


FOURTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
First Regular Session

} 7 JUN 30 P 3 1959
}

SENATE

RECEIVED BY: 

S. B. No. 216

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.

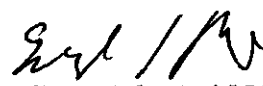
The Canal will increase the volume of inter-island shipping and trade between, the coastal towns of Quezon, Marinduque, Mindoro, Batangas and Bicol Region. The untapped regions north of the Province of Quezon and the marine resources of Lamon Bay, Polillo Strait and Tayabas Bay will be open to development.

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

FOURTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
First Regular Session

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} 7 JUN 30 P3:59

SENATE
S. B. No. 216

RECEIVED BY: JM

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 House of Representatives of the
Philippines in Congress assembled:*

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

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

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

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

- 21 (a) To acquire, own, lease, construct, reconstruct, repair, equip,
22 maintain, administer and operate the canal, wharves, docks,
23 piers, quays, and the approaches to and appurtenances thereof,
24 terminals, warehouses, refrigeration, storage plants, equipment

1 and other structures or facilities necessary or useful in said
2 commerce and in the transportation and storage of goods, wares
3 and merchandise in the Authority, including land reclamation and
4 the improvement, development, deepening and dredging of the
5 harbors, waterways, causeways, and fairways therein, and all
6 approaches thereto;

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

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

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

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

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

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

8
9 **SECTION 5. *General Powers.*** - The Authority shall have the
10 following general powers:

11 (a) To adopt, alter and use a corporate seal which shall be judicially
12 noticed; make contracts, lease, own or otherwise dispose of
13 personal and real property; sue and be sued; and otherwise do and
14 perform any and all things that may be necessary or proper to
15 carry out the purposes of the Authority;

16 (b) To do all such other things and to transact all such business
17 directly or indirectly necessary, incidental or conducive to the
18 attainment of the purposes of the Authority; and

19 (c) In general, to exercise all the powers of a corporation under the
20 Corporation Code in so far as they are not inconsistent with the
21 provisions of this Act.

22
23 **SECTION 6. *Capitalization.*** - The authorized capital of the
24 Authority shall consist of:

25 (a) Fixed assets of the ports presently covered in Section 2;

26 (b) Ten percent (10%) of the unappropriated surplus of the Portworks
27 Special Fund as of the end of December 31, 1994.

28 (c) All public lands within the Canal Zone which shall be valued at
29 market costs (values) and transferred to the Authority and such
30 other appropriation that may be approved by the President of the
31 Philippines. The capital and assets of the Authority shall be
32 available for the general debts of the National Government.

33 (d) The Authority shall accept equity contributions from private
34 landowners in the Canal Zone, up to seventy percent (70%) to
35 eighty percent (80%) of their current market values, which shall
36 be in the form of preferred shares of stock.

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

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

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

(b) The Secretary of Public Works, or his nominee, who shall serve in alternate terms of two (2) years each with the Secretary of Transportation and Communications, or his nominee, to follow the same schedule as in (a) above;

(c) The Secretary of Natural Resources, or his nominee who shall serve in alternate terms of two (2) years each with the Secrecy of Trade and Industry, or his nominee, to follow the same schedule as in (a) above;

(d) The Secretary of National Defense, or his nominee to come, alternately, from the Philippine Navy and the Coast Guard, who shall serve for a term of three (3) years;

(e) The Chairman of the Regional Development Council, Region IV who shall serve for a term of three (3) years;

(f) The Governor, Province, of Quezon, who shall serve for a term of three (3) years.

(g) The Representatives, Third Congressional District of Quezon, who shall serve for a term of three (3) years;

(h) The Mayor, Municipality of Atimonan, who shall serve for a term of three (3) years;

(i) The Mayor, Municipality of Unisan, who shall serve for a term of three (3) years;

(j) The Administrator of the Authority, who shall act as the Vice-Chairman, and shall serve in a concurrent capacity during his term as Administrator;

1 (k) The Director for Public Affairs of the Authority, who shall serve as
2 member of the Board during his term as Director for Public
3 Affairs;

4 (l) An individual from the private sector, to represent the shipping
5 industry, who shall serve for a term of (2) years;

6 (m) An individual from the private sector, to represent the labor sector,
7 who shall serve a term of two (2) years;

8 (n) An individual, from the private sector, to represent the
9 environmental concern group, who shall serve for a term of (2)
10 years.

