



SENATE

'18 NOV 28 P 4:57

S. B. No. 2115

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INTRODUCED BY SENATOR JOSEPH VICTOR G. EJERCITO

**AN ACT
ESTABLISHING A SPECIAL ECONOMIC ZONE AND FREE PORT IN THE
MUNICIPALITIES OF SAN JOSE AND MAGSAYSAY IN THE PROVINCE OF
OCCIDENTAL MINDORO, PROVIDING FUNDS THEREFOR, AND FOR OTHER
PURPOSES**

EXPLANATORY NOTE

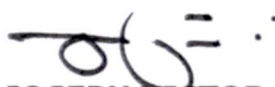
The province of Occidental Mindoro is an agricultural area and holds the record of being the Southern Tagalog's second leading rice producer. Aside from agriculture, wholesale and retail trade industry have flourished in the province. Occidental Mindoro is situated along the western part of Batangas in Southern Luzon, and is known for being the gateway to Visayas and Mindanao. With its distinct location and booming industries, Occidental Mindoro is a promising haven for investments.

Special Economic Zones (ecozones), created under Republic Act No. 7916 or the "Special Economic Zone Act of 1995", are seen as a driving force for increased trade, investment, and economic activity in a particular area. Ecozones' share in attracting foreign direct investments (FDIs) and in merchandise exports have been growing considerably, according to the Asian Economic Integration Report 2015.

Considering the role and success of ecozones in attracting investments, this proposed measure seeks to establish a Special Economic Zone in Occidental Mindoro to help the province in its economic strategy to boost export promotion, attract foreign

direct investments, and create employment opportunities for the local labor force. The Occidental Mindoro Special Economic Zone and Freeport is conceptualized to be a self-sustaining industrial, commercial and investment center that will provide incentives to ensure free flow and movement of goods and commodities within the area. The establishment of a special economic zone in Occidental Mindoro is in line with the government's policy to promote economic and social development in the country.

In view of the foregoing, the immediate enactment of this measure is sought.



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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 "**Occidental**
2 **Mindoro Special Economic Zone Act of 2018**".

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

13
14 **SECTION 3. The Occidental Mindoro Special Economic Zone and Free**
15 **Port.** - There is hereby established a special economic zone and free port, to be
16 known, as the Occidental Mindoro Special Economic Zone, hereinafter known as

1 Occidental Mindoro Ecozone, which shall cover certain parts of Barangays Ansiray,
2 Buri, Catayungan, and Natandol in Ilin Island in the Municipality of San Jose, and
3 certain parts of Barangays Caguray and Sta. Teresa in the Municipality of Magsaysay.
4

5 **SECTION 4. *Governing Principles.*** - The Occidental Mindoro Ecozone shall
6 be managed and operated by the Occidental Mindoro Special Economic Zone
7 Authority, hereinafter referred to as the OMSEZA created under Section 5 of this Act,
8 under the following principles:
9

- 10 a) Within the framework and limitations of the Constitution and the applicable
11 provisions of the Local Government Code, as amended, the Occidental
12 Mindoro Ecozone shall be developed into and operated as a decentralized,
13 self-reliant and self-sustaining industrial, commercial/trading, agro-
14 industrial, tourism, banking, financial and investment center with suitable
15 residential areas;
- 16 b) The Occidental Mindoro Ecozone shall be provided with transportation,
17 telecommunications and other facilities needed to attract legitimate and
18 productive investments, generate linkage industries and employment
19 opportunities for the people of the Province of Occidental Mindoro and its
20 neighboring towns and cities;
- 21 c) The Occidental Mindoro Ecozone may establish mutually beneficial
22 economic relations with other entities or enterprises within the country or,
23 subject to the administrative guidance of the Department of Foreign Affairs
24 (DFA), the Philippine Economic Zone Authority (PEZA), and the Department
25 or Trade and Industry (DTI), with foreign entities or enterprises;
- 26 d) Foreign citizens and companies owned by non-Filipinos in whatever
27 proportion may set up enterprises in the Occidental Mindoro Ecozone, either
28 by themselves or in joint venture with Filipinos in any sector of industry,
29 international trade and commerce within the Occidental Mindoro Ecozone;
- 30 e) The Occidental Mindoro Ecozone shall be managed and operated as a
31 separate customs territory ensuring free flow or movement of goods and
32 capital within into and out of its territory;

