


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

7 JUL 16 A7 56

SENATE

S.B. No. 1228

RECEIVED BY: 

Introduced by SENATOR JUAN PONCE ENRILE

EXPLANATORY NOTE

The province of Palawan occupies a strategic location in the Southern Tagalog Region. It has a total land area of 1.4 million hectares, a population of 755,412 (Census 2000), and boasts of bountiful forest, marine and mineral resources.

As such, the province presents vast potential for economic growth through infrastructure, industrial, agricultural and tourism development. However, while economic activities are concentrated in Puerto Princesa, its capital, and in other municipalities wherein tourism-related activities thrive such as the Calauit Island, El Nido, and Taytay, other towns abundant in natural resources and large labor force remain untapped.

Hence, the proposal to establish the Southern Palawan Economic Zone and Free Port covering the municipalities of Bataraza, Brooke's Point and Balabac. In accordance with the mandate of Republic Act No. 7916, otherwise known as "The Special Economic Zone Act of 1995", this measure encourages the development of the countryside into agro-industrial, commercial, tourist, banking, investment and financial center.

In order to administer the operations of the ecozone, the bill proposes to create the Southern Palawan Economic Zone and Free Port Authority. It likewise offers a package of fiscal and non-fiscal incentives to attract prospective foreign and local investors in order to fully maximize the development possibilities of the province and the region as well.

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


JUAN PONCE ENRILE


Senator

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

7 JUL 16 A7 56

SENATE

S.B. No. 1228

RECEIVED BY: 

Introduced by SENATOR JUAN PONCE ENRILE

**AN ACT
ESTABLISHING THE SOUTHERN PALAWAN SPECIAL ECONOMIC ZONE
AND FREEPORT, CREATING FOR THE PURPOSE THE SOUTHERN
PALAWAN SPECIAL ECONOMIC ZONE AND FREE PORT AUTHORITY,
APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES**

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

1
2 **SECTION. 1. Short Title.** -This Act shall be known as the "*Southern Palawan*
3 *Special Economic Zone and Free Port (SPEZFA) Act of 2007.*"
4

5 **Sec. 2. Declaration of Policy.** - It is hereby declared the policy of the State to
6 actively encourage, promote, induce and accelerate a sound and balanced industrial,
7 economic and social development of the country in order to provide jobs to the people
8 especially those in the rural areas, increase their productivity and their individual and
9 family income, and thereby improve the level and quality of their living condition
10 through the establishment, among others, of special economic zones and free ports in
11 suitable and strategic locations in the country and through measures that shall effectively
12 *attract legitimate and productive foreign investments.*
13

14 **Sec. 3. The Southern Palawan Special Economic Zone and Free Port.** - In
15 accordance with the foregoing declared policy, and subject to the concurrence of the
16 municipalities of Southern Palawan covered by the economic zone, there is hereby
17 established a special economic zone and free port covering the municipalities of Balabac,
18 Brooke's Point, and Bataraza, in the Province of Palawan to be known as the Southern
19 Palawan Special Economic Zone and Free Port, hereinafter referred to as Southern
20 Palawan ECOZONE. The metes and bounds of the Southern Palawan ECOZONE shall
21 be specifically defined in the presidential proclamation to be issued for this purpose.
22

23 **Sec. 4. Governing Principles.** - The Southern Palawan ECOZONE shall be
24 managed and operated by the Southern Palawan Special Economic Zone and Freeport

