

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

Thirteenth Congress

First Regular Session

HOUSE BILL NO. 1541

Introduced by CONGRESSWOMAN DARLENE R. ANTONINO - CUSTODIO

EXPLANATORY NOTE

This bill seeks to establish a special economic zone and free port in General Santos City and providing for the creation of General Santos Economic Zone and Free Port Authority to manage and operate the economic zone and free port.

General Santos City, a largely Christian port city of 400,000, is located at the Southern part of the Philippines. It is surrounded by the municipalities of Polomolok on the north, Maasin and Celebes Sea on the South, Alabel on the east, and T'boli on the west. Because of its proximity to some of the most productive fishing grounds in the country, General Santos City boast of vast fishing resources. Moro Gulf, Davao Gulf and Sulu Sea and the fishing grounds frequented by local fishermen for tuna and tuna-like species. The City has grown to become an important fishing center of the South, General Santos City is also an important producer of livestock, particularly cattle and hog farms in South Cotabato are found in General Santos City. In terms of mineral resources, the City has abundant mineral deposits of uncertain quantities of limestones, magnetite iron sand, sulfur, copper nitrate lunate, rutile and guano. Aside from these, sand and gravel are also abundant in the city.

With the present government thrust of industrial dispersal, the region has identified General Santos City as one of the sites for the Regional Industrial Center. This port is gearing up in the hopes of becoming Asia's next boomtown. Nearby, a Japanese-funded fishing port is in place and a major wharf, is being expanded. Communication and telecommunication systems are also being developed and widened in scope. General Santos is laying the groundwork for its emergence as the hub of the East ASEAN Growth Area (EAGA), conceived only last year and already starting to take shape. Businessmen/investors from Japan, Taiwan, Korea and ASEAN member countries have indicated their keen interest to invest in the area.

The establishment of a special economic zone and freeport in General Santos City is ideal and very timely for its corresponds with the national government's development efforts to develop the area to become the prime industrial and trading center of EAGA. As visualized in the proposed measure, the General Santos City Special Economic Zone and Free Port will be developed as a self-sustaining industrial, commercial, financial and

(1) deputy administrator. It will have a board composed of eleven (11) members, four (4) representing the national government, two (2) representing the workers, three (3) representing the investors, the Provincial Governor of the Province of South Cotabato and the mayor of General Santos City as an ex-officio voting member. Finally, it is believed that with the establishment of the ECOZONE, tremendous economic progress would be realized not only for the island of Mindanao but equally and perhaps more so, for the entire country.

In view of the foregoing considerations, approval of this bill is earnestly sought and recommended.


DARLENE R. ANTONINO - CUSTODIO

Republic of the Philippines

HOUSE OF REPRESENTATIVES

Quezon City

Thirteenth CONGRESS

First Regular Session

House Bill No. 1541

Introduced by HONORABLE DARLENE R. ANTONINO-CUSTODIO

AN ACT ESTABLISHING THE GENERAL SANTOS CITY SPECIAL ECONOMIC ZONE AND FREE PORT IN THE PROVINCE OF SOUTH COTABATO, CREATING FOR THIS PURPOSE THE GENERAL SANTOS-CITY SPECIAL ECONOMIC ZONE AND FREE PORT 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 "General Santos City Special Economic Zone Act of 2003."

SEC. 2. *Declaration of Policy.* - It is hereby declared the policy of the State 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 productivity and individual and family income, and thereby improve the level and quality of living condition through the establishment, among others, of special economic zones in suitable and strategic locations in the country and through measures that will attract legitimate and productive foreign investments.

SEC. 3. *Creation of the General Santos City Special Economic Zone and Free Port.* - In pursuit of the foregoing declared policy and subject to the concurrence of the concerned local government unit of General Santos City affected by the zone, there is hereby established a special economic zone and free port in General Santos City, Province of South

1 Cotabato to be known as the General Santos City Special Economic Zone and Free Port,
2 ~~hereinafter~~ referred to as the GenSan ECOZONE. The GenSan ECOZONE shall cover
3 ~~portions of the~~ following barangays: San Jose, Fatima, Tambler, Bawing, Calumpang,
4 Sinawal and Apopong in the City of General Santos. The specific metes bounds of the
5 GenSan ECOZONE shall be more particularly defined in a presidential proclamation that
6 shall be issued for this purpose.

