

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



THIRTEENTH CONGRESS
First Regular Session

House Bill No. 2694

Introduced by: Representative ROLANDO G. ANDAYA, JR.

EXPLANATORY NOTE

No less than the 1987 Constitution declares that the goals of the national economy are a more equitable distribution of opportunities, income, and wealth; a sustained increase in the amount of goods and services produced by the nation for the benefit of the people; and an expanding productivity as the key to raising the quality of life for all, especially the underprivileged. It is in this light that the government's efforts of dispersing the development through the countryside should be seen.

One of the efforts of the government to bring development, nurture and harness the potential of the rest of our country, especially those living in the rural areas, is the creation of economic zones in key areas. In consonance with this noble undertaking, this measure seeks to further develop the whole of the Bicol Region through the establishment of a Camarines Sur Special Economic Zone. Not only does Camarines Sur lie in the heart of the Bicol Region, but it also has the resources, including human resources, to sustain the viability of an economic zone to benefit the entire region.

The province of Camarines Sur is considered to be the biggest among the provinces comprising the region with a total land area of 5,267 square kilometers. Composed of two cities and 35 municipalities, it is also the region's most populous province. It boasts of large coastal and fishing grounds such as Ragay Gulf, San Miguel Bay and Lagonoy Gulf.

The Camarines Sur Special Economic Zone is envisioned to be a self-sustaining industrial, commercial, financial, investment and tourism/recreational center and free port with suitable retirement/residential areas that will create employment opportunities for the Bicolanos, increase their productivity and ultimately raise their quality of life. It also seeks to encourage the inflow of both domestic and foreign investments to the region. It shall also serve as an opportunity to fully utilize the region's resources especially its arable agricultural lands, diverse marine life and mineral resources. The

region's famous products such as abaca and pilinuts and their byproducts is also expected to be given a boost in terms of market sales and even exports.

The Zone shall embrace the entire area of the Municipality of Pasacao and other neighboring towns crucial to the viability of the Zone. The municipality of Pasacao is known for its beautiful beaches and is popularly known as the summer capital of Camarines Sur. The specific metes and bounds shall be delineated with the issuance of a presidential proclamation after the local government units have submitted their resolutions expressing their concurrence to join the Zone. Due consultation shall also be made with the provincial government of Camarines Sur.

In view of the foregoing the passage of this bill is earnestly urged.

A handwritten signature in black ink, appearing to be a stylized 'M' followed by a period.

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AN ACT ESTABLISHING A SPECIAL ECONOMIC ZONE AND FREE PORT IN
THE PROVINCE OF CAMARINES SUR, PROVIDING FUNDS THEREFOR AND
FOR OTHER PURPOSES

*Be it enacted by the Senate and the House of Representatives of the Philippines
assembled:*

SECTION 1. *Short Title.* - This Act shall be referred to as the "Camarines Sur
Special Economic Zone Act."

SEC. 2. *Statement 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 their productivity and their individual and family income, and thereby improve the level and quality of their living condition 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.

SEC. 3. *Camarines Sur 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 the Camarines Sur Special Economic Zone and Free Port, hereinafter referred to as the Zone. It shall cover the entire area embraced by the municipality of Pasacao, Camarines Sur and other neighboring municipalities crucial to the viability and operations of the Zone.

The specific metes and bounds of the Zone shall be more particularly defined in a presidential proclamation to be issued for the purpose. A Presidential proclamation shall be issued after consultation with the Provincial Government of Camarines Sur and submission of resolution by other municipalities expressing their concurrence to join the Zone. The resolution by the local government units shall be submitted to the office of the President within thirty (30) days after the approval of this Act.

SEC. 4. *Governing principles* – The Camarines Sur Special Economic Zone and Free Port 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 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 and 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 taxes and national taxes, said business establishments shall pay to the national government eight percent (8%) of their net income, to be divided as follows:

- (1) three percentum (3%) shall accrue to the national government;
- (2) two percentum (2%) to the province of Camarines Sur;
- (3) one percentum (1%) to be shared by the municipalities affected by the declaration of the Zone, in proportion to their income from business activities within the Zone; and
- (4) two percentum (2%) to the Camarines Sur Special Economic Zone Authority which shall be created under this Act; Provided, however, That the final tax of eight percent (8%) of net income may be increased by the President of the Philippines after ten years from the effectivity of this Act, upon the recommendation of the Secretaries of Finance, Trade and Industry, the Chairman of the National Economic Development Authority and the Administrator of the Camarines Sur Special Economic Zone Authority; Provided, further, That in no case shall the final tax to be imposed exceed fifteen percent (15%) of net income.