1 Authority, herein referred to as SPEZFPA, to be created under Section 6 of this Act,
2 under the following principles:

- 3 (a) Within the framework and limitations of the Constitution and the
4 applicable provisions of the Local Government Code, the Southern
5 Palawan ECOZONE shall be developed into and operated as the
6 decentralized, self-reliant and self-sustaining industrial,
7 commercial/trading, agro-industrial, tourist, banking, financial and
8 investment center with suitable residential areas, in order to create
9 employment opportunities in and around the Southern Palawan
10 ECOZONE, and to effectively encourage and attract legitimate and
11 *productive foreign investments therein;*
- 12 (b) The Southern Palawan ECOZONE shall be provided with
13 transportation, telecommunications and other *facilities needed to*
14 *attract legitimate and productive investments, generate linkage*
15 *industries and employment opportunities for the Province of*
16 *Palawan and its neighboring towns and cities;*
- 17 (c) The Southern Palawan ECOZONE may establish mutually
18 beneficial economic relations with other entities or enterprises
19 within the country or, subject to the administrative guidance of the
20 Department of Foreign Affairs (DFA), the Philippine Economic
21 Zone Administration (PEZA) and/or the Department of Trade and
22 Industry (DTI), with foreign entities or enterprises;
- 23 (d) Foreign citizens and companies owned by non-Filipinos in
24 whatever 26 proportion may set up enterprises in the Southern
25 Palawan ECOZONE, either by themselves or in joint venture with
26 Filipinos in any sector of *industry, international trade, and*
27 *commerce within the Southern Palawan ECOZONE;*
- 28 (e) The Southern Palawan ECOZONE shall be operated and managed
29 as a separate customs territory ensuring free flow or movement of
30 goods and capital within, into and exported out of the Southern
31 Palawan ECOZONE premises, as well as provide incentives such
32 as tax and duty-free importations of raw materials and capital
33 equipment. However, exportation or removal of goods from the
34 territory of the Southern Palawan ECOZONE to the other parts of
35 the Philippine territory shall be subject to customs duties under the
36 Tariff and Customs Code of the Philippines, as amended, and the
37 National Internal Revenue Code of 1997, as amended;

- 1 (f) The areas comprising the Southern Palawan ECOZONE may be
2 expanded or reduced when necessary. For this purpose, the
3 SPEZFPA, in consultation with the local government units
4 (LGUs), shall have the power to acquire either by purchase,
5 negotiation or condemnation proceedings, any private lands within
6 or adjacent to the Southern Palawan ECOZONE for the following
7 purposes: (1) consolidation of lands for zone development; (2)
8 acquisition of right-of-way to the Southern Palawan ECOZONE;
9 and (3) the protection of watershed areas and natural assets
10 valuable to the prosperity of the Southern Palawan ECOZONE;
- 11 (g) Goods manufactured by the Southern Palawan ECOZONE
12 enterprise shall be made available for the immediate retail sale in
13 the domestic market, subject to the payment of corresponding taxes
14 on raw materials and other regulations that may be formulated by
15 the SPEZFPA, together with Philippine Economic Zone Authority
16 (PEZA), the Bureau of Customs (BOC) and the Department of
17 Trade and Industry (DTI). However, in order to protect the
18 domestic industry, there shall be a negative list of industries that
19 will be drawn up and regularly updated by the PEZA. Enterprises
20 engaged in industries included in such negative list shall not be
21 allowed to sell their products locally; and,
- 22 (h) The defense of the Southern Palawan ECOZONE and the security
23 of its perimeter fence shall be the responsibility of the national
24 government in coordination with the SPEZFPA and the LGUs
25 concerned.
- 26

27 **Sec. 5. Incentives and Obligations.** - Business establishments operating within
28 the Southern Palawan ECOZONE shall be entitled to the following incentives:

- 29 (a) *Resident Status and Visa.* - Any foreign investor who establishes a
30 business enterprise within the Southern ECOZONE and who
31 maintains a capital investment of not less than One Hundred Fifty
32 Thousand United States Dollars (US \$150,000) shall be granted by
33 the SPEZFPA, along with his or her spouse, dependents and
34 unmarried children below twenty one (21) years old, a permanent
35 resident status within the Southern Palawan ECOZONE. They
36 shall likewise have the freedom of ingress or egress to and from the
37 Southern Palawan ECOZONE without any need for special
38 authorization from the Bureau of Immigration. Working visas

1 renewable every *two* (2) years shall be issued to foreign executives
2 and foreign technicians with highly specialized skills which no
3 Filipino possesses, as certified by the Department of Labor and
4 Employment (DOLE). The foregoing is without prejudice to a
5 foreigner acquiring permanent resident status in the Philippines in
6 accordance with applicable immigration, retirement and other
7 related laws.

