

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
First regular Session

House Bill No. 882

Introduced by HONORABLE ROQUE R. ABLAN, JR.

EXPLANATORY NOTE

The attached bill seeks to create a special economic zone and free port in the entire area embraced by the Municipalities of Pasuquin, Burgos, and Bangui, all in the Province of Ilocos Norte.

The creation of a special economic zone in Ilocos Norte will effectively respond to urgent national effort to minimize, if not to eradicate, poverty among our citizenry 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 Derequi in Pasuquin is the only suitable and possible international port in the entire coastline of Ilocos Norte. The intended special economic zone will provide an alternative location for business enterprises and industrial plants that may wish to transfer from Hongkong or Taiwan.

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 Ilocos Norte, but also in the entire country.

Ilocos Norte 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 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 Derequi as a loading point to reach nearby foreign markets.

As contemplated in the accompanying bill, the Laoag 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

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.

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 Laoag Economic Zone Authority, or LEZA 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 fifth (5^{th}) calendar year 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, the Administrator of LEZA 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 Ilocos Norte as ex-officio voting member, the mayors of the Municipalities of Pasuquin, Burgos and Bangui as ex-officio voting members, one (1) representative of labor from among the workers in the 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 Pasuquin, Burgos and Bangui, and one (1) representative of the private sector coming from the residents of the Municipalities of Pasuquin, Burgos and Bangui.

LEZA will 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 within three hundred sixty five (365) days after the effectivity of proposed law. From time to time, the Board of LEZA may, with the written concurrence of the Secretary of Finance, increase the issue value of the shares representing the capital stock of the Laoag Economic Zone Authority. The Board of Directors of LEZA, 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 LEZA 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 LEZ. ..

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

ROQUE R. ABLAN, JR.

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

THIRTEENTH CONGRESS

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House Bill No. 882

Introduced by HONORABLE ROQUE R. ABLAN, JR.

AN ACT
ESTABLISHING A SPECIAL ECONOMIC ZONE AND FREE PORT IN THE MUNICIPALITY OF PASUQUIN AND IN THE MUNICIPALITIES OF BURGOS AND BANGUI, ALL IN THE PROVINCE OF ILOCOS NORTE, PROVIDING FUNDS THEREFOR, AND FOR OTHER PURPOSES.

Be it enacted by the Senate and the House of Representatives of the Philippine In Congress assembled

SECTION 1. Short Title. This Act shall be known as the "Laoag Special Economic Zone Act of 2004."

SEC. 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 zone and free ports in suitable and strategic locations in the country and through measures that shall effectively attract legitimate and productive foreign investments.

SEC. 3. The Laoag 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 Laoag Special Economic Zone, hereafter known as the Zone, which shall cover the entire area embraced in the Municipalities of Pasuquin, Burgos and Bangui, all in the Province of Ilocos Norte: *Provided, however,* That the free port shall be confined to the Municipality of Pasuquin and such nearby areas the President may proclaim, when necessity requires.

SEC. 4. Governing Principles. The Laoag 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 investments therein;

(b) Business establishments operating within the Zone shall be entitled to the existing fiscal incentives as provided 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 establishments operating within the Zone. In lieu of all local and national taxes, said 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 Ilocos Norte, the municipalities affected by the declaration of the Zone and the Laoag Economic Zone Authority, in proportion to their sharing as provided for under Section 24 of Republic Act No. 7916.

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 *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 Laoag Economic Zone Authority may, in coordination with the *Banko 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 investment of not less than One Hundred Fifty Thousand United States Dollars (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 is hereby delegated to the Laoag Economic Zone Authority referred to Section 5 of this Act.

Such foreign investor and his or her spouse, dependent, 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 the need of any special authorization from the Bureau of Immigration.

Likewise, the Laoag 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 Laoag 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 within the Zone shall retain and maintain their basic autonomy and identity. The municipalities of Pasuquin, Burgos and Bangui 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 Laoag Economic Zone Authority. A body corporate to known as the Laoag Economic Zone Authority, hereinafter referred to as the LEZA, is hereby created to manage and operate, in accordance with the provisions of the Act, the Laoag Special Economic Zone and Free Port. This corporate frachise shall expire in fifty (50) years counted from the first day of the fifth (5^{th}) calendar year of the effectivity of this Act, unless otherwise extended by Congress.

SEC. 6. Power and Function of the Laoag Economic Zone Authority. The 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 inovable 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 purpose.

