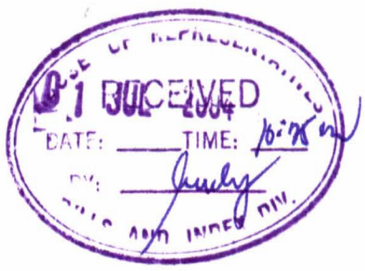
649

Republic of the Philippines
House of Representatives
Quezon City, Metro Manila



THIRTEENTH CONGRESS

First Regular Session

HOUSE BILL NO. 649

Introduced by Honorable MONICO O. PUENTEVELLA

EXPLANATORY NOTE

This bill seeks to create a special economic zone and free port in the City of Bacolod, Province of Negros Occidental in response to the administration's thrust towards minimizing, if not to eradicate, poverty amongst our citizenry, especially in the countryside.

When the first onslaught of economic hurricane swept across the Asian continent in 1998, the 110 economic zones located in various regions of the country stood guard as the nation's formidable shield. All together, their contribution to our dollar reserve -US $13.270 billion in 1998 -has helped steer the country's economic rudder to a steady course.

Since 1995, the 850 companies in the "Ecozones" has opened employment to 609, 044 men and women. The staggering Php 373.4 billion of total investments over a four year period from the same year have been stirring the Philippine economic pot to cook up the much sought- after-life-giving brew. This is one of the reasons why international economists and investment pundits have been saying all along that the Philippines is the least affected country in Asia by the currency crisis. Whereas, economic zones in many countries in Asia alarmingly reduced productivity and ceased attracting investors during such period of economic crunch, the Philippines has successfully keeps drawing them in.

Counting on the untold and diverse benefits that Filipinos derive from the above figures, it is highly indubitable that that Ecozones have become one of the stabilizing factors in the nation's economy. This is the main and primordial reason this proposed measure is being submitted in an effort to bring down the goods to the people of Bacolod and to the entire province of Negros Occidental, especially that the area possesses all the economic ingredients and qualifications necessary for a viable ecozone. Its rich land resources and highly literate, eminently educated, and admiringly skillful and versatile people would serve as the no. 1 come -on attraction

and instrument in inducing international investors or locators, in ecozone parlance, and contributing factor in the marketable features in the landscape of an ecozone in Bacolod City.

Given the economic benefits that the establishment of an economic zones may redound to Bacolod City and the entire province of Negros Occidental, the immediate consideration and approval of this measure is highly recommended.

HON. MONICO O. PUENTEVELLA
Lone District-Bacolod City

Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

THIRTEENTH CONGRESS

First Regular Session

HOUSE BILL NO. 649

Introduced by Honorable MONICO O. PUENTEVELLA

AN ACT
CREATING A SPECIAL ECONOMIC ZONE AND FREE PORT IN THE CITY OF BACOLOD CREATING FOR THIS PURPOSE THE BACOLOD CITY SPECIAL ECONOMIC ZONE 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:

Section 1. ***Short Title.*** – This act shall be known as the Bacolod City Special Economic Zone Act of 2001.

Section 2. ***Declaration of Policy.*** – It is hereby declared the policy of the State to encourage and promote the attainment of a sound and balanced industrial, economic and social development in the country through the promotion of private enterprises. Towards this end, the State shall endeavor to establish special economic zones in suitable and selected areas in the country where enterprises will be given incentives to create an environment conducive to business. This shall be the means to attract local and foreign investors, generate employment opportunities, and encourage the regional dispersal of industries.

Section 3. ***Creation of the Bacolod City Special Economic Zone.*** – In accordance with the foregoing policy and subject to the concurrence of the city government of Bacolod affected by the zone, there is hereby established a special economic zone in the City Special Economic Zone, hereinafter referred to as BACOLODECOZONE. The specific meets and bounds of the BACOLODECOZONE shall be more particularly defined in a presidential proclamation that shall be more particularly defined in a presidential proclamation that shall be issued for this purpose.