8 (b) *Fiscal Incentives.* - Business establishments operating within the
9 Southern Palawan ECOZONE shall be entitled to the existing
10 fiscal incentives as provided for under Republic Act No. 7916,
11 otherwise known as the "Special Economic Zone Act of 1995," as
12 amended by Republic Act No. 8748.

13 (c) *Taxation.* - Except for real property taxes on land owned by
14 developers, no taxes, local and national, shall be imposed on
15 business establishments operating within the Southern Palawan
16 ECOZONE. In lieu of paying taxes, five percent (5%) of the gross
17 income earned by all business enterprises operating within the
18 Southern Palawan ECOZONE shall be paid and remitted as
19 follows:

- 20 (i) Three percent(3%) to the national government; and,
21 (ii) Two percent (2%) which shall be directly remitted by
22 business establishments to the Treasurer's Office of the
23 municipality or city where the enterprise is located.

24 All persons and service establishments in the Southern Palawan
25 ECOZONE shall be subject to national and local taxes under the National
26 Internal Revenue Code as amended by Republic Act No. 8424, and
27 Republic Act No. 7160, or the Local Government Code.

28 (d) *Banking Rules and Regulations.* - Existing banking laws and rules
29 and regulations of the Bangko Sentral ng Pilipinas (BSP) shall
30 apply to all banks and financial institutions established in the
31 Southern Palawan ECOZONE. Among other pertinent regulations,
32 these shall include those governing foreign exchange and other
33 current account transactions (trade and non-trade), local and
34 foreign borrowings, foreign investments, establishments and
35 operation of local and foreign banks, foreign currency deposit
36 units, offshore banking units, and other financial institutions under
37 the supervision of the BSP.

- 1 (e) *Profit Remittance.* - Without prior BSP approval, after tax profits
2 and other earnings of foreign investments in enterprises in the
3 Southern Palawan ECOZONE may be remitted outward in the
4 equivalent foreign exchange through any of the banks licensed by
5 the BSP in the Southern Palawan ECOZONE; *Provided, however,*
6 that such foreign investments in said enterprises have been
7 previously registered with the BSP.

8
9 **Sec. 6. Creation of the Southern Palawan Special Economic Zone and Free**
10 **Port Authority.** - There is hereby created a body corporate to be known as the Southern
11 Palawan Special Economic Zone and Free Port Authority, herein referred to as the
12 SPEZFPA, which shall manage and operate the Southern Palawan ECOZONE, in
13 accordance with the provisions of this Act. This corporate franchise shall expire in fifty
14 (50) years counted from the first year after the effectivity of this Act, unless otherwise
15 extended by Congress. It shall be organized within one hundred eighty (180) days after
16 the effectivity of this Act.

17
18 **Sec. 7. Principal Office.** - The SPEZFPA shall maintain its principal office in the
19 municipality of Balabac, but it may establish branches within the Philippines and abroad,
20 as may be necessary for the proper conduct of its business.

21
22 **Sec. 8. Powers and Functions of SPEZFPA.** - The SPEZFPA shall have the
23 following functions:

- 24 (a) To operate, administer manage and develop the Southern Palawan
25 ECOZONE according to the principles and provisions set forth in
26 this Act;
- 27 (b) To recommend to the President the issuance of a proclamation to
28 fix and delimit the site of the Southern Palawan ECOZONE;
- 29 (c) To register, regulate and supervise the enterprises in the Southern
30 Palawan ECOZONE in an efficient and decentralized manner,
31 subject to existing laws;
- 32 (d) To coordinate with the LGUs concerned and exercise general
33 supervision over the development plans, activities and operations
34 of the ECOZONE;
- 35 (e) To regulate and undertake the establishments operation and
36 maintenance of utilities, other services, and infrastructure in the
37 Southern Palawan ECOZONE such as, but not limited to heat,
38 power supply, water supply, telecommunications, transport, toll