11
12 The members of the Board shall be appointed by the President of the
13 Philippines, with their terms of office as designated in their appointments:
14 Provided, that any person chosen to fill a vacancy shall serve only for the
15 unexpired term of the director whom he succeeds. Directors may be
16 suspended or removed for cause of the President of the Philippines.

17
18 **SECTION 8. *Chairman of the Board.*** - The Directors shall annually
19 elect a Chairman from among themselves.

20
21 **SECTION 9. *Meetings and Quorum.*** - The Board shall hold one
22 regular meeting monthly and such special meetings provided for in the by-
23 laws. Eight (8) members of the Board shall constitute a quorum and the vote
24 of eight (8) members shall be necessary for the adoption of any rule,
25 resolution or decision or any other Act of the Board.

26
27 **SECTION 10. *Per Diems and Allowances.*** - The Chairman and
28 members of the Board shall receive a per diem of Eight Hundred Pesos
29 (P800.00) and Five Hundred Pesos (P500.00), respectively exclusive of
30 traveling expenses, for each day of meeting actually attended by them:
31 Provided, that in no case shall the total per diem exceed Eight Thousand
32 Pesos (P8,000.00) for the Chairman and Five Thousand Pesos
33 (P5,000.00) for each director per month.

34
35 **SEC 11. *Prohibitions for Directors.*** - No director shall, at the same
36 time, be employed by the Authority in any capacity whatsoever, except as

1 may be authorized by the President of the Philippines. Whenever any director
2 has a personal or business interest in the discussion or resolution of any
3 matter, or any of his relatives within the third degree or consanguinity or
4 second degree of affinity has such interest, such director shall abstain himself
5 in the discussion or resolution of any matter and must retire from the
6 meeting during the deliberation. The withdrawal of such director shall be
7 noted in the minutes of the meeting.

8
9 **SECTION 12. *Powers and Duties of the Board.*** - The Board shall
10 have the following powers and duties:

11 (a) To promulgate policies and to prescribe, amend and repeal the by-
12 laws, rules and regulations governing the manner in which the
13 general business of the Authority may be exercised;

14 (b) To approve the annual and such supplemental budgets, which may
15 be submitted to the President, in the form and manner prescribed
16 by the Department of Budget and Management, including such
17 explanation and data as may be required to justify the
18 appropriation;

19 (c) To render annual reports to the President and such special reports
20 as may be requested;

21 (d) To appoint, on recommendation of the Administrator, the
22 department heads as established in the organization of the
23 Authority;

24 (e) To adopt rules and procedures and fix a time and place for holding
25 meetings.

26
27 **SECTION 13. *Administrator of the Authority.*** - The Chief
28 Executive Officer of the Authority shall be an Administrator, to be appointed
29 by the President of the Philippines. The Administrator shall serve as Vice-
30 Chairman of the Board of Directors in a concurrent Capacity. The
31 Administrator shall receive an annual salary and representation allowances
32 exclusive of traveling expenses, to be determined by the Board. He shall not
33 receive additional compensation as Vice-chairman of the Board.

34
35 **SECTION 14. *Powers and Duties of Administrator.*** - The
36 Administrator shall have the following powers and duties:

- 1 (a) To implement, enforce and apply the policies, programs, guidelines,
2 procedures, decisions, rules and regulations promulgated,
3 prescribed, issued or adopted by the Authority;
- 4 (b) To direct and manage the affairs and business of the Authority in
5 the spirit and intent of this Act and in pursuance of the policies of
6 the Board;
- 7 (c) To submit within ten (10) days after the close of each fiscal year, an
8 annual report to the Board and such other reports as may be
9 required;
- 10 (d) To submit an annual budget and necessary supplemental budgets
11 to the Board for its approval;
- 12 (e) To appoint, promote, remove, suspend, or otherwise discipline for
13 cause the officers and employees of the Authority, subject to such
14 rules as may be promulgated by the Board;
- 15 (f) To establish an internal organization of the Authority under such
16 conditions that the Board may prescribe: Provided, that any
17 major reorganization shall be subject to the approval of the Board;
- 18 (g) To delegate his authority, under such conditions as the Board may
19 prescribe;
- 20 (h) To sign contracts, to approve expenditures and payments within
21 the budget provisions, and generally to do any and all acts or
22 things for the proper operation of the Authority;
- 23 (i) To perform such other duties as may be assigned to him by the
24 Board.
- 25

