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Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

13th CONGRESS

First Regular Session

HOUSE BILL NO. 919

Introduced by **Honorable Rolex T. Suplico**

EXPLANATORY NOTE

The richest fishing grounds in the country are found in Estancia, a municipality located in northern Iloilo. Because of its abundant fish supply, the place has been widely known as the Alaska of the Philippines. As it is now, Estancia has the potentials of becoming the seat of major fish business in the Philippines. But these potentials have been hampered by its inaccessibility to traders and investors who require efficient and speedy means of transportation. In the fish industry, it is mandatory that one must act and negotiate with dispatch.

Estancia's neighboring town, Balasan, is also fast becoming the center for trade in northern Panay. With its accessibility to the bustling municipalities of northern Capiz and the equally prosperous towns of Batad and Estancia in Iloilo, Balasan has been providing a strategic market for the exchange of its neighbor's produce. As a matter of fact, Balasan's market has been vital to the progress of its neighbors.

Due to this accelerated development in northern Iloilo, more and more people have come to visit the area. But investors are disappointed that such a bounty could not be shared to the rest of the country.

In order to pursue the government's program in bringing industry to the countryside, it is mandatory that effective and efficient means of transportation and communications be established in areas manifesting accelerated development. Such a step would also be vital in sustaining economic growth in this place.

This Bill seeks to address northern Iloilo's major stumbling block. This representation proposes through this Bill that a

HON. ROLEX T. SUPLICO
Congressman, 5th District of Iloilo

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AN ACT
CREATING A SPECIAL ECONOMIC ZONE AND FREE PORT IN THE ISLAND OF PANAY, CREATING FOR THIS PURPOSE THE PANAY SPECIAL ECONOMIC ZONE AUTHORITY, APPROPRIATING 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 Panay Special Economic Zone Act of 1998.

Sec. 2. *Declaration of Policy.* - It is hereby declared the policy of the government to promote and accelerate a sound and balanced industrial, economic and social development of the country in order to provide jobs for the people through the establishment of special economic zones that would attract investments, both foreign and local, under special incentives conducive to business. It is likewise the policy of the State to enhance regional economic cooperation as a means of bolstering the country's own industrial development, and to establish the facilities with which such cooperation can materialize.

SEC. 3. *Creation of the Panay Special Economic Zone and Free Port.* - In pursuit of the foregoing declared policy and subject to the concurrence of the concerned local government units in the Island of Panay, there is hereby established a special economic zone and free port, to be known as the Panay Special Economic Zone, hereinafter referred to as the Zone, which shall be established in the Island of Panay.

SEC. 4. *Governing Principles.* - The Zone shall be managed and operated by the Panay Special Economic Zone Authority, hereinafter referred to as the Authority that shall be created under Section 6 of this Act. The Zone shall be governed by the following principles:

(a) Under the framework and limitations of the Constitution and applicable provisions of the Local Government Code, the Zone shall be developed into and operated as a self-sustaining industrial, commercial/ trading, agro-industrial, tourist, banking, financial and investment center with corresponding residential areas;

(b) The Zone shall be provided with transportation, telecommunications, and other facilities needed to attract legitimate and productive foreign investments, generate linkage with industries and employment opportunities for the people of the Islands of Panay.

(c) The Zone may establish mutually beneficial economic relations with other

entities or enterprises within the country, or subject to the administrative guidance of the Department of Foreign Affairs and/or the Philippine Economic Zone Authority (PEZA) and the Department of Trade and Industry, with foreign entities or enterprises;

(d) Foreign citizens and companies owned by non-Filipinos in whatever proportion may set up enterprises in the Zone, either by themselves or in joint venture with Filipinos in any sector of industry, trade and commerce subject to the provisions of Republic Act No. 7721 and other pertinent laws;

(e) Enterprises located within the Zone shall be entitled to the fiscal incentives provided for under Section 23 of Republic Act No. 7916, otherwise known as the Special Economic Zone Act of 1995;

(f) 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 the 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 Provinces in the Islands of Panay, the municipalities affected by the declaration of the Zone and the Authority, in proportion to their sharing as provided for under Section 24 of Republic Act No. 7196.