- 1 f) The Occidental Mindoro Ecozone may provide incentives such as tax and
2 duty-free importations of raw materials, capital equipment to registered
3 enterprises located therein. However, exportation or removal of goods from
4 the territory of the Occidental Mindoro Ecozone to the other parts of the
5 Philippine territory shall be subject to customs duties and taxes under the
6 Tariff and Customs Code of the Philippines, as amended, and the National
7 Internal Revenue Code (NIRC) of 1997, as amended;
- 8 g) The areas comprising the Occidental Mindoro Ecozone may be expanded or
9 educed when necessary. For this purpose, the OMSEZA, in consultation with
10 the LGUs, shall have the power to acquire either by purchase, negotiation
11 or condemnation proceedings, any private land within or adjacent to the
12 Occidental Mindoro Ecozone for the following purposes:
- 13 1. Consolidation of lands for the Occidental Mindoro Ecozone
14 development;
 - 15 2. Acquisition of right-of-way to the Occidental Mindoro Ecozone; and
 - 16 3. The protection of watershed areas and natural assets valuable to the
17 prosperity of the Occidental Mindoro Ecozone;
- 18 h) Goods manufactured by Occidental Mindoro Ecozone enterprise shall be
19 made available for immediate retail sale in the domestic market, subject to
20 the payment of corresponding taxes on raw materials and other regulations
21 that may be formulated by the OMSEZA, together with the PEZA, the Bureau
22 of Customs(BoC) and the DTI. However, in order to protect domestic
23 industries, a negative list of industries shall be drawn up and regularly
24 updated by the PEZA and the Board of Investments (BOI). Enterprises
25 engaged in industries included in such negative list shall not be allowed to
26 sell their products locally; and
- 27 i) The defense of the Occidental Mindoro Ecozone and the security of its
28 perimeter fence shall be the responsibility of the national government in
29 coordination with the Occidental Mindoro Ecozone and the LGUs concerned.
30 For this purpose, a special defense team shall be organized to define its
31 power, duties and responsibilities.

1 **SECTION 5. *Creation of Occidental Mindoro Economic Zone.*** - There is
2 hereby created a body corporate to be known as the Occidental Mindoro Special
3 Economic Zone and Freeport Authority, hereinafter referred to as the OMSEZA, which
4 shall manage and operate Occidental Mindoro Ecozone in accordance with the
5 provisions of this Act. This corporate franchise shall expire in fifty (50) years counted
6 from the first year after the effectivity of this Act, unless otherwise extended by
7 Congress. It shall be organized within one hundred eighty (180) days after the
8 effectivity of this Act.

9
10 **SECTION 6. *Capitalization.*** - The OMSEZA shall have an authorized capital
11 stock of Two Billion (2,000,000,000) no-par value shares with a minimum issue of Ten
12 Pesos (P10.00) each, the majority shares of which shall be subscribed and paid for by
13 the national government and the LGUs embracing the Occidental Mindoro Ecozone.

14
15 The Board of Directors of the OMSEZA may, with the written concurrence of
16 the Secretary of Finance, sell shares, representing not more than forty per centum
17 (40%) of the capital stock of the OMSEZA to the general public under such policy as
18 the Board and the Secretary of Finance may determine. The national government and
19 the LGUs shall, in no case, own less than sixty per cent (60%) of the total issued and
20 outstanding capital of the OMSEZA.

21
22 The amount necessary to subscribe and pay for the shares of the national
23 government to the capital stock of the OMSEZA shall be included in the annual General
24 Appropriations Act. For LGUs, the funds shall be taken from their internal revenue
25 allotment and other local funds.