(b) Within the limitation provided by laws, to raise or borrow adequate and necessary funds from local of foreign sources to finance is 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 regulation 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 other, 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 system 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 protect, preserve, maintain and develop, among others the virgin forests, beaches, corals and coral reefs and minerals and mineral deposits, including precious metals 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 LEZA, including the issuance of environmental clearance certificates, patents, and leasehold rights over government lands and mining, drilling and timber licenses;

(g) To adopt, implement and enforce reasonable measures and standards to control pollution within the Zone;

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

(i) To form, establish, organize and maintain subsidiary corporations, as its business and operations may require, whether under the laws of the Philippines or not;

(j) To issue rules and regulations consistent with the provisions of this Act as may be necessary to implement and accomplish the purpose, objectives and policies herein provided;

(k) To provide, in cooperation with the Department of Tourism, incentives to tourism-related business operating within the Zone;

(l) To charge reasonable fees for the provision of service and the maintenance of infrastructure and utilities;

(m) To impose fines and penalties for violation of the provision of this Act, the rules and regulations to be established by the LEZA or any other law that the LEZA is tasked to enforce; and

(n) 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 purpose, objectives and policies of this Act.

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

(a) The Secretary of Trade and Industry who shall serve as an *ex-officio* voting chairman of the Board of Directors;
(b) The Administrator of LEZA 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 members of the Board;
(d) The Governor of the Province of Ilocos Norte as *ex- officio* voting member of the Board;
(e) The mayors of the Municipalities of Pasuquin, Burgos, and Bangui, all in the Province of Ilocos Norte, as *ex-officio* voting members;
(f) One (1) representative from the business and investment sectors in the Zone, one (1) of whom must come from the investors in the Municipalities of Pasuquin, Burgos and Bangui; and
(g) 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 Pasuqin, Burgos and Bangui; and
(h) One (1) representative of the private sector coming from the residents of the Municipalities of Pasuquin, Burgos and Bangui.

The members of the Board, except the *ex-officio* voting member, shall be appointed by the President of the Philippines to serve for a term of Three (3) years, unless sooner removed for cause or dies or resigns voluntary. 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 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 meeting per month: *Provide, 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 Laoag Economic Zone Authority who shall serve for a term of a six (6) years and whose compensation shall be determined by its Board of Directors. The administrator as chief executive officer of LEZA shall be responsible to the Board and the President of the Philippines for the efficient management and operation of the Laoag Special Economic Zone.

SEC. 9 Capitalization. The Laoag 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 (P 10.00) each. The National Government shall initially subscribe and fully pay Three hundred million (3000,000,000) 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 LEZA and may only be disposed

of by LEZA: *Provided*, That in case of absolute sale or conveyance, 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 Appropriations Act of the year following its enactment into law and thereafter. The Board of Directors of LEZA may, from time to time and the written concurrence of the Secretary of Finance, increase the issue value of the shares representing the capital stock of the Laoag Economic Zone Authority. The Board of Directors of LEZA, 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 LEZA 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 LEZA.

SEC. 10. Supervision. The Laoag 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 Pasuquin, Burgos and Bangui. In case of any conflict between the Laoag Economic Zone Authority and the Municipality of Pasuquin, Burgos and Bangui on matters affecting the Laoag Special Economic Zone other than in defense and security matters, the decision of LEZA shall prevail.

SEC. 12. Legal Counsel. The Laoag Economic Zone Authority and the corporations in which LEZA 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 LEZA. When the exigencies of its businesses and operations demand it, the LEZA may engage the services of an outside counsel either on a case to case basis or on a fix 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 Laoag Economic Zone Authority. The salaries, benefits and other emoluments of the officers, directors and employees of LEZA shall be commensurate to private industry standards to be determined by the Board of Directors of LEZA.

SEC. 14. Retention of all Earnings. The LEZA 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 LEZA may invest in its various infrastructure or special projects, corporate undertakings, payment 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 Laoag 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 such 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 in 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 Congress on the business activities, transactions and operations of the Laoag Economic Zone Authority.

To ensure the expeditious implementation of the economic policy and purpose embodied in this Act, the Commission on Audit in cooperation with the Laoag Economic Zone Authority, shall formulate special rules on audit, disbursements of funds, bidding, procurement of goods 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 Laoag 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 LEZA 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, exemptions 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 fo any gambling, games, amusements, recreational and sports activities such horse racing, dog racing, casinos, and cockfighting, which are not granted to the Laoag Special Economic Zone and Free Port under this Act, shall be deemed extended and granted to the Laoag Special Economic Zone and Free Port, as if such incentives, powers, privileges, exemptions and immunities are granted and embodied in this Act.

Similarly, the incentives, powers, privileges, immunities and exemptions, including the non-applicability of the Salary Standardization Law and the Revised Compensation and Position Classification System under Section 13 hereof, granted in this Act to the Laoag Special Economic Zone and Free Port shall be granted to the Subic Special Economic Zone and Free Port and Clark Special Economic Zone under Republic Act No. 7227, the Cagayan Special Economic Zone and Free Port under Republic Act No. 7922, and Zamboanga City Special Economic Zone under Republic Act No. 7916, as if such incentives, powers, privileges, exemptions and immunities were originally granted to said zones.

SEC. 18. Separability Clause. If any position 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 orders 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) newspapers of general circulation.

Approved,