Section 4. ***Governing Principles.*** – The Bacolod City Special Economic Zone shall be managed and operated under the following principles:

(a) Within the framework and limitations of the Constitution and the applicable provisions of the Local Government Code, the BACOLODECOZONE shall be develop into a decentralized, self-reliant and self sustaining agro-industrial, commercial, financial, investment, and tourist center and free port with suitable retirement and residential areas. The BACOLODECOZONE shall be provided with necessary facilities for land, air and sea transportation as well as telecommunications, and other facilities needed to attract legitimate and productive foreign investments, generate linkage industries and employment opportunities for the people Bacolod City and its neighboring towns and cities.

(b) The BACOLODECOZONE may establish mutually beneficial economic relations with other entities within the country, subject to the administrative guidance of the Department of Foreign Affairs and/or the Department of Trade and Industry with foreign entities or enterprises.

(c) Foreign citizens and companies owned by non-Filipinos in whatever proportion may set up enterprises in the BACOLODECOZONE, either by themselves or in joint venture with Filipinos in any sector of industry, international trade and commerce within the BACOLODECOZONE.

(d) The BACOLODECOZONE shall be managed and operated as a separate customs territory to ensure and facilitate free flow, entry and movement of machinery and other goods. It shall be vested with the authority to issue certificates of origin for products manufactured or processed in the BACOLODECOZONE in accordance with the prevailing rules of origin, and the pertinent regulations of the duly recognized national bodies tasked to oversee all other ECOZONES in the country.

(e) Business establishments within the BACOLODECOZONE shall be entitled to the existing fiscal incentives as provided for under Presidential Decree No. 66, the law creating the Export Processing Zone Authority, or those provided under Book VI of Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987, and such incentives, benefits or privileges presently enjoyed by business establishments operating within the Subic special economic zone pursuant to Republic Act No. 7227.

(f) Any provisions of existing laws, rules or regulation to the contrary notwithstanding, no taxes, local and national, shall be imposed on business establishments operating within the BACOLODECOZONE. In lieu of paying taxes, said business establishments shall pay and remit to the city government of Bacolod three percent (3%) of their gross income, to be allocated as follows:

(1) One percent (1 %) to the city of Bacolod;
(2) One percent (1%) to the barangay special development fund, which is hereby created, for the development and improvement of the barangays within the City of Bacolod: Provided, that this fund shall be managed and administered by the BACOLODECOZONE Authority created under Section 5 of this Act; and
(3) One percent (1%) to the BACOLODECOZONE Authority.

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

(g) Except as otherwise provided herein, the local government units embraced within the BACOLODECOZONE shall retain and maintain their basic autonomy and identity. Bacolod City shall operate and function in accordance with Republic Act. No. 7160, otherwise known as the Local Government Code of 1991.

(h) Any foreign investor who establishes a business enterprise within the BACOLODECOZONE and who maintains capital investment of not less than One hundred fifty thousand United States dollars (US $ 150,000) 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 BACOLODECOZONE.

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

Likewise, the Bacolod City Special 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 name of the foreigners granted permanent resident status and working visas by the Bacolod City Special Economic Zone Authority shall be reported to the Bureau of Immigration and Deportation 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.

(i) The provisions of any law to the contrary notwithstanding, any foreigner, partnership, corporation, or any other business association not created and existing under the laws of the Republic of the Philippines, engaged in the business of retailing goods and merchandise, shall be permitted to engaged in such retail trade within the BACOLODECOZONE after securing license for that purpose from the Bacolod City Special Economic Zone Authority: Provided, that only foreign nationals engaged in medium- and large-scale retail trade may be permitted to engage in such business within the BACOLODECOZONE. The determination of the medium-and large-scale retail trade operation shall be the responsibility of the BACOLODECOZONE Authority.

(j) 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 borrowings, foreign investments, establishments and operation of local and foreign banks, foreign

currency deposit units, offshore banking units and other financial institutions under the supervision of BSP; Provided, however, that the BMCOLODECOZONE Authority may, in coordination with the BSP and the Department of Trade and Industry, adopt more liberal rules to attract offshore banking, financial, financial services or trading institutions to operate in the BACOLODECOZONE; Provided, further that such rules if adopted will be deemed to repeal, modify or amend existing legislation, policies, rules and regulations on offshore banking, financial, financial services or trading institutions insofar as the BACOLODECOZONE is concerned.