26
27 **SECTION 7. *Principal Office of the Occidental Mindoro Special***
28 ***Economic Zone and Freeport Authority.*** - The OMSEZA shall maintain its principal
29 offices at Magsaysay and San Jose Occidental Mindoro, but it may establish branches
30 in the Philippines as may be necessary for the proper conduct of its business.

1 **SECTION 8. Powers and Functions of the OMSEZA.** – The OMSEZA shall
2 have the following functions:

- 3 a) Recommend to the President of the Philippines the issuance of a
4 proclamation to fix and delimit the site of the Occidental Mindoro Ecozone;
- 5 b) Operate, administer, manage and develop the Occidental Mindoro Ecozone
6 according to the principles and provisions set forth in this Act;
- 7 c) Register, regulate and supervise the enterprises in the Occidental Mindoro
8 Ecozone in an efficient and decentralized manner, subject to existing laws;
- 9 d) To adopt, alter use a corporate seal; to contract, lease, buy, sell, acquire,
10 own and dispose movable and immovable as well as personal and real
11 property of whatever nature (including but not limited to shares of stock or
12 participation in private corporations or in limited partnerships, or in joint
13 ventures with limited liability), bonds, precious metals in bullions, ingots
14 and easily convertible foreign exchange; to sue and be sued in order to
15 carry out its duties, responsibilities, privileges, powers and functions as
16 granted and provided for in this Act; and to exercise the power of eminent
17 domain for public use and public purpose;
- 18 e) Within the limitation provided by law, to raise or borrow adequate and
19 necessary funds from local or foreign sources to finance its projects and
20 programs under this Act, and for the purpose to issue bonds, promissory
21 notes, and other form of securities and to secure the same by a guarantee,
22 pledge, mortgage, deed of trust, or an assignment of all or part of its
23 property or assets;
- 24 f) To approve, accept, accredit and allow any local or foreign business,
25 enterprise or investment in the Zone subject only to such rules and
26 regulations as OMSEZA may promulgate from time to time in conformity
27 with the provisions of this Act and the limitations provided in the
28 Constitution;
- 29 g) To authorize or undertake, on its own or through others, and regulate the
30 establishment, operation and maintenance of public utilities, services, and
31 infrastructure in the Zone such as shipping, barging, stevedoring, cargo
32 handling hauling, warehousing, storage of cargo, port services or

1 concessions, piers wharves, bulkheads, bulk terminals, mooring areas,
2 storage areas, roads, bridges, terminals, conveyors, water supply and
3 storage, sewerage, drainage, airport operations in coordination with the
4 Civil Aeronautics Board, and such other services or concessions or
5 infrastructure necessary or incidental to the accomplishment of the
6 objectives of this Act: Provided, however, That the private investors in the
7 Zone shall be given priority in the awarding of contracts, franchises,
8 licenses, or permits for the establishment, operation, and maintenance of
9 utilities, services and infrastructure in the Zone;

- 10 h) To construct, acquire, own lease, operate and maintain on its own or
11 through others by virtue of contracts, franchise, licenses, or permits under
12 any of the schemes allowed in Republic Act No. 6957 otherwise known as
13 the Build-Operate-Transfer Law, as amended, or joint venture, adequate
14 facilities and infrastructures required or needed for the operation and
15 development of the Occidental Mindoro Ecozone, in coordination with
16 appropriate national and local government authorities and in conformity
17 with applicable laws thereon;
- 18 i) Operate on its own, either directly or through a subsidiary entity, or
19 concession or license to other, tourism-related activities and sports
20 facilities, such as golf courses and others, under priorities and standards
21 set by OMSEZA;
- 22 j) Protect, preserve, maintain and develop the virgin forests, beaches, coral
23 and coral reefs within the Zone. The virgin forest within the Zone will be
24 proclaimed as a national park and will be covered permanent total log ban.
25 For his purpose, the rules and regulations of the Department of
26 Environment and Natural Resources and other government agencies in the
27 above functions shall be implemented by the OMSEZA;
- 28 k) To adopt, implement and enforce reasonable measures and standards to
29 control pollution within the Zone;
- 30 l) To provide security for the Zone in coordination with the national and local
31 governments. For this purpose, OMSEZA may establish and maintain its

