

THIRTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Third Regular Session)

6 SEP 25 1962

SENATE BILL NO. 2472 RECEIVED BY: *Jury*

Introduced by Senator Juan Ponce Enrile

EXPLANATORY NOTE

The Province of Northern Samar is abundant in agricultural land and natural resources which have remained untapped and underdeveloped. The province also hosts a total population of 500,639, a huge portion of which may be educated, trained and equipped to serve and become agents of any development effort of the government.

Presently, the government endeavors to stimulate economic development in various regions in the country. By creating industrial centers and establishing special economic zones in the rural and underdeveloped areas such as Northern Samar, the government hopes to encourage investors and spur activities that will generate employment and enhance productivity that will essentially redound to the benefit of not only the residents within these areas, but also of nearby provinces and regions as well.

This proposed bill, therefore, proposes to create a special economic zone and free port in the province of Northern Samar, covering the municipalities of San Jose, Bobon and Catarman. The location of the proposed special economic zone is ideal as the Port of San Jose can be further developed into an international port which will serve the needs of the entire coastline of Samar.

Furthermore, the bill seeks to create the Northern Samar Special Economic Zone Authority which will facilitate the development of the economic zone into a self-sustaining industrial, commercial, financial and investment center and free port. In encouraging and attracting investments into the province, the economic zone will hopefully serve as the main engine of growth in one of the most depressed parts of the country.

In view of the foregoing, approval of the bill is earnestly requested.


JUAN PONCE ENRILE

Senator

THIRTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
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SENATE
OFFICE OF THE SECRETARY

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SENATE BILL NO. **2472**

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AN ACT
ESTABLISHING A SPECIAL ECONOMIC ZONE AND FREE PORT IN THE
PROVINCE OF NORTHERN SAMAR, COVERING THE MUNICIPALITIES OF
SAN JOSE, BOBON AND CATARMAN, PROVIDING FUNDS THEREFOR,
AND FOR OTHER PURPOSES

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

SECTION 1. Short Title. - This act shall be known as the "*Northern Samar Special Economic Zone Act of 2006*".

SEC. 2. Declaration of Policy. - It is hereby declared the policy of the government to actively encourage, promote, and accelerate a sound and balanced industrial, economic and social development of the country in order to provide jobs to the people especially those in the rural areas, increase their productivity and their individual and family income, and thereby improve the level and quality of their living conditions. Towards this end, the government shall pursue the establishment, among others, of special economic zones and free ports in suitable and strategic locations in the country and other measures that shall effectively attract legitimate and productive foreign investments.

SEC. 3. The Northern Samar Special Economic Zone and Free Port. - In accordance with the foregoing policy, there is hereby established a special economic zone and free port, to be known as the Northern Samar Special Economic Zone, hereafter known as the Ecozone, which shall cover the entire area embraced by the Municipalities of San Jose, Bobon and Catarman, all in the Province of Northern Samar: *Provided, however,* That the free port shall be confined to the Municipality of San Jose and such nearby areas the President may proclaim when the need for it arises.

SEC. 4. Governing Principles. - The Northern Samar Ecozone Zone and Free Port shall be managed and operated under the following principles:

- (a) Under the framework and limitations of the Constitution and the applicable provisions of the Local Government Code, the Zone shall be developed into and operated as a self-sustaining industrial, commercial, financial, investment and tourism/recreational center and free port with suitable retirement/residential areas, in order to create employment opportunities in and around the Zone, and to effectively encourage and attract legitimate and productive foreign investment therein;

- (b) Business establishments operating within the Zone shall be entitled to the existing fiscal incentives as provided for under Presidential Decree No. 66, the law creating the Export Processing Zone Authority (EPZA), or those provided under Book VI of Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987;
- (c) Any provision of existing law, rules or regulations to the contrary notwithstanding, no taxes, local and national, including final withholding taxes on dividends and branch profit remittances to a business establishment's mother company, shall be imposed on business establishment's mother company, shall be imposed on business establishments operating within the Zone. In lieu of all local and national taxes, said business establishments shall pay to the national government a final tax of eight percent (8%) of their net income, to be divided as follows:
- (1) Three per centum (3%) shall accrue to the general fund of the national government;
 - (2) Two per centum (2%) to the province of Northern Samar;
 - (3) One per centum (1%) to be shared by the municipalities affected by the declaration of the Zone, in proportion to their income from business activities within the Zone; and
 - (4) Two per centum (2%) to the Northern Samar Economic Zone Authority which shall be created under this Act: Provided, however, that the final tax of eight percent (8%) of net income may be increased by the President of the Philippines after ten (10) years from the effectivity of this Act upon the recommendation of the Secretaries of Finance, and Trade and Industry, the Director General of the National Economic Development Authority, and the Administrator of the Northern Samar Economic Zone Authority; Provided, further, that in no case shall the final tax to be imposed exceed fifteen per cent (15%) of net income.