(g) The defense of the Zone and the security of its industrial and commercial areas shall be the responsibility of the National Government in coordination with the authority. In this regard, the Authority may establish its own internal security and fire fighting forces.

(h) The Zone shall be operated and managed by the Authority created herein as a separate customs territory. The Authority is hereby vested with the authority to issue certificates of origin for products manufactured or processed in the Zone in accordance with the prevailing rules of origin and the pertinent regulations of the Department of Trade and Industry and/or the Department of Finance;

(I) All income derived by persons and all service establishments in the Zone shall be subject to taxes under the National Internal Revenue Code;

(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, establishment and operation of local and foreign banks, foreign currency deposits units, off-shore banking units and other financial institutions under the supervision of the BSP: *Provided, however,* That the Authority may, in coordination with the BSP 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 services or trading institutions insofar as the Zone is concerned;

(k) Without prior BSP approval, after tax profits and other earnings of foreign investments in enterprises in the Zone may be remitted outward in the equivalent foreign exchange through any of the banks licensed by the BSP in the Zone: *Provided, however,* That such foreign investments in said enterprises have been previously registered with the BSP;

(l) Goods manufactured by a zone enterprise shall be made available for retail sales in the domestic market, subject to payment taxes on raw materials and other regulations that may be formulated by the Authority together with the PEZA, Bureau of Customs and the Department of Trade and Industry. However, in order to protect the

domestic industry, there shall be negative list of industries that will be drawn up and regularly updated by the PEZA. Enterprises engaged in industries included in such negative list shall not be allowed to sell their products locally;

(m) Any foreign investor who establishes a business enterprise within the Zone and who maintains a capital investment of not less than One hundred fifty thousand US dollars ($150,000) shall be granted along with his or her spouse, dependents and unmarried children below eighteen (18) years of age, a permanent resident status within the Zone. Such foreign investor and his or her spouse, dependents and unmarried children below the age of eighteen (18) 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 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 Authority shall be reported to the Bureau of Immigration within thirty (30) days after the issuance of such grant. The authority, in coordination with the Department of Foreign Affairs, Department of Labor and Employment and Bureau of Immigration and Deportation, shall formulate the rules and regulations for this purpose; and

(n) The areas comprising the Zone may be expanded or reduced when necessary. For this purpose, the Authority, in consultation with the local government units, shall have the power to acquire, either by purchase, negotiation or condemnation proceedings, any private lands within or adjacent to the Zone for: (1) consolidation of lands for zone development purposes (ii) acquisition of right of way to the zone; and (iii) the protection of watershed areas and natural assets valuable to the prosperity of the Zone.

SEC. 5. *Ipso Facto Clause.* - Section 30 to 42 of Republic Act No. 7916 shall *ipso facto* apply to the Zone.

SEC. 6. *Creation of the Panay Special Economic Zone Authority.* - A body corporate to be known as the Panay Special Economic Zone Authority, hereinafter referred to as the Authority, is hereby created to manage and operate, in accordance with the provisions of this Act, the Iloilo Special economic Zone. This corporate franchise shall expire in fifty (50) years counted from the first day of the fifth year after the effectivity of this Act, unless otherwise extended by Congress. It shall be organized within one hundred eighty (180) days after the effectivity of this Act.

SEC. 7. *Principal Office.* - The Authority shall have its principal office at Iloilo City, but it may establish branches and agencies within the Philippines and abroad as may be necessary for the proper conduct of its business.

