9 will establish, develop and operate or cause the establishment,
10 development and operation thereof of petrochemical and related
11 industries, AS WELL AS OF BUSINESSES ENGAGED IN
12 ENERGY AND ENERGY-ALLIED ACTIVITIES OR ENERGY-
13 RELATED INFRASTRUCTURE PROJECTS, OR OF SUCH
14 OTHER BUSINESS ACTIVITIES THAT WILL PROMOTE ITS
15 BEST ECONOMIC USE, AS DETERMINED BY PNOC
16 BOARD OF DIRECTORS, by itself or its subsidiaries or by any
17 other entity or person it may deem competent alone or in joint
18 adventure; *Provided, that,* where any petrochemical industry OR
19 ENERGY-RELATED INDUSTRY OR ANY SUCH OTHER
20 BUSINESS AS DETERMINED BY PNOC is operated by private
21 entities or persons, whether or not in joint venture with the PNOC
22 or its subsidiaries, the PNOC may lease, sell, and/or convey such
23 portions of the [petrochemical] industrial zone to such private
24 entities or persons.

1 Sec. 3. Authority to Prescribe Rules. — Within thirty (30) days from the effectivity of
2 this Act, the Department of Energy (DOE) and the PNOC shall prescribe such rules and
3 regulations necessary for the effective implementation of this Act.

4 Sec. 4. Separability Clause. — Should any clause, sentence, paragraph, section or
5 provision of this Act be held unconstitutional or invalid, such declaration shall not affect,
6 impair or invalidate the remainder of this Act.

7 Sec. 5. Repealing Clause. — All other laws, decrees, orders, or regulations or parts
8 thereof that are inconsistent with this Act are hereby repealed, modified or amended
9 accordingly.

10 Sec. 6. Effectivity. — This Act shall take effect fifteen (15) days upon its publication
11 in at least two (2) newspapers of general circulation.

Approved,