7 SEC. 4. *Governing Principles.* - The GenSan ECOZONE shall be managed and
8 operated by the General Santos City Special Economic Zone Authority, ~~herein~~ referred to as
9 GSEZA, to be created under Section 6 of this Act, under the following principles:

10 (a) Within the framework and limitations of the Constitution and applicable provisions
11 of the Local Government Code, the GenSan ECOZONE shall be developed into and
12 operated as a decentralized, self-reliant and self-sustaining industrial, commercial/trading,
13 agro-industrial, tourist, banking, financial and investment center with suitable residential
14 areas.

15 (b) The GenSan ECOZONE shall be provided with transportation, telecommunications
16 and other facilities needed to attract legitimate and productive investments, generate linkage
17 industries and employment opportunities for the people of the Province of South Cotabato
18 and its neighboring towns and cities.

19 (c) The GenSan ECOZONE may establish mutually beneficial economic relations with
20 other entities or enterprises within the country or, subject to the administrative guidance of
21 the Department of Foreign Affairs (DFA), the Philippine Economic Zone Authority (PEZA)
22 and/or the Department of Trade and Industry (DTI), with foreign entities or enterprises.

23 (d) Foreign citizens and companies owned by non-Filipinos in whatever proportion
24 may set up enterprises in the GenSan ECOZONE, either by themselves or in joint venture
25 with Filipinos in any sector of industry, international trade and commerce within the GenSan
26 ECOZONE.

27 (e) The GenSan ECOZONE shall be managed and operated as a separate customs
28 territory ensuring free flow or movement of goods and capital within, into and exported out
29 of the GenSan ECOZONE, as well as provide incentives such as tax and duty-free
30 importations of raw materials, capital and equipment. However, exportation or removal of
31 goods from the territory of the GenSan ECOZONE to the other parts of the Philippine
32 territory shall be subject to customs duties and taxes under the Tariff and Customs Code of
33 the Philippines, as amended, and the National Internal Revenue Code of 1997, as amended.

(f) The areas comprising the GenSan ECOZONE may be expanded or reduced when necessary. For this purpose, the GSEZA, 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 GenSan ECOZONE for the following purposes: (1) **consolidation of lands** for GenSan ECOZONE development; (2) **acquisition of right of way** to the GenSan ECOZONE; and (3) the protection of watershed **areas and natural assets** valuable to the prosperity of the GenSan ECOZONE.

(g) Goods manufactured by a GenSan ECOZONE enterprise shall be made available for **immediate retail** sale in the domestic market, subject to the payment of corresponding taxes on raw materials **and other regulations that may be formulated** by the GSEZA, together with the PEZA, the Bureau of Customs **and the DTI**. However, in order to **protect the domestic industry**, there shall be a negative list of industries that will be drawn up and regularly updated by PEZA. Enterprises engaged in industries included in such negative list shall not be allowed to sell their products locally.

(h) The defense of the GenSan ECOZONE and the security of its perimeter fence shall be the responsibility of the national government in coordination with the GenSan ECOZONE and the local government units.

SEC. 5. *Incentives.* — Investors and business enterprises within the GenSan ECOZONE shall be entitled to the following incentives:

(a) **Resident Status and Visa.** Any foreign investor who establishes a business enterprise within the GenSan ECOZONE 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, **permanent resident status within the GenSan ECOZONE** and freedom of ingress and egress to and from the GenSan ECOZONE without any need of any special authorization from the Bureau of Immigration. **Working visas** renewable every two (2) years shall be issued to foreign executives and foreign technicians with highly specialized skills, which no Filipino possesses, as certified by the Department of Labor and Employment.

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.