SEC. 8. *Powers and functions of the Authority.* The Authority shall have the following functions:

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

(b) To recommend to the President the issuance of a proclamation fixing the limits of the special economic zone in the municipalities enumerated in this Act;

(c) To register, regulate and supervise the enterprises in the Panay Special Economic Zone in an efficient manner, subject to existing laws;

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

(e) To formulate and approve its organization and budget as submitted by the Authority chairman-administrator;

(f) To regulate and undertake the establishment and maintenance of utilities, other services and infrastructure in the Zone such as heat, light and power, water supply, telecommunications, transport, toll roads and bridges, port services, etc., and to fix just, reasonable and competitive rates, fares, charges and prices thereof;

(g) In coordination with local government units concerned and appropriate agencies, to construct, acquire, own lease, operate and maintain on its own or through contracts, franchise, license, bulk purchase from the private sector and build-operate-transfer scheme or joint venture adequate facilities and infrastructure, such as light and power systems, water supply and distribution systems, telecommunications and transportation, buildings, structures, warehouses, roads, bridges, ports and other facilities for the operation and development of the Zone;

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

(I) To institute necessary safeguards to protect, preserve, maintain and develop the environment particularly the virgin forests, beaches, corals, and coral reefs within the Zone;

(j) Within the limitations provided by law, to raise or borrow adequate and necessary funds from local or foreign sources to finance its programs and projects under this Act, and subject to the approval of the Monetary Board of the Bangko Sentral ng Pilipinas and the Department of Finance, 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 its property or assets;

(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 as provided for in this Act; and

(l) To promote sustainable development in the Island of Panay while preserving the environment and maintaining ecological balance.

SEC. 9. Non-Profit Character of the Panay Special Economic Zone Authority. - The 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 Authority to pay its indebtedness and obligations and in furtherance and effective implementation of the policies provided for in this Act. In consonance with this, the Authority is hereby declared exempt from the payment of all taxes, duties, fees, imposts, charges, cost and service 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 (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, custom duties, fees and other charges after providing for debt service requirements of the Zone Authority and of its projected capital and operating expenditures.

SEC. 10. Board of Directors of the Panay Special Economic Zone Authority. - The powers of the Authority shall be vested in and exercised by a Board of Directors hereinafter referred to as the Board, which shall be composed of the following:

(a) The Secretary of the Department of Trade and Industry who shall serve as ex-officio chairman;

(b) The Administrator of the Panay Special Economic Zone Authority who shall serve as ex-officio Vice Chairman;

(c) The Congressmen or their representatives, from the Island of Panay;

(d) The governor of the provinces in the island of Panay;

(e) A representative from the different Mayors' Leagues in the island of Panay;

(f) A representative from the different Councilors' Leagues in the island of Panay;

(g) A representative from the foreign investors in the Zone;

(h) A representative from the domestic investors in the Zone;

(I) A representative from the labor sector; and

(j) A representative from the non-governmental organizations (NGO) sector.

The congressmen or their representative, the governor, mayor and the vice-mayor in the Board shall serve as ex-officio voting members of the Board, whose term in the Board corresponds to their term as elected officials.

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 three years, unless removed for cause, or die or resign voluntarily. In case of death, resignation, or removal cause, the replacement shall serve only the un expired portion of the term.

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, management, labor, economics, finance, engineering, social services, or law.

The members of the board shall each receive a per diem of not more than Ten thousand pesos (P 10,000.00) for every board meeting actually attended: Provided, however, That the President of the Philippines may fix a higher perkier for the Members of the Board.

SEC. 11. The 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 upon its approval by the Board;

(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;

(e) To submit to the Board for its approval policies, systems, procedures, rules and regulations that are essential to the operation of the ecozone;

(f) To create a mechanism in coordination with relevant agencies for the promotion of industrial peace in the economic zone, the protection of the environment, and the advancement of the quality of life in the ecozone; and

(g) To perform such other duties as may be assigned to him by the Board or which are necessary or incidental to his office.

SEC. 12. Relationship with Regional Development Council. - The Authority shall determine the development goals for the Zone within the framework of national development plans, policies and goals. The administrator's hall, upon approval by the Board, submits the Zone plans, programs and projects to the regional development council for inclusion in and as inputs to the overall regional development plan.