- 1 own security force and firefighting capability or hire others to provide the
2 same;
- 3 m) Coordinate with LGUs and exercise general supervision over the
4 development plans, activities and operations of the Occidental Mindoro
5 Ecozone;
- 6 n) To form, establish, organize and maintain subsidiary corporations, as its
7 business and operations may require whether under the laws of the
8 Philippines or not;
- 9 o) Exercise such powers as may be essential, necessary or incidental to the
10 powers granted to it hereunder, as well as those that shall enable it to
11 carry out implement and accomplish the purposes, objectives and policies
12 of this Act; and
- 13 p) To issue rules and regulations consistent with the provisions of this Act as
14 may be necessary to accomplish and implement the purposes, objectives
15 and policies provided herein.
- 16

17 **SECTION 9. Board of Directors of OMSEZA.** - The powers of the
18 Occidental Mindoro Special Economic Zone and Freeport Authority shall be vested in
19 and exercised by a Board of Directors, hereinafter referred to as the Board, which
20 shall be composed of fifteen (15) members, to wit:

- 21 a.) The Secretary of Trade and Industry who shall serve as an *ex-officio*
22 chairman of the Board of Directors and four (4) other representatives of
23 the national government;
- 24 b.) The Mayor of Municipalities of San Jose and Magsaysay, and the Province
25 of Occidental Mindoro, as ex officio voting members;
- 26 c.) Two (2) representatives of labor from among the workers in the Occidental
27 Mindoro Special Economic Zone;
- 28 d.) Four (4) representatives from the business and investment sectors in the
29 Zone;
- 30 e.) Two (2) representatives of the private sector coming from the residents of
31 the municipalities of San Jose and Magsaysay.
- 32

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

6
7 Except for the representatives of the business and investment sectors, no
8 person shall be appointed by the President of the Philippines as a member of the
9 Board unless he is a Filipino citizen, of good moral character and of recognized
10 competence in some relevant fields in business, banking, shipping, business or labor
11 management, port operations, engineering, or law.

12
13 Members of the Board shall receive a reasonable per diem which shall not be
14 less than the amount equivalent to the representation and transportation allowances
15 of the members of the Board and/or as may be determined by the Department of
16 Budget and Management: Provided, however, that the total per diem collected each
17 month shall not exceed the equivalent per diems for four (4) meetings. Unless and
18 until the President of the Philippines has fixed a higher per diem for the members of
19 the Board, such per diem shall not be more than Ten thousand pesos (P10,000) for
20 every Board meeting.

21
22 **SECTION 10. *Administrative and Chief Executive Officer.*** - The
23 President of the Philippines shall appoint a full-time professional and competent
24 administrator and chief executive officer for the Occidental Mindoro Special Economic
25 Zone and Freeport Authority whose compensation shall be determined by its Board of
26 Directors and shall be in accordance with the revised compensation and position
27 classification system. The administrator as chief executive officer of OMSEZA shall be
28 responsible to the Board and the President of the Philippines for the efficient
29 management and operation of the Occidental Mindoro Special Economic Zone.

30
31 **SECTION 11. *Supervision.*** - The Occidental Mindoro Special Economic Zone
32 shall be under the direct control and supervision of the Office of the President of the

1 Philippines for the purpose of policy direction and coordination in the meantime that
2 the agency tasked with the coordination of special economic zones is not yet in place.

3
4 **SECTION 12. *Separability Clause.*** - If any clause, sentence, paragraph or
5 part of this Act shall be declared unconstitutional or invalid, such judgment shall not
6 affect, invalidate or impact any other part of this Act.

7
8 **SECTION 13. *Repealing Clause.*** - Any provision of laws, orders,
9 agreements, rules or regulations contrary to and inconsistent with this Act is hereby
10 repealed, amended or modified accordingly.

11
12 **SECTION 14. *Effectivity.*** - This Act shall take effect fifteen (15) days after
13 its publication in the Official Gazette or in a newspaper of general circulation.

Approved,