In case of conflict between local and national tax laws on the one hand, and the tax incentives herein granted on the other, the same shall be resolved in favor of the latter.

- (d) Existing banking laws and *Bangko Sentral ng Pilipinas* (BSP) rules and regulations shall apply on foreign exchange and other current account transactions (trade and non-trade), local and foreign banks, foreign investments, establishment and operation of local and foreign banks, foreign currency deposit units, offshore banking units and other financial institutions under the supervision of the BSP: *Provided, however*, that the Northern Samar Economic Zone Authority may, in coordination with the *Bangko Sentral ng Pilipinas* and the Department of Trade and Industry, adopt, more liberal rules to attract offshore banking, financial services or trading institutions to operate in the Zone: *Provided, further*, That such rules, if adopted, will be deemed to repeal, modify or amend existing legislation on offshore banking, financial, financial services or trading institutions insofar as the Zone is concerned;
- (e) Any foreign investor who establishes a business enterprise within the Zone and who maintains capital investment of not less than One Hundred Fifty Thousand United States Dollar (US\$150,000.00) shall be granted, along with his or her spouse, dependents, and unmarried children below twenty-one (21) years of age, a permanent resident status within the Zone. The responsibility and authority to

grant such permanent residents status is hereby delegated to the Northern Samar Economic Zone Authority.

Such foreign investor and his or her spouse, dependents, and unmarried children below the age of twenty-one (21) years, shall have the freedom of ingress and egress to and from the Zone without need of any special authorization from the Bureau of Immigration.

Likewise, the Northern Samar Economic Zone Authority shall issue working visas renewable every two (2) years to foreign executives and foreign technicians with highly specialized skills which no Filipino possesses, as certified by the Department of Labor and Employment.

The names of foreigners granted permanent resident status and working visas by the Northern Samar Economic Zone Authority shall be reported to the Bureau of Immigration within thirty (30) days from such grant.

The foregoing is without prejudice to a foreigner acquiring permanent resident status in the Philippines in accordance with applicable immigration, retirement and other related laws; and,

- (f) Except as otherwise provided herein, the local government units totally or partially embraced by the Zone shall retain and maintain their basic autonomy and identity. The municipalities of San Jose, Bobon and Catarman shall operate and function in accordance with Republic Act No. 7160, otherwise known as the Local Government Code of 1991, insofar as the areas within their respective jurisdiction covered in this Act are concerned.

SEC. 5. *Creation of the Northern Samar Economic Zone Authority.* - A body corporate to be known as the Northern Samar Economic Zone Authority, hereafter referred to as the NSEZA, is hereby created to manage and operate, in accordance with the provisions of this Act, the Northern Samar Special Economic Zone and Free Port. This corporate franchise shall expire in fifty (50) years from the first day of the fifty (5th) calendar year after the effectivity of this Act, unless otherwise extended by Congress.

SEC. 6. *Powers and Functions of the Northern Samar Economic Zone Authority.*
- The Northern Samar Economic Zone Authority shall have the following powers and functions:

- (a) To adopt, alter, use a corporate seal; to contract, lease, buy, sell, acquire, own and dispose movable and immovable as well as personal and real property of whatever nature (including but not limited to shares of stock or participation in private corporations or in limited partnerships, or in joint ventures with limited liability), bonds, precious metals in bullions, ingots and easily convertible foreign exchange, to sue and be sued in order to carry out its duties, responsibilities, privileges, powers and functions as granted and provided for in this Act; and to exercise the power of eminent domain for public use and public purposes;
- (b) Within the limitation provided by laws, to raise or borrow adequate and necessary funds from local or foreign sources to finance its projects and programs under this Act, and for that purpose to issue bonds, promissory notes, and other form of securities, and to secure the same by a guarantee, pledge, mortgage, deed of trust, or an assignment of all or part of its property or assets;