SEC. 13. Relationship with the local Government Units. - Except as herein provided, the local government units comprising the Zone shall retain their basic autonomy and identity. The municipalities shall operate and function in accordance with Republic Act No.7160, otherwise known as the Local Government Code of 1991.

In case of conflict between the authority and the local government units comprising the Zone on matters affecting the Zone other than defense, security, health and sanitation, the decision of the Authority shall prevail.

SEC. 14. *Non-applicability of Salary Standardization Law and Revised Compensation Position Classification System.* - The provisions of Republic Act No. 6768, otherwise known as the Salary Standardization Law, and the Revised Compensation and Position Classification System, shall not apply to the Iloilo Special Economic Zone Authority, the salaries, benefits and other emoluments of the officers, directors and employees of Iloilo Special Economic Zone Authority, shall be commensurate to private industry standards to be determined by the Board of Iloilo Special Economic Zone Authority.

SEC. 15. *Capitalization.* - Iloilo Special Economic Zone Authority shall have an authorized capital stock of Two billion (P2,000,000.00) no par shares with a minimum issue value of Ten pesos (P 10.00) each. The National Government shall initially subscribe Three hundred million pesos (P 300,000,000.00) worth of 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 the Iloilo Special Economic Zone Authority and may be disposed of by the Iloilo Special Economic Zone Authority: Provided, That in case of absolute sale or conveyance, the Iloilo Special Economic Zone Authority shall seek the approval of the Office of the President. The initial amount necessary to subscribe and pay for the shares of the 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 Iloilo Special Economic Zone 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 Iloilo Special Economic Zone Authority. The Board of Directors of the Iloilo Special Economic Zone Authority, 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 Iloilo Special Economic Zone Authority to the general public with such annual dividend policy as the Board and Secretary of Finance may determine. The National Government shall, in no case, own less than fifty-one percent (51%) of the total issued and outstanding capital stock of the Iloilo Special Economic Zone Authority.

SEC. 16. *Supervision and Coordination of Development Plans.* - For purposes of policy direction and coordination, the Iloilo Special Economic Zone Authority shall be under the direct control and supervision of the Office of the President.

SEC. 17. *Auditing.* - The Commission on Audit shall appoint a representative

who shall be a full-time auditor of the Iloilo Special Economic Zone Authority 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.

SEC. 18. 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 7227, Republic Act No. 7922, and Republic Act No. 7903, respectively, except the operation of any gambling, games, amusement, recreational and sports activities such as horse racing, dog racing, casinos, and cockfighting which are not granted to the Iloilo Special Economic Zone and Free Port under this Act, shall be deemed extended and granted to the Iloilo 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 14 hereof, granted in this Act to the Iloilo 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, the Zamboanga City Special Economic Zone under Republic Act 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.

SEC. 19. *Separability Clause.* - If any provision of this Act shall beheld unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

SEC. 20. *Interpretation/Construction.* - The powers, authorities and functions that are vested in the Iloilo Special Economic Zone Authority are intended to establish decentralization of governmental functions and authority and promote an efficient and effective working relationship between the Zone, the central government and local government units.

SEC. 21. *Repealing Clause.* - All laws, executive orders or issuances or any parts thereof, which are inconsistent herewith, are hereby repealed or amended accordingly.

SEC. 22. *Implementing rules and Regulations.* - The Department of Trade and Industry, the National Economic and Development Authority, the Department of Finance, the Bureau of Customs, the Department of Agrarian Reform, the Department of Interior and Local government, the Philippine Economic Zone Authority, and the representatives from the technical staff of the Committee on Economic Affairs of both Houses of Congress, shall formulate the implementing rules and regulations of this Act within ninety (90) days after its approval. Such rules and regulations shall take effect fifteen (15) days after their publication in newspaper of general circulation in the Philippines.

SEC. 23. *Effectivity Clause* - this Act shall take effect upon its approval.

Approved,