(b) **Fiscal Incentives.** Business establishments within the GenSan ECOZONE shall be entitled to the existing fiscal incentives as provided for under Republic Act No. 7916,

1 otherwise known as the "Special Economic Zone Act of 1995," as amended by Republic
2 Act No. 8748.

3 (c) Taxation. Except for real property taxes on land owned by developers, no taxes,
4 local and national, shall be imposed on business establishments operating within the GenSan
5 ECOZONE. In lieu thereof, five percent (5%) of the gross income earned by all business
6 enterprises within the GenSan ECOZONE shall be paid and remitted as follows:

7 (i) Three percent (3%) to the national government;

8 (ii) Two percent (2%) which shall be directly remitted by the business establishments
9 to the treasurer's office of the municipality or city where the enterprise is located.

10 All persons and service establishments in the GenSan ECOZONE shall be subject to
11 national and local taxes under the National Internal Revenue Code, as amended by Republic
12 Act No. 8424, and the Local Government Code.

13 (d) Banking Rules and Regulations. Existing banking laws and rules/regulations of the
14 Bangko Sentral ng Pilipinas (BSP) shall apply to banks and financial institutions to be
15 established in the GenSan ECOZONE. Among other pertinent regulations, these include
16 those governing foreign exchange and other current account transactions (trade and non-
17 trade), local and foreign borrowings, foreign investments, establishment and operation of
18 local and foreign banks, foreign currency deposit units, offshore banking units and other
19 financial institutions under the supervision of the BSP.

20 (e) Profit Remittance. Without prior BSP approval, after tax profits and other earnings
21 of foreign investments in enterprises in the GenSan ECOZONE may be remitted outward in
22 the equivalent foreign exchange through any of the banks licensed by the BSP in the GenSan
23 ECOZONE: *Provided, however,* That such foreign investments in said enterprises have been
24 previously registered with the BSP.

25 SEC. 6. *Creation of the General Santos City Special Economic Zone and Free Port*
26 *Authority.* - There is hereby created a body corporate to be known as the General Santos
27 City Special Economic Zone and Free Port Authority, herein referred to as the GSEZA
28 which shall manage and operate the GenSan ECOZONE, in accordance with the provisions
29 of this Act. This corporate franchise shall expire in fifty (50) years counted from the first
30 year after the effectivity of this Act, unless otherwise extended by Congress. It shall be
31 organized within one hundred eighty (180) days after the effectivity of this Act.

1 SEC. 7. *Principal Office.* – The GSEZA shall maintain its principal office in General
2 Santos City but it may establish branches within the Philippines and abroad as may be
3 necessary for the proper conduct of its business.

4 SEC. 8. *Powers and Functions of the GSEZA.* – The GSEZA shall have the following
5 functions:

6 (a) To operate, administer, manage and develop the GenSan ECOZONE according to
7 the principles and provisions set forth in this Act;

8 (b) To recommend to the President the issuance of a proclamation to fix and delimit
9 the site of the GenSan ECOZONE;

10 (c) To register, regulate and supervise the enterprises in the GenSan ECOZONE in an
11 efficient and decentralized manner, subject to existing laws;

12 (d) To coordinate with local government units and exercise general supervision over
13 the development plans, activities and operations of the GenSan ECOZONE;

14 (e) To regulate and undertake the establishment, operation and maintenance of
15 utilities, other services and infrastructure in the GenSan ECOZONE such as but not limited
16 to heat, light and power, water supply, telecommunications, transport, toll roads and bridges,
17 port services, etc. and to fix just, reasonable and competitive rates, fares, charges and prices
18 thereof;

19 (f) To construct, acquire, own, lease, operate and maintain on its own or through
20 contracts, franchises, licenses, bulk purchase from the private sector or permits under any of
21 the schemes allowed in Republic Act No. 6957 (the Build-Operate-Transfer Law, as
22 amended by Republic Act No. 7718), or joint venture, adequate facilities and infrastructure
23 required or needed for the operation and development of the GenSan ECOZONE, in
24 coordination with appropriate national and local government authorities and in conformity
25 with applicable laws thereon;