- (c) To approve, accept, accredit and allow any local or foreign business, enterprise or investment in the Zone subject only to such rules and regulations as NSEZA may promulgate from time to time in conformity with the provisions of this Act and the limitations provided in the Constitution;
- (d) To authorize or undertake, on its own or through others, and regulate the establishment, operation and maintenance of public utilities, services and infrastructure in the Zone such as shipping, ship building, ship registry and every matter related or attendant thereto, barging, stevedoring, cargo handling, hauling, warehousing, storage or cargo, port services or concessions, piers, wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads, bridges, terminals, conveyors, water supply and storage, sewerage, drainage, airport operations in coordination with the Civil Aeronautics Board, and such other services or concessions or infrastructure necessary or incidental to the accomplishment of the objectives of this Act; *Provided, however,* That the private investors in the Zone shall be given priority in the awarding of contracts, franchises, licenses, or permits for the establishment, operation and maintenance of utilities, services and infrastructure in the Zone;
- (e) To construct, acquire, own, lease, operate and maintain on its own or through others by virtue of contracts, franchises, licenses, or permits under the build-operate-transfer scheme or under a joint venture with the private sector any or all of the public utilities and infrastructure required or needed in the Zone, in coordination with appropriate national and local government authorities and in conformity with applicable laws thereon;
- (f) To operate on its own, either directly or through a subsidiary entity, or license to others, tourism-related activities, under priorities and standards set by the NSEZA;
- (g) To protect, preserve, maintain and develop, among others, the virgin forests, beaches, coral and coral reefs within the Zone. The virgin forests within the Zone shall be proclaimed as a national park and shall be covered by a permanent total log ban. For this purpose, the rules and regulations of the Department of Environment and Natural Resources and other government agencies involved in the above functions shall be implemented by the NSEZA, including the issuances of environmental clearance certificates, patents and leasehold rights over government lands and mining, drilling and timber licenses;
- (h) To adopt, implement and enforce reasonable measures and standards to control pollution within the Zone;
- (i) To provide security for the Zone in coordination with the national and local governments. For this purpose, NSEZA may establish and maintain its own security force and firefighting capability or hire others to provide the same;
- (j) To form, establish, organize and maintain subsidiary corporations, as its business and operations may require, whether under the laws of the Philippines or not;
- (k) To issue rules and regulations consistent with the provisions of this Act as may be necessary to implement and accomplish the purposes, objectives and policies herein provided;

- (l) To provide, in cooperation with the Department of Tourism, incentives to tourism-related business operating within the Zone, such as but not limited to duty-free buying privileges for non-resident visitors;
- (m) To charge reasonable fees for the provisions of services and the maintenance of infrastructure and utilities;
- (n) To impose fines and penalties for violations of the provisions of this Act, the rules and regulations to be established by the NSEZA or any other law that the NSEZA is tasked to enforce; and
- (o) To exercise such powers as may be essential, necessary or incidental to the powers granted to it hereunder as well as those that shall enable it to carry out, implement, and accomplish the purposes, objectives and policies of this Act.

SEC. 7. Board of Directors of NSEZA. - The powers of the Northern Samar Economic Zone Authority shall be vested in and exercised by a Board of Directors, hereinafter referred to as the Board, which shall be composed of eleven (11) members, to wit;

- (a) The Secretary of the Trade and Industry who shall serve as an ex-officio voting chairman of the Board of Directors;
- (b) The Administrator of NSEZA who shall serve as ex-officio voting Vice Chairman of the Board;
- (c) The Director-General of the National Economic And Development Authority, or his representative, as ex-officio voting member of the Board;
- (d) The Mayors of the Municipalities of San Jose, Bobon, and Catarman, all in the Province of Northern Samar, as ex-officio voting members;
- (e) One (1) representative of labor from among the workers in the Northern Samar Special Economic Zone;
- (f) Two (2) representatives from the business and investments sectors in the Zone, one (1) of whom must come from the investors in the Municipalities of San Jose, Bobon, and Catarman; and,
- (g) One (1) representative of the private sector coming from the residents of the municipalities of San Jose, Bobon, and Catarman.

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

Except for the representatives of the business and investment sectors, no person shall be appointed by the President of the Philippines as a member of the Board unless he is a Filipino citizen, of good moral character and of recognized competence in some

relevant fields in business, banking, shipping, business or labor management, port, operations, engineering, or law.

The Members of the Board shall receive a per diem of not more than Ten Thousand Pesos (P10,000.00) for every board meeting actually attended: *Provided, however,* That no per diem shall be paid for more than four (4) Board Meetings per month: *Provided, further,* That the President of the Philippines may fix a higher per diem for the members of the Board.

SEC. 8. *Administrative and Chief Executive Officer.* - The President of the Philippines shall appoint a full time professional and competent administrator and chief executive officer for the Northern Samar Economic Zone Authority who shall serve for a term of six (6) years and whose compensation shall be determined by its Board of Directors. The Administrator as chief executive officer NSEZA shall be responsible to the Board and the President of the Philippines for the efficient management and operation of the Northern Samar Special Economic Zone.