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

(d) Existing banking laws and Bangko Sentral ng Pilipinas (BSP) rules and regulations shall apply on foreign exchange and other current account transactions (trade and no-trade), 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 Camarines Sur Special Economic Zone 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:

- (a) Any foreign investor who establishes a business enterprise within the Zone and who maintains capital investment of less than One Hundred Thousand US dollars (\$100,000.00) 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 resident status is hereby delegated to the Camarines Sur Special Economic Zone Authority.

Such foreign investor and his or her spouse, dependents, and unmarried children below twenty-one (21) years of age, 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 Camarines Sur Special Economic 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 Camarines Sur Special Economic 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

- (b) 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 chosen as the site of the economic zone and free port shall operate and function in accordance with Republic Act No. 7160, otherwise known as the Local Government Code of 1991, in so far

as the areas within their respective jurisdiction covered in this Act are concerned.

SEC. 5. *Creation of the Camarines Sur Special Economic Authority (CSSEZA)*— A body corporate to be known as the Camarines Sur Special Economic Authority hereinafter referred to as the (CSSEZA) , is hereby created to manage and operate, in accordance with the provisions of this Act, the Camarines Sur Special Economic Zone and Free Port. This corporate franchise shall expire in fifty (50) years counted from the first day of the fifth calendar year after the effectivity of this Act, unless otherwise extended by Congress.

SEC. 6. *Powers and Functions of the CSSEZA* – The Camarines Sur Special Economic 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 or 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 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 or eminent domain for public use and public purpose;
- (b) Within the limitation provided by law or borrow adequate and necessary funds from local or foreign sources to finance its projects and programs under this Act, and for that purpose, to issue bonds, promissory notes, and other forms of 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 regulations as CSSEZA may promulgate from time to time in conformity with the provisions of this Act and the limitations provided by the Constitution;
- (d) To authorize or undertake, on its own or through others, 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, 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 establishments, 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 and 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 the appropriate national and local government authorities and in conformity with applicable laws thereon;
- (f) To operate on its own, either directly or through a subsidiary entity, or license to others, tourism-related activities, including games, amusements, recreational and sports facilities such as horse racing, dog racing, gambling, casinos, golf courses, and others, under priorities and standards set by the CSSEZA;
- (g) To protect, preserve, maintain and develop, the virgin forests, beaches, corals and coral reefs, and minerals and mineral deposits, including precious metals within the Zone. The virgin forest 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 CSSEZA.
- (h) To adopt, implement and enforce reasonable measures and standards to control pollution within the Zone;
- (i) To provide security for the Zone in coordination with the national and local governments. For this purpose, CSSEZA may establish and maintain its own security force and fire fighting capability, or hire others to provide the same;
- (j) To form, establish, organize and maintain subsidiary corporations, as its business and operations may require, whether under the laws of the Philippines or not;
- (k) To issue rules and regulations, consistent with the provisions of this Act as may be necessary to implement and accomplish the purposes, objectives and policies herein provided;
- (l) To provide, in cooperation with the Department of Tourism, incentives to tourism-related businesses operating within the Zone, such as but not limited to duty-free buying privileges for non-resident visitors;
- (m) To charge reasonable fees for the provision of services and the maintenance of infrastructure and utilities;
- (n) To impose fines and penalties for violations of this Act, the rules and regulations to be established by the CSSEZA or any other law that the CSSEZA is tasked to enforce;
- (o) 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.