Section 5. ***Creation of the Bacolod City Special Economic Zone Authority.*** – Subject to the concurrence of the local government units that will be affected by the creation of the BACOLODECOZONE, there is hereby created a body corporate be known as the Bacolod City Special Economic Zone Authority, hereinafter referred to as the BACOLODECOZONE Authority, which shall manage and operate the BACOLODECOZONE, in accordance with this Act. It shall be organized within one hundred eighty (180) days after the effectivity of this Act.

Section 6. ***Principal Office.*** – The BACOLODECOZONE Authority shall maintain its principal office in the city of Bacolod, but it may establish branches and agencies within the Philippines and abroad as maybe necessary for the proper conduct of its business.

Section 7. ***Powers and Functions of the BACOLODECOZONE Authority.*** – The BACOLODECOZONE Authority shall have the following functions:

(a) To operate, administer, and manage the BACOLODECOZONE according to the principles and provisions set forth in this Act;

(b) To recommend to the President the issuance of a proclamation to fix and delimit the I site of the BACOLODECOZONE;

(c) To register, supervises in an efficient and decentralized manner;

(d) To authorize or undertake, on its own or through others, and regulate establishment, operation and maintenance of utilities, other services and infrastructure in the BACOLODECOZONE such as but not limited to shipping, ship building, ship registry and every matter related or attendant thereto, barging, stevedoring, cargo handling, hauling, warehousing, storage of cargo, port services or concessions, piers, wharves, bulkheads, bulk terminal, mooring areas, storage areas, airport operations, terminals, sewerage, drainage, gas, sanitation, garbage disposal, waste management, pollution control, heat, light and power, water and supply, communications, telecommunications, transport, toll roads and bridges and such others services or concessions or infrastructure necessary or incidental to the accomplishment of the objectives of this Act; Provided, That the BACOLODECOZONE Authority shall have the authority to fix, just, reasonable and competitive rates, fares, charges and pries there for;

(e) To construct, acquire, own, lease, operate and maintain on its own or through others by virtue of contracts, franchises, licenses, or permits under any of the schemes allowed in Republic Act No. 6957 (the build-operate-transfer law), or in joint venture with the private sector, any or all of the public utilities and infrastructure required or needed in the BACOLODECOZONE in coordination with

the 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, including games, amusements and recreational and sports facilities, such as but not limited to golf courses, entertainment or amusement centers, resorts, hotels, convention centers, race courses, gambling casinos and others without prior authorizations from any government offices.

(g) Within the limitation provided by law, 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 forms 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;

(h) To provide security for the BACOLODECOZONE in coordination with the national and local governments. For this purpose, the BACOLODECOZONE Authority may establish and maintain its own security force and firefighting capability or hire others to provide the same;

(i) To protect, preserve, maintain and develop, among others, the virgin forests, beaches, coral and coral reefs and minerals and mineral deposits including precious metals within the BACOLODECOZONE; Provided, That the virgin forest within the BACOLODECOZONE 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 BACOLODECOZONE Authority, including the issuance of environmental clearance certificates, patents and leasehold rights over government lands and mining, drilling and timber licenses.

(j) To form, create, establish, organize, and maintain subsidiary entities or organizations, completely owned by the BACOLODECOZONE Authority or in partnership with others, as the business and operations may require, whether under the laws of the Philippines or elsewhere; to create, operate and/or contract to operate such agencies and functional units or offices of the BACOLODECOZONE Authority as it may be deem necessary.

(k) To adopt, alter and use a corporate seal; make contracts, leases, own or otherwise dispose of personal or real property; sue and be sued; and otherwise carry out its - functions and duties provided for in this Act; and

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 provided therein.

(l) To provide, in cooperation *of* the Department *of* Tourism, incentives to tourism-related business operating within the BACOLODECOZONE such as but not limited to duty-free buying privileges for residents, non-residents or visitors of the BACOLODECOZONE.

(m)To provide, in cooperation with the Department of Tourism, incentives to tourism- related businesses operating within the BACOLODECOZONE such as but not limited to duty-free buying privileges for residents, non-residents or visitors of the BACOLODECOZONE.

(n) To impose reasonable fees and charges for services and use of infrastructure and utilities within the BACOLODECOZONE.