1 roads and bridges, port services, and to fix just and reasonable and
2 competitive rates fares, charges and prices thereof;

3 (f) To construct, acquire, own or lease, operate and maintain on its
4 own or through others by virtue of contracts, franchises, licenses,
5 bulk purchases from the private sector or permits under any of the
6 schemes allowed in Republic Act No. 6957 (Build-Operate-
7 Transfer Law, as amended by Republic Act No. 7718), or joint
8 venture with the private sector any or all of the public utilities and
9 infrastructure required or needed for the operation and
10 development of the Southern Palawan ECOZONE, in coordination
11 with appropriate national and local government authorities and
12 conformity with applicable laws thereon;

13 (g) To operate on its own, either directly or through a subsidiary
14 entity, or license to others, tourism-related activities, including
15 games and amusements, recreational and sports facilities;

16 (h) Subject to the approval of the President and the Monetary Board of
17 the BSP, upon the recommendation of the Department of Finance
18 (DOF), to raise or borrow adequate and necessary funds from local
19 or foreign sources to finance its projects and programs under this
20 Act and for that purpose, to issue bonds, promissory notes and
21 other forms 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 (i) To provide security for the Southern Palawan ECOZONE in
25 coordination with the national and local governments. For this
26 purpose, the SPEZFPA may establish and maintain security forces
27 and firefighting capability or hire others to provide the same,
28 Military forces sent by the national government for the purpose of
29 defense shall not interfere in the internal affairs of the ecozone and
30 expenditures for these military forces shall be borne by the national
31 government;

32 (j) To protect, preserve, maintain, and develop the virgin forests,
33 beaches coral and coral reefs and maintain ecological balance
34 within the Southern Palawan ECOZONE;

35 (k) To create, operate and/or contract to operate such functional units
36 or offices of the SPEZFPA as it may deem necessary;

37 (l) To adopt, alter and use a corporate seal; to contract, lease, buy, sell,
38 acquire, own and dispose movable and immovable as well as

1 personal and real property of whatever nature (including but not
2 limited to shares of stock or participation in private corporations or
3 in limited partnerships, or in joint ventures with limited liability),
4 bonds, precious metals in bullions, ingots and easily convertible
5 foreign exchange, to sue and be sued in order to carry out its
6 duties, responsibilities, privileges, powers and functions as granted
7 and provided for in this Act; and to exercise the power of eminent
8 domain for public use and public purpose;

9 (m) To issue certificates of origin for products manufactured or
10 processed in the Southern Palawan ECOZONE in accordance with
11 the prevailing rules of origin and the pertinent regulations of the
12 PEZA, the DTI and/or the DOF;

13 (n) To issue working visas renewable every two (2) years to foreign
14 executives and technicians with highly specialized skills which no
15 Filipino possesses, as certified by the DOLE;

16 (o) To report to the Bureau of Immigration the names of the foreigners
17 who have been granted permanent, resident status and working
18 visas within thirty (30) days after issuance of such grant;

19 (p) To exercise such powers as may be essential, necessary or
20 incidental to the powers granted to it hereunder, as well as those
21 that shall enable it to carry out, implement and accomplish the
22 purposes, objectives and policies of this Act; and,

23 (q) To issue rules and regulations consistent with the provisions of this
24 Act as may be necessary to accomplish and implement the
25 purposes, objectives, and policies provided herein.
26

27 **Sec. 9. Exemptions from Taxes, Duties, and Other Fees.** - The SPEZFPA is
28 hereby declared exempt from the payment of all taxes, duties, fees, charges, costs and
29 service fees in any court or administrative proceedings in which it may be a party to.