26 (g) To operate on its own, either directly or through a license to other tourism-related
27 activities, including games, amusements, recreational and sports facilities;

28 (h) Subject to the approval of the President and the Monetary Board of the Bangko
29 Sentral ng Pilipinas upon the recommendation of the Department of Finance, to raise or
30 borrow adequate and necessary funds from local or foreign sources to finance its projects
31 and programs under this Act, and for that purpose, to issue bonds, promissory notes, and
32 other forms of securities, and to secure the same by a guarantee, pledge, mortgage, deed of
33 trust, or an assignment of all or part of its property or assets;

(j) To provide security for the GenSan ECOZONE in coordination with the national and local governments. Military forces sent by the national government for the purpose of defense shall not interfere in the internal affairs of the GenSan ECOZONE and expenditures for these military forces shall be borne by the national government. For this purpose, the GSEZA may establish and maintain its security forces and firefighting capability or hire others to provide the same;

(j) To protect, preserve, maintain and develop the virgin forests, beaches, coral and coral reefs, and maintain ecological balance within the GenSan ECOZONE;

(k) To create, operate and/or contract to operate such functional units or offices of the GSEZA as it may deem necessary;

(l) 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;

(m) To issue certificates of origin for products manufactured or processed in the GenSan ECOZONE in accordance with prevailing rules of origin, and the pertinent regulations of the PEZA, DTI and/or the Department of Finance (DoF);

(n) To 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;

(o) To report to the Bureau of Immigration the names of the foreigners who have been granted permanent resident status and working visas within thirty (30) days after issuance of such grant;

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

(q) 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 herein.

SEC. 9. *Exemptions from Taxes, Duties and Other Fees.* — The GSEZA is hereby declared exempt from the payment of all taxes, duties, fees, imposts, charges, costs 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 five

(5) years from the effectivity of this Act, if the President shall find the GSEZA 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 GSEZA and of its projected capital and operating expenditures.

SEC. 10. *Board of Directors of the GSEZA.* - The powers of the GSEZA 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 chairman who shall, at the same time be the administrator of the GSEZA;

(b) A vice chairman who shall come from among the members of the Board;

(c) Members consisting of:

(1) The Congressional Representative of the district covering the site of the GenSan ECOZONE;

(2) The mayor of the City of General Santos;

(3) One (1) representative from the domestic investors;

(4) One (1) representative from the foreign investors; and

(5) Two (2) representatives from the workers working in GenSan ECOZONE.

The Congressional representative and the mayor of the City of General Santos shall serve as *ex officio* members of the Board, whose term in the Board corresponds to their terms as elected officials.

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 unused portion of the term.

Except for the representatives of the business and labor 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, of proven probity and integrity, and a degree-holder in any of the following fields: economics, business, public administration, law, management or their equivalent, and with at least ten (10) years relevant working experience preferably in the field of management or public administration.

The members of the Board shall each receive *per diem* at rates to be determined by the Department of Budget and Management in accordance with existing rules and regulations: *Provided, however,* That the total *per diem* collected each month shall not exceed the equivalent *per diem* for four (4) meetings. Unless and until the President of the Philippines

1 has fixed a higher *per diem* for the members of the board, such *per diem* shall not be more
2 than Ten thousand pesos (P10,000.00) for every board meeting.

3 SEC. 11. *Powers and Duties of the Chairman-Administrator.* - The chairman-
4 administrator shall have the following powers and duties:

5 (a) To direct and manage the affairs of the GSEZA in accordance with the policies of
6 the Board;

7 (b) To establish the internal organization of the GSEZA under the conditions that the
8 Board may prescribe;

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

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

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

15 (f) To create a mechanism in coordination with relevant agencies for the promotion of
16 industrial peace, the protection of the environment, and the advancement of the quality of
17 life in the GenSan ECOZONE; and

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

20 SEC. 12. *Personnel.* - The Board of Directors of the GSEZA shall provide for an
21 organization and staff of its officers and employees. Upon recommendation of the
22 chairman-administrator and with the approval of the Secretary of the Department of Trade
23 and Industry, the Board shall appoint and fix the remuneration and other emoluments of its
24 officers and employees in accordance with existing laws on compensation and position
25 classification: *Provided*, That the Board shall have exclusive and final authority to promote,
26 transfer, assign or reassign officers of the GSEZA, any provision of existing law to the
27 contrary notwithstanding: *Provided, further*, That the chairman-administrator may carry out
28 removal of such officers and employees.

