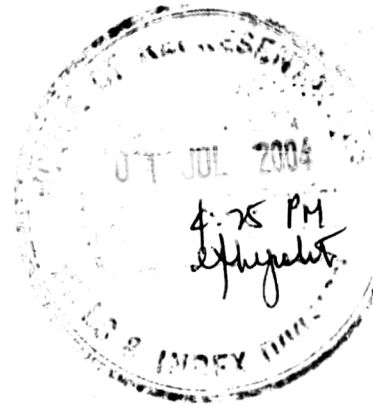


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

13th Congress
First Regular Session

HOUSE BILL NO. 812



Introduced by Representative Harlin Cast. Abayon

EXPLANATORY NOTE

The Attached bill seeks to create a special economic zone and free port in the entire area embraced by the Municipalities of San Jose, Bobon and Catarman, all in the Province of Northern Samar.

The creation of a special economic zone in Eastern Visayas will effectively respond to urgent national effort to minimize, if not to eradicate, poverty among our citizenry, especially for those who live in the distant rural areas of our land.

The location of the proposed special economic zone is ideal. The Port of San Jose is the only suitable and possible international port in the entire coastline of Samar. The intended special economic zone will provide an alternative location for business enterprises and industrial plants that may wish to transfer from Hongkong in 2001.

The proposed measure is aimed to implement the national objective of the Administration of providing jobs to the people, especially those in the rural areas, to increase their productivity and their individual and family income, which are vital in the realization of economic progress, not only in the Province of Northern Samar, but also in the entire country.

Northern Samar has a tremendous untapped agricultural land resource and the availability of adequate human resources. It is envisioned as a complementary part of the projects to convert the rich arable soil in Northern Samar into a source of exportable agricultural crops, like corn, peanuts, sweet potato, asparagus, ginger, garlic, including livestock, such as hogs poultry and others and also aquatic resources and to use Port San Jose as a loading point to reach nearby foreign markets.

As contemplated in the accompanying bill, the Northern Samar Special Economic Zone will be developed as a self-sustaining industrial, commercial, financial and investment center and free port for two primary reasons: (1) to create employment opportunities, especially in and around the zone; (2) to effectively encourage and attract legitimate and productive foreign investment in one of the most depressed parts of the country.

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 Investment Code of 1987.

No taxes, local and national, shall be imposed on business establishments operating within the Zone. In lieu of paying taxes, said business establishments shall pay and remit to the national government eight per centum (8%) of their net income.

To administer, manage and operate the Zone, a public corporation called the Northern Samar Economic Zone Authority, or NSEZA for short, is being proposed to be organized for a period of fifty (50) years which shall begin to run on the first day of the composed of eleven (11) members to wit:

The Secretary of Trade and Industry who shall serve as an ex-officio chairman of the Board Directors, the Administrator of NSEZA for short, is being proposed to be fifth (5th) calendar years after the effectivity of the proposed law. It will have a board composed of eleven (11) members to wit:

The Secretary of Trade and Industry who shall serve as an ex-officio chairman of the Board of Directors, as Administrator of NSEZA who shall serve as ex-officio voting Vice-Chairman, the Director General of the National Economic and Development Authority, or his representative, as ex-officio voting member, the Governor of the Province of Northern Samar as ex-officio voting member, the mayors of the Municipalities of San Jose, Bobon and Catarman as ex-officio members. One (1) representative of labor from among the workers in the Northern Samar Special Economic Zone, two (2) representatives from the business and investment sectors in the Zone, one (1) of whom must come from the investors in the Municipalities of San Jose, Bobon and Catarman, and one (1) representative of the private sector coming from the residents of the Municipalities of San Jose, Bobon and Catarman.

NSEZA will have an authorized capital stock of Two Billion (P20,000,000,000) 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 (3,000,000,000) shares within three hundred sixty five (365) days after the effectivity of the proposed law. From time to time, the Board of NSEZA may, 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.

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


HARLIN CAST. ABAYON

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

13th Congress
First Regular Session

HOUSE BILL NO. 812

Introduced by Hon. Harlin Cast. Abayon

AN ACT

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

Be 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 2001"

SECTION 2. **Declaration of Policy.**- It is hereby declared the policy of the government to actively encourage, promote, induce 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 through the establishment, among others, of special economic zones and free ports in suitable and strategic locations in the country and through measures that shall effectively attract legitimate and productive foreign investments.

SECTION 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 Northern Samar Special Economic Zone, hereafter known as the Zone, 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 necessity requires.

SECTION 4. **Governing Principles.**- The Northern Samar Special Economic Zone 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 establishment 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 of 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 establishments shall pay a final tax of eight percent (8%) of their net income, to be divided among the National Government, the Province of

Northern Samar, the municipalities affected by the declaration of the Zone and the Northern Samar Economic Zone Authority, in proportion to their sharing as provided for under section 24 of Republic Act No. 7916.

(d) Existing banking laws and *Banko 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, 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, 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 investments 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 referred to in Section 5 of this Act.

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 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 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 within 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.

Section 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 counted from the first day of the fifty (5th) calendar year after the effectivity of this Act, unless otherwise extended by Congress.

Section 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 use 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;

(e) The Mayors of the Municipalities of San Jose, Bobon, and Catarman, all in the Province of Northern Samar, as ex-officio voting members;

(f) One (1) representative of labor from among the workers in the Northern Samar Special Economic Zone;

(g) 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

(h) 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 a cause, the replacement shall serve only the unexpired portion if 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 (P 10,000.00) 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.

SECTION 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 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.

SECTION 9. *Capitalization.*- The Northern Samar Economic Zone Authority shall have an authorized capital stock of Two Billion (P 2,000,000,000.)no par shares with a minimum issue value of Ten Pesos (P 10.00) each. The National Government shall initially subscribe and fully pay Three Hundred Million (P 3,000,000,000) 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 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 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.

SECTION 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.

SECTION 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.

No. 7903 and the Special Economic Zones created or to be created under Republic Act No. 7916, as if such incentives, powers, privileges, exemptions and immunities were originally granted to said zones.

SECTION. 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.

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

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

Approved,