30 The foregoing exemptions may, however, be entirely or partially lifted by the
31 President of the Philippines upon the recommendation of the Secretary of Finance, not
32 earlier than five (5) years from the effectivity of this Act, if the President shall find the
33 SPEZFPA to be self sustaining and financially capable by then to pay such taxes,
34 customs, duties, fees and other charges after providing for debt service requirements of
35 the SPEZFA and of its projected capital and operating expenditures.
36

1 **Sec. 10. Board of Directors of the SPEZFPA.** - The powers of the SPEZFPA
2 shall be vested in and exercised by a Board of Directors, hereinafter referred to as the
3 Board, which shall be composed of the following:

- 4 (a) The Chair who shall, at the same time be the administrator of the
5 SPEZFPA;
- 6 (b) The Vice Chairman who shall come from among the members of
7 the Board;
- 8 (c) Members consisting of:
- 9 (1) The congressional representative of the district covering the site of
10 the Southern Palawan ECOZONE;
- 11 (2) One (1) representative of the Provincial Government of Palawan;
- 12 (3) One (1) representative from the domestic investors;
- 13 (4) One (1) representative from the foreign investors; and
- 14 (5) Two (2) representatives from workers working in the Southern
15 Palawan ECOZONE.

16 The congressional representative and the representative of the Provincial
17 Government shall serve as *ex officio* members of the Board, whose term in the Board
18 corresponds to their respective terms as elected officials.

19 The Chairman and the members of the Board, except the *ex officio* members shall
20 be appointed by the President of the Philippines to serve a term of six (6) years, unless
21 sooner removed for cause, dies, or resigns voluntarily. In case of death, resignation or
22 removal for cause, the replacement shall serve only the unused portion of the term.

23 Except for the representatives of the business and labor sectors, no person shall be
24 appointed by the President of the Philippines as a member of the Board unless he is a
25 Filipino citizen, of good moral character, of proven probity and integrity, and a degree-
26 holder in any of the following fields: economics, business, public administration, law,
27 management or their equivalent and with at least ten (10) years of relevant working
28 experience preferably in the field of management or public administration.

29 The members of the Board shall receive per diem at rate to be determined by the
30 Department of Budget and Management in accordance with existing rules and
31 regulations; Provided, however, That the total per diem collected each month shall not
32 exceed the equivalent per diem for four (4) meetings. Unless and until the President of
33 the Philippines authorizes the setting of a higher per diem for the members of the Board,
34 such per diem shall not be more than Ten Thousand pesos (P10,000,000.00) for every
35 Board meeting.

36
37 **Sec. 11. Powers and Duties of the Chairman-Administrator.** – The Chairman-
38 Administrator shall have the following powers and duties:

- 1 (a) To direct and manage the affairs of the SPEZFPA in accordance
2 with the policies of the Board;
- 3 (b) To establish the internal organization of the SPEZFPA under such
4 conditions that the Board may prescribe;
- 5 (c) To submit an annual budget and necessary supplemental budget to
6 the Board for its approval;
- 7 (d) To submit within thirty (30) days after the close of each fiscal year
8 an annual report to the Board and such other reports as may be
9 required;
- 10 (e) To submit to the Board for its approval, policies, systems,
11 procedures, rules and regulations that are essential to the operation
12 of the Southern Palawan ECOZONE;
- 13 (f) To create a mechanism in coordination with relevant agencies for
14 the promotion of industrial peace, the protection of the
15 environment and the advancement of the quality of life in the
16 Southern Palawan *ECOZONE*; and,
- 17 (g) To perform such other duties as may be assigned to him by the
18 Board or which are necessary or incidental to his office.

19

20 **Sec. 12. Personnel.** - The Board of Directors of the SPEZFPA shall provide for
21 an organization and staff of its officers and employees. Upon the recommendation of the
22 Chairman-Administrator, with the approval of the Secretary of Trade and Industry, the
23 Board shall appoint and fix the remuneration and other emoluments of its officers and
24 employees in accordance with existing laws on compensation and position classification;
25 Provided, that the Board shall have the exclusive and final authority to promote, transfer,
26 assign or re assign officers of the SPEZFPA, any provision of existing law to the contrary
27 notwithstanding: Provided, further, That the chairman-administrator may carry out the
28 removal of such officers and employees.