29 The officers and employees of the GSEZA, including all members of the Board, shall
30 not engage directly or indirectly in partisan activities, nor take part in any election, except to
31 vote.

32 No officer or employee of the GSEZA, subject to Civil Service laws and regulations,
33 shall be removed or suspended except for cause, as provided by law.

1 SEC. 13. *Applicability Clause.* - The provisions of Sections 30-42 of Republic Act No.
2 7916, as amended, shall apply to the GenSan ECOZONE.

3 SEC. 14. *Capitalization.* - The GSEZA shall have an authorized capital stock of two
4 billion (2,000,000,000) no par-shares with a minimum issue of Ten pesos (P10.00) each, the
5 majority shares of which shall be subscribed and paid for by the national government and the
6 local government units (LGUs) embracing the GenSan ECOZONE. The Board of Directors
7 of the GSEZA with the written concurrence of the Secretary of Finance may sell shares,
8 representing not more than forty per centum (40%) of the capital stock of the GSEZA to the
9 general public under such policy as the Board and the Secretary of Finance may determine.
10 The national government and the LGUs shall in no case own less than sixty per centum
11 (60%) of the total issued and outstanding capital of the GSEZA.

12 The amount necessary to subscribe and pay for the shares of the national government
13 to the capital stock of the GSEZA shall be included in the annual General Appropriations
14 Act. For LGUs, the funds shall be taken from their internal revenue allotment and other
15 local funds.

16 SEC. 15. *Supervision and Coordination of Development Plans.* - For purposes of
17 policy direction and coordination, the GenSan ECOZONE shall be under the direct control
18 and supervision of the Office of the President.

19 SEC. 16. *Relationship with the Regional Development Council.* - The GSEZA shall
20 determine the development goals for the GenSan ECOZONE within the framework of
21 national development plans, policies and goals. The Administrator shall, upon approval by
22 the Board, submit the GenSan ECOZONE plans, programs and projects to the Regional
23 Development Council for inclusion and inputs to the overall regional development plan.

24 SEC. 17. *Relationship with Local Government Units.* - Except as herein provided, the
25 LGUs comprising the GenSan ECOZONE shall retain their basic autonomy and identity.
26 The City of General Santos shall operate and function in accordance with the Local
27 Government Code of 1991. In case of any conflict between the GSEZA and the City of
28 General Santos on matters affecting the GenSan ECOZONE other than defense and security
29 matters, the decision of the GSEZA shall prevail.

30 SEC. 18. *Interpretation/Construction.* - The powers, authorities and functions that are
31 vested in the GSEZA are intended to establish decentralization of governmental functions
32 and authority and promote an efficient and effective working relationship between the
33 GenSan ECOZONE, the central government and the LGUs.

1 SEC. 19. *Auditing.* - The Commission on Audit shall **appoint a representative who**
2 shall be a full time auditor of the GSEZA **and assign such number of personnel as may be**
3 necessary to assist said representative in the performance of his/her duties. The **salaries and**
4 **emoluments of the assigned auditor and personnel shall be in accordance with pertinent**
5 **laws, rules and regulations.**

6 SEC. 20. *Separability Clause.* - If any provisions of this Act shall be held
7 unconstitutional or invalid, the other provisions not otherwise affected **shall remain in full**
8 **force and effect.**

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

11 SEC. 22. *Effectivity Clause.* - **This Act shall take effect upon its publication in at least one (1)**
12 **newspaper of general circulation.**

13
14 **Approved**