26 **SECTION 15. *Management and Staff.*** - The Administrator shall,
27 subject the approval of the Board, determine the staffing pattern and the
28 number of personnel in the Authority, define their duties and responsibilities
29 and subject to confirmation by the Board, fix their salaries and emoluments
30 that are comparable to those of similar positions in other government-owned
31 or-controlled corporations, the provisions of existing rules and regulations on
32 wage and position classification notwithstanding.

33 All other officials and employees of the Authority shall be selected and
34 appointed on the basis of merit and fitness based on a comprehensive and
35 progressive merit system to be established by the Authority immediately
36 upon its organization and consistent with Civil Service rules and regulations:

1 Provided, however, That all professional and technical positions shall be
2 considered policy determining, primarily confidential and highly technical in
3 nature. The recruitment, transfer, promotion and dismissal of all personnel of
4 the Authority, including temporary workers, shall be governed by such merit
5 system.

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

8
9 **SECTION 16. *Exemption from Civil Service Law and***
10 ***Classification Office.*** - Officers and employees of the Authority shall not be
11 subject to Civil Service laws and wage and position classification and other
12 rules and regulations in relation thereto.

13
14 **SECTION 17. *Internal Audit.*** - Internal auditing of the Authority's
15 accounts and transactions shall be the sole responsibility of the Authority.

16
17 **SECTION 18. *Audit of Funds.*** - No funds of the Authority shall be
18 used to pay for the salaries or expenses of the Commission on Audit in excess
19 of one-third of the total accounting costs of the Authority. Any audit by the
20 Commission on Audit shall be conducted on post-audit basis, and the
21 Authority shall be entitled to disburse its funds without prior approval from
22 the Chairman of the Commission on Audit. The results of such audit shall be
23 transmitted to the Board.

24
25 **SECTION 19. *Power to Issue Bonds or Incur Indebtedness.*** -

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

35

1 The Secretary of Finance, in consultation with the Monetary Board,
2 shall prescribe the form, the rate of interest, the denominations, securities,
3 negotiability, convertibility, call and redemption features, and all other terms
4 and conditions of issuance, placement, sale, servicing, redemption and
5 payment of all bonds issued under the authority of this Act.

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

9 Nothing in this Section shall be interpreted to mean that the Secretary
10 of Finance, in the redemption of securities, is prevented from applying the
11 lottery principle by which bonds drawn by lot, may be redeemed before
12 maturity either at their face value or above. The Republic of the Philippines
13 hereby guarantees the payment by the Authority of both the principal and
14 the interest in case the Authority fails to do so; and there are hereby
15 appropriated, out of the general funds in the Philippine Treasury not
16 otherwise appropriated, the sums necessary to make the payments
17 guaranteed by this subsection: Provided, That the sum so paid by the
18 Republic of the Philippines shall be refunded by the Authority.

19 (b) Foreign Loans - The Authority is being authorized to contract loans,
20 credits, and indebtedness from foreign governments, foreign
21 agreed, for the accomplishment of its purposes, the total principal
22 amount of which outstanding at any time, exclusive of interest
23 and other charges, shall not exceed forty percent (40%) of its total
24 assets, United States dollars or its equivalent in other foreign
25 currencies at the time the loans, credits and indebtedness are
26 incurred.

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

35 In the negotiation and contracting of any loan, credit or indebtedness
36 under this subsection, the President of the Philippines may, when made a

1 condition to the granting of such loans, credits or indebtedness, agree to
2 waive the application of any Law granting preferences or imposing
3 restrictions on international competitive bidding, including among others, Act
4 No. 423, Commonwealth Act No. 138, Commonwealth Act No. 541, and
5 Republic Act No. 5183: Provided, however, That in every case where
6 competitive bidding is agreed upon in the purchase of machineries,
7 equipment, materials and supplies financed out of proceeds of such loans,
8 credits and indebtedness, preference may be granted in favor of such
9 machinery, equipment, materials or supplies produced, processed or
10 manufactured in the Philippines, at such rate and in such manner as may be
11 agreed upon from time to time with the institution providing financing for the
12 project.