SEC. 9. *Capitalization.* - The Northern Samar Economic Zone Authority shall have an authorized capital stock of Two Billion (P2,000,000,000.00) no par shares with a minimum issue value of Ten Pesos (P10.00) each. The National Government shall initially subscribe and fully pay Three Hundred Million (300,000,000.00) shares of such capital stock. All unoccupied government-owned lands as of the creation of the Zone, falling within its jurisdiction shall also be included as part of the equity of NSEZA and may only be disposed of by the NSEZA: *Provided, That,* in case of absolute sale or conveyance, NSEZA shall seek the approval of the Office of the President. The initial amount necessary to subscribe and pay for the shares of stock shall be included in the General Appropriation Act of the year following its enactment into law and thereafter. The Board of Directors of NSEZA may from time to time and with the written concurrence of the Secretary of Finance, increase the issue value of the shares representing the capital stock of the Northern Samar Economic Zone Authority. The Board of Directors of NSEZA, with the written concurrence of the Secretary of Finance, may sell shares representing not more than forty per centum (40%) of the capital stock of the NSEZA to the general public with such annual dividend policy as the Board and the Secretary of Finance may determine. The National Government shall in no case own less than sixty per centum (60%) of the total issued and outstanding capital stock of the NSEZA.

SEC. 10. *Supervision.* - The Northern Samar Special Economic Zone shall be under the direct control and supervision of the Office of the President for purposes of policy direction and coordination.

SEC. 11. *Relationship with the municipalities of San Jose, Bobon, and Catarman.* - In case of any conflict between the Northern Samar Economic Zone Authority and the Municipalities of San Jose, Bobon, and Catarman on matters affecting the Northern Samar Special Economic Zone other than in defense and security matters, the decision of NSEZA shall prevail.

SEC. 12. *Legal Counsel.* - The Northern Samar Economic Zone Authority and the corporations in which NSEZA owns a majority of the issued capital stock shall have its own internal legal counsel who shall be solely responsible for reviewing the contracts entered into by the NSEZA. When the exigencies of its business and operations demand it, the NSEZA may engage the services of an outside counsel either on a case to case basis or on a fixed retainer.

SEC. 13. *Non-Applicability of Salary Standardization Law and Revised Compensation and Positive Classification System.* – The provisions of Republic Act No. 6758, otherwise known as the Salary Standardization Law, and the Revised Compensation and Position Classification System, shall not apply to the Northern Samar Economic Zone Authority. The salaries, benefits and other emoluments of the officers, directors and employees of the NSEZA shall be commensurate to private industry standards to be determined by the Board of Directors of NSEZA.

SEC. 14. *Retention of all Earning.* – The NSEZA shall retain all earnings from all its activities, regulatory or propriety, and need not remit the same to the National Treasury. Such earnings shall be considered as corporate income which NSEZA may invest in its various infrastructure or special projects, corporate undertakings, payments of salaries, honoraria, per diem and/or related matters.

SEC. 15. *Auditor.* The Commission on Audit shall appoint a representative who shall be a full-time auditor of the Northern Samar Economic Zone Authority and its subsidiaries in which it controls a majority of the shares of stock, and assign such number of personnel as may be necessary to assist said representative in the performance of his/her duties. The salaries and emoluments of the assigned auditor and personnel of the Commission on Audit shall be accordance with the revised compensation and position classification system. The Commission on Audit shall render an annual report to the President of the Philippines and to the Congress on the business activities, transactions and operations of the Northern Samar Economic Zone Authority.

To ensure the expeditious implementation of the economic policy and purpose embodied in this Act, the Commission of Audit in cooperation with the Northern Samar Economic Zone Authority, shall formulate special rules on audit, disbursement funds, bidding, procurement of good and services, accounting, use of government equipment and resources and the like, towards realizing the aforesaid needs: *Provided*, That such rules and any amendment thereto shall be approved by the Office of the President.

SEC. 16. *Injunctions, Restraining Orders and Other Interlocutory Orders.* The development of the Northern Samar Special Economic Zone and Free Port is a National Government priority and, therefore, no injunctions, restraining order and other interlocutory order which seek to stop or interrupt any contract entered into or project undertaken by the NSEZA may be issued by any court of law or quasi-judicial body except by the Supreme Court of the Philippines.

SEC. 17. Any incentives, powers, privileges, exemption and immunities granted to the Subic Special Economic Zone and Free Port, the Cagayan Special Economic Zone and Free Port, and the Zamboanga City Special Economic Zone under Republic Act No. 7227, Republic Act No. 7922 and Republic Act No. 7903, respectively, except the operation of any gambling, games, amusements, recreational and sports activities such as horse racing, casinos and cock fighting which are not granted to the Northern Samar Special Economic Zone and Free Port, as if such incentives, powers, privileges, exemptions and immunities are granted and embodied in this Act.

SEC. 18. *Separability Clause.* If any provision of this Act shall be held unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

SEC. 19. *Repealing Clause.* All laws, executive order or issuances, or any parts thereof which are inconsistent herewith are hereby repealed or amended accordingly.

SEC. 20. *Effectivity Clause.* This Act shall take effect upon its publication in at least one (1) newspaper of general circulation.

Approved ,