SEC. 7. Board of Directors – The powers of the CSSEZA shall be vested in and exercised by a Board of Directors, hereinafter referred to as the Board, which shall be composed of fifteen (15) members, to wit:

- (a) The Secretary of Trade and Industry who shall serve as the ex-officio Chairman of the Board of Directors;
- (b) The Administrator of CSSEZA who shall serve as ex-officio Vice-Chairman of the Board;
- (c) The Director General of the Philippine Economic Zone Authority or his/her representative, as ex-officio member of the Board;
- (d) The Mayor of the Municipality of Pasacao, as ex-officio member of the Board;
- (e) The Governor of Camarines Sur;
- (f) The four (4) Members of the House of Representatives belonging to the different legislative districts of the province of Camarines Sur;
- (g) Two (2) representatives of labor from among the workers in the Zone;
- (h) Two (2) representatives from the business and investment sectors in the Zone who must come from the province of Camarines Sur;
- (i) Two (2) representatives from the private sector who must come from the province of Camarines Sur;

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 (3) years unless sooner removed for cause or dies or resigns voluntarily. In case of removal for cause, death or resignation, the replacement shall serve only the unexpired portion of the term.

The members of the board shall receive a per diem of not more than Ten Thousand Pesos (P10,000) for every board meeting actually attended: Provided, however, That the per diem collected for one month shall not exceed the equivalent per diems for four (4) board meetings: Provided, further, That the President of the Philippines may fix a higher per diem for the members of the board.

SEC. 8. Administrator and Chief Executive Officer – The President of the Philippines shall appoint a full time professional and competent Administrator and chief executive officer of the CSSEZA who shall serve for a term of six (6) years and whose compensation shall be determined by the Board of Directors.

SEC. 9 Capitalization – The CSSEZA shall have an authorized capital stock of Two Billion Pesos (P2,000,000,000) no par shares with a minimum issue value of Ten pesos (P10) each. The national government shall initially subscribe and fully pay Three Hundred Million Pesos (P300,000,000.00) shares of such capital stock. 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 CSSEZA may, from time to time and with the written concurrence of the Secretary of Finance, increase the issue value of the shares representing not more than forty percentum (40%) of the capital stock of the CSSEZA 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 CSSEZA.

SEC. 10. Supervision. – The Camarines Sur Special Economic Zone shall be under the direct supervision and control of the President of the Philippines for purposes of policy direction and coordination.

SEC. 11. CSSEZA Relationship with the Municipalities Chosen As Site. - In case of any conflict between the CSSEZA and the municipalities covered by the Zone on matter affecting the Camarines Sur Special Economic Zone other than in defense and security matters, the decision of CSSEZA shall prevail.

SEC. 12. Legal Counsel. - The CSSEZA and the corporations in which CSSEZA owns a majority of the issued capital stock shall have its own internal legal counsel. When the exigencies of its businesses and operations demand it, the CSSEZA may engage the services of an outside counsel, either on a case to case basis or on a fixed retainer.

SEC. 13. Non-Applicability of Salary Standardization Law and Revised Compensation and 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 CSSEZA. The salaries, benefits and other emoluments of the officers, directors and employees of the CSSEZA shall be commensurate to private industry standards to be determined by the Board of Directors of CSSEZA.

SEC. 14. Retention of All Earnings – The CSSEZA shall retain all earnings from all activities, regulatory or proprietary, and need not remit the same to the National Treasury. Such earnings shall be considered as corporate income which CSSEZA may invest in its various infrastructures or special projects, corporate undertakings, payment of salaries, honoraria, per diem and/or other related matters.

SEC. 15. Auditor – The Commission on Audit shall appoint a representative who shall be a full time auditor of the CSSEZA and its subsidiaries in which it controls a majority of the shares of stock, and assign such number of personnel as may be necessary to assist said representative in the performance of his or 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 CSSEZA.

To ensure the expeditious implementation of the economic policy and purpose embodied in this Act, the Commission on Audit, in cooperation with the CSSEZA, shall formulate special rules on audit, disbursement of funds, bidding, procurement of goods and services, accounting, use of governmental equipment and resources and 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. Separability Clause. - If any provisions of this Act is declared invalid, the remainder or any provision hereof not affected thereby shall remain in force and effect.

SEC. 17. Repealing Clause. - The provisions of any law, executive order, presidential decree or other issuances inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 18. Effectivity - This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or two (2) newspapers of general circulation.

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