(o) To impose fines and penalties for violations of this Act, the rules and regulations issued by the BACOLODECOZONE Authority or any other law, rules or regulations that the BACOLODECOZONE authority is tasked to enforce.

(p) To exercise the power of eminent domain in accordance with law.

(q) To exercise such powers as may be essential, necessary, or incidental to the powers granted to it in this Act as well as those that shall enable it to carry out, implement, and accomplish the purposes, objectives, and policies of this Act.

Section. 8. ***Non-profit Character of the BACOLODECOZONE Authority.*** The BACOLODECOZONE Authority shall be non-profit and shall devote the use of its returns from capital investments, as well as excess revenues from its operations, for the development, improvement, and maintenance and other related expenditures of the BACOLODECOZONE Authority to pay its indebtedness and obligations and in furtherance and effective implementation of the policy provided in this Act. In consonance with this, the BACOLODECOZONE Authority is hereby declared exempt from the payment of all taxes, duties fees, imposts, charges, costs and services fees in any court or administrative proceedings in which it may be a party.

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

Section 9. ***Board of' Directors of the BACOLODECOZONE Authority.*** – The powers of the BACOLODECOZONE Authority shall be vested in and exercised by a Board *of* Directors, hereinafter referred to as the Board, shall be composed of the following:

(a) A chairman who shall, at the same time, be the administrator of the BACOLODECOZONE Authority.

(b) A vice-chairman who shall come from the national agency tasked to coordinate and monitor special economic zones and the like in the country;

(c) Six (6) members consisting of:

(1) The city's congressional representative;
(2) The mayor of the city of Bacolod;
(3) One (1) representative of the city council;
(4) One (1) representative from domestic investors in the BACOLODECOZONE;

(5) One (1) representative from foreign investors in the BACOLODECOZONE; and
(6) One (1) representative from the labor sector chosen from the workers in the BACOLODECOZONE.

The city's congressional representative, the mayor of the City of Bacolod and the representative of the city council shall serve as ex officio voting members of the Board.

The chairman and the members of the Board, except the ex officio members, shall be appointed by the President of the Philippines to serve for a term of six (6) years, unless sooner removed for cause or 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 investments sectors, no person shall be appointed by the President of the Philippines as member of the Board unless he is a Filipino citizen, of good moral character and of recognized competence in some relevant fields of business, banking, shipping, business or labor management, port operations, engineering or law.

Members of the Board shall receive a reasonable per diem which shall be fixed by the President of the Philippines once every six (6) years for every Board meeting: Provided, however, That the total per diem collected each month shall not exceed the equivalent per diems for four (4) meetings. Unless and until the President of the Philippines has fixed a higher per diem for the members of the Board, such per diem shall not be more than Ten thousand pesos (P 10,000) for every Board meeting.

Section 10. ***Powers and Duties of the Chairman-Administrator.*** – The chairman-administrator shall have the following powers and duties:

(a) To direct and manage the affairs of the Authority in accordance with policies of the board;

(b) To establish the internal organization of the Authority under such conditions that the Board may prescribe;

(c) To submit an annual budget and necessary supplemental budget to the Board for its approval;

(d) To submit within thirty (30) days after the close of each fiscal year an annual report to the Board and such other reports as may be required; and

(e) To perform such other duties as may be assigned to him by the Board.

Section 11. ***Promotion of Industrial Peace.*** – One representative each from the Department of labor and Employment (DOLE), labor sector, cultural minorities, business and industry sectors shall formulate a mechanism under a social pact for the enhancement and preservation of industrial peace in the City of Bacolod within thirty (30) days after the effectivity of this Act.

Section 12. ***Capitalization.*** – The Bacolod City Special Economic Zone Authority shall have an authorized capital stock of two billion (2,000,000,000) 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) shares of such capital stock. The initial amount necessary to subscribe and pay for the shares of stock shall be included in the General Appropriations Act of the year following its enactment into law and thereafter. The Board of Directors of the BACOLODECOZONE Authority 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 BACOLODECOZONE Authority. The Board of Directors of the BACOLODECOZONE Authority, with the written concurrence of the Secretary of Finance, may sale shares representing not more than forty per centum (40%) of the capital stock of the BACOLODECOZONE Authority 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 BACOLODECOZON E Authority.