29 The officers and employees of the SPEZFPA, including all the members of the
30 Board, shall not engage, directly or indirectly, in partisan activities nor take part in any
31 election, except to vote.

32 No officer of the SPEZFPA, subject to civil service laws and regulations, shall be
33 removed or suspended except for cause, as provided by law.

34

35 **Sec. 13. Applicability Clause.** - The provisions of Sections 30 to 42 of Republic
36 Act No. 7916, as amended, on leases of lands and buildings, land conversion, shipping,
37 and shipping register, protection of environment termination of business enterprises, one-

1 stop shop center and on industrial harmony in the ecozones, shall apply to the Southern
2 Palawan ECOZONE.

3
4 **Sec. 14. Capitalization.** - The SPEZFPA shall have an authorized capital stock of
5 two billion (2,000,000,000) no par shares with a minimum issue of ten pesos (P10.00)
6 each, the majority shares of which, shall be subscribed and paid for by the national
7 government, The Board of Directors of the SPEZFPA, with the written concurrence of
8 the Secretary of Finance, may sell shares representing not more than forty per centum
9 (40%) of the capital stock of the SPEZFPA to the general public under such policy as the
10 Board and the Secretary of Finance may determine. The national government and the
11 LGUs shall in no case own less than sixty per centum (60%) of the total issued and
12 outstanding capital of the SPEZFPA.

13 The amount necessary to subscribe and pay for the shares of the national
14 government to the capital stock of the SPEZFPA shall be included in the annual General
15 Appropriations Act.

16
17 **Sec. 15. Supervision and Coordination of Development Plans.** - For purposes of
18 policy direction and coordination, the Southern Palawan ECOZONE shall be under the
19 direct control and supervision of the Office of the President.

20
21 **Sec. 16. Relationship with the Regional Development Council.** - The SPEZFPA
22 shall determine the development goals for the Southern Palawan ECOZONE within the
23 framework of national development plans, policies, and goals. The administrator shall,
24 upon approval by the Board, submit the Southern Palawan ECOZONE plans, programs
25 and projects to the Regional Development Council for inclusion and inputs to the overall
26 regional development plan.

27
28 **Sec. 17. Relationship with Local Government Units.** - Except as herein provided,
29 the LGUs comprising the Southern Palawan ECOZONE shall retain their basic autonomy
30 and identity. The municipalities of Balabac, Bataraza and Brooke's Point shall operate
31 and function in accordance with the Local Government Code of 1991. In case of any
32 conflict between the SPEZFPA and the Province of Palawan on matters affecting the
33 Southern Palawan ECOZONE other than defense and security matters, the decision of the
34 SPEZFPA shall prevail.

35
36 **Sec. 18. Interpretation/Construction,** - The powers authorities and functions that
37 are vested in the SPEZFPA are intended to establish decentralization of government

1 functions and authority and promote an efficient and effective working relationship
2 among the Southern Palawan ECOZONE, the central government and the LGUs.

3
4 **Sec. 19. Auditing.** - The Commission on Audit shall appoint a representative who
5 shall be a full time auditor of the SPEZFPA and assign such number of personnel as may
6 be necessary to assist said representative in the performance of his/her duties.

7 The salaries and emoluments of the assigned auditor and personnel shall be in
8 accordance with pertinent laws, rules and regulations.

9
10 **Sec. 20. Separability Clause.** - If any provision of this Act shall be held
11 unconstitutional or invalid, the other portions not otherwise affected shall remain in full
12 force and effect.

13
14 **Sec. 21. Repealing Clause.** - All laws, executive orders or issuances, or any part
15 thereof, which are inconsistent herewith, are hereby repealed or amended accordingly.

16
17 *Approved,*

18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43