13 (c) The bonds issued under subsection (a) as well as loans, credits and
14 indebtedness contracted under subsection (b) of this Section, and
15 the payment of the principal, interest and other charges thereon,
16 as well as the importation of machinery, equipment, materials
17 and supplies by the Authority, paid from the proceeds of any loan,
18 credit or indebtedness incurred under this Act, shall be exempt
19 from all taxes, fees, imposts and other charges and restrictions, by
20 the Republic of the Philippines or any of its agencies and political
21 subdivision. Said bonds shall be receivable as security in any
22 transaction with the Government, its subdivisions, agencies and
23 instrumentalities, in which such security is required.

24
25 **SECTION 20. *Eminent Domain.*** - For the acquisition of rights of
26 way and property for the construction of the canal, wharves, piers, docks,
27 quays, warehouses and other terminal facilities, structures and approaches
28 thereto, the Authority shall have the right and power to acquire the same by
29 purchase by negotiation, or by condemnation proceedings. Should the
30 Authority elect to exercise the right of eminent domain, condemnation
31 proceedings shall be maintained by and in the name of Authority and it may
32 proceed in the manner provided by law.

33
34 **SECTION 21. *Transfer of Personnel, Records, Functions, Rights,***
35 ***Assets and Liabilities.*** - All books, records and documents which appertain
36 to the ports administration in the Canal Zone and all personnel assigned to

1 the sub-port within the Canal Zone are hereby transferred to the Authority,
2 subject to the organization that may be effected.

3 The priority use of all lands and of all facilities owned by the National
4 Government, its agencies and instrumentalities, including those provided,
5 however, that the Board shall, as soon as constituted, make an inventory of
6 all such facilities and identify those facilities which were constructed and
7 financed wholly or partly from general funds of the National Government, as
8 distinguished from those financed wholly by the Portworks Special Funds,
9 indicating therein the physical condition and relative book value thereof.

10 Upon such inventory, all properties and facilities generated, by
11 financing wholly out of the Portworks Special Funds shall be transferred to
12 the Authority without reimbursement to the original agencies having control
13 over them; and for all the properties and facilities that were financed partly
14 or wholly from the general fund or bond fund of the Government, the
15 Authority, by virtue of this Section, may secure transfer of ownership thereof
16 by providing a systematic schedule or repayment of the corresponding share
17 of the general fund or both fund of the Government, the Authority, by virtue
18 of this Section, may secure transfer of ownership thereof by providing a
19 systematic schedule or repayment of the corresponding share of the general
20 fund invested therein, including interests in the case of the latter.

21 The Authority shall, upon consultation with the department head
22 concerned, reserve and make available within the port district such area or
23 areas necessary for the proper operation of the Bureau of Customs,
24 Quarantine, Immigration or any of the national, city or municipal
25 government agency which, by reason of the nature of its duties and functions,
26 require the establishment and operation of such office.

27 All appropriations for the Authority and ten percent 26 (10%) of the
28 surplus of the Portworks Special Funds are hereby transferred to the
29 Authority, which shall administer the same effective upon the date of
30 constitution of the Board of Directors. All income or revenue accruing
31 heretofore to the Portworks Special Funds collected by the Authority shall
32 first accrue to the Authority to defray the following expenses; (1) Cost of port
33 administration, operation, maintenance, repair work and dredging; (2)
34 Payment of interest on, and in the redemption of, previous construction loans
35 on properties or facilities transferred to the Authority pursuant to this
36 Section; (3) Purchase of new equipment; and (4) Costs of approved new

1 construction work as detailed in the Authority's annual budget: Provided,
2 That any balance thereof shall be turned over to the Portworks Special
3 Funds.

4

5 **SECTION 22. *Repealing Clause.*** - All laws, decrees, orders,
6 proclamation, and rules and regulations or parts thereof which are
7 inconsistent with any of the provisions of this Act are hereby repealed or
8 modified accordingly.

9

10 **SECTION 23. *Effectivity.*** - This Act shall take effect fifteen (15) days
11 from its publication in two (2) newspapers of general circulation.

12

13 *Approved,*