All lands now owned, administered or falling under the control or supervision of the Department of Tourism of Philippine Tourism Authority located within Bacolod City, including all equipment, facilities and improvements found therein, shall likewise be included as part of the equity of the BACOLODECOZONE Authority, and shall be transferred, ceded, and conveyed to the BACOLODECOZONE Authority within ninety (90) days from approval of this Act; Provided, however, That the lands shall be transferred gratuitously but the equipment, facilities, and other improvements thereon shall be paid for by the BACOLODECOZONE Authority to and upon mutual agreement with the Department of Tourism or the Philippine Tourism Authority, as the case may be.

Section 13. ***Authority.*** – The BACOLODECOZONE Authority shall be an independent and autonomous entity attached to the Philippine Economic Zone Authority (PEZA) for purposes of policy and program coordination.

Section 14. ***Relationship with the Local Government Units.*** – In case of any conflict between the BACOLODECOZONE Authority and the City of Bacolod on matters affecting the BACOLODECOZONE other than defense and security matters, the decision of the BACOLODECOZONE Authority shall prevail.

Section 15. ***Auditing.*** -The Commission on Audit shall appoint a representative who shall be a full time auditor of the BACOLODECOZONE 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 shall be in accordance with pertinent laws, rules and regulations.

To ensure the expeditious implementation of the economic policy and purpose of this Act, the Commission on Audit, in cooperation with the BACOLODECOZONE Authority, shall formulate special rules on Audit, disbursement of funds, bidding, procurement of goods and services, accounting, use of government equipment and resources and the like towards realizing the aforesaid objectives or needs; Provided, That such rules and any amendment thereto shall be approved by the office of the President.

Section 16. ***Legal Counsel.*** – The BACOLODECOZONE Authority and the corporations in which it owns a majority of the issued capital stock shall have its own internal legal counsel under the supervision of the corporate government counsel. When the exigencies of its businesses and operations demand it, the BACOLODECOZONE Authority may engage the services of an outside counsel either on a case to case basis or on a fixed retainer.

Section 17. ***Injunctions, Restraining Orders and other Interlocutory Orders.*** – The development of the BACOLODECOZONE and Freeport is a national government priority and therefore, no injunctions, restraining orders and other interlocutory orders which seek to stop, delay, suspend, or interrupt any contract entered into project or activity undertaken or authorized by the BACOLODECOZONE Authority may be issued by any court of law or quasi-judicial body except by the Supreme Court of the Philippines.

Section 18. ***Non-applicability of Salary Standardization and Revised Compensation and Position 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 BACOLODECOZONE Authority. The salaries, benefits and other emoluments of the officers, directors, and employees of the BCAOLODECOZONE Authority and its subsidiaries shall be commensurate to private industry standards to be determined by the BACODECOZONE Authority Board of Directors.

Section 19. ***Retention of All Earnings.*** – The BACOLODECOZONE Authority shall retain all earnings from all its activities, regulatory or proprietary, and need not remit the same to the National Treasury. Such earnings shall be considered as corporate income which the BACOLODECOZONE Authority may invest in its various infrastructure or special projects, corporate undertakings, or for the payment of salaries, honoraria, per diems, and other obligations.

Section 20. ***Parity Clause.*** – In the event of any law, policy, rule or regulation granting any rights or privileges to any existing or future special economic zones and/or free ports which are more favorable or advantageous than those granted to the BACOLODECOZONE Authority or the enterprises and other business concerns operating within the BACOLODECOZONE, then such law, policy, rule, or regulation, shall be ipso facto incorporated hereto and shall operate and apply equally in favor of the BACOLODECOZONE Authority or the enterprises or business concerns operating within the BACOLODECOZONE, as the case may be.

Section 21. ***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.

Section 22. ***Repealing Clause.*** – All laws, executive orders or issuances, or any parts thereof which are inconsistent herewith, are hereby repealed or amended accordingly.

Section 23. ***Effectivity Clause.*** – This Act shall take effect upon its publication in at least one (1) newspaper of general circulation.

Approved,