

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Thirteenth Congress
First Regular Session

HOUSE BILL NO. 3594



Introduced by **HON. RAUL T. GONZALEZ, JR.**

EXPLANATORY NOTE

If there is anything clear in the world market of investments and community of investors, it is this: a country must look beyond the traditional way of doing things, must innovate to create opportunities where and by which it can give investors the maximum value for their investments.

This bill precisely seeks to achieve this by establishing the Iloilo Free Port consisting of the City of Iloilo the adjacent Municipalities of Leganes and Oton, in the province of Iloilo and the Municipalities of Buenavista, Province of Guimaras. The concept and the objective is to develop the Free Port area into a self-sustaining industrial, commercial and investment center that will put in place a wide reaching employment and investment generation mechanism, all to strengthen the trading and foreign exchange position of the country. Overall, it is looking at affectivity complementing and announced aggressive export-oriented thrust of the country, thus enhancing the country's global competitiveness.

As envisioned, the Iloilo Free Port shall be operated as a separate customs territory that will provide incentives to ensure the free flow and movement of goods and commodities within the Free Port area and their exportation there from. Likewise, it shall provide tax based incentives for business activities and concerns locating and operating within the Free Port premises, not to mention other non-tax benefits like liberal foreign exchange policies and the grant of permanent resident status to investors.

The bill does away with an authority type of office to run the Free Port but directly task a governing body composed of the elected chief executives of the localities involved in the private sector to do the job. It is felt that with the flexibility's already defined in the bill, creating the Free Port already as a corporate body, to institutionalize another office or authority for running the Free Port would be unnecessary.

The competitive markets around us are moving fast, already leaving the country behind. The performance of South Korea, Hong Kong, Taiwan and Singapore had always been a source of envy despite the limited resources they have compared to the abundance our country enjoys. Now, Thailand, Malaysia and Indonesia are surging ahead, outpacing even other western countries. Particular because of the proposed Free Port are offers an environment that can match the capabilities and resources of a comparable area anywhere in the country, this Bill may help the country at least to keep pace with, not necessarily get ahead the pack.

In the light of the foregoing, approval of the Bill is earnestly sought.

ATTY. RAUL T. GONZALEZ, JR.

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AN ACT
ESTABLISHING THE ILOILO FREE PORT, PROVIDING FUNDS THEREFOR AND
FOR OTHER PURPOSES.

Be it enacted by the Senate and the House of Representatives in Congress assembled:

SECTION 1. Title. - This Act shall be known as "Iloilo Free Port Act of 2004"

SECTION 2. Declaration of Policy. - It is declared policy of the State to make full and efficient use of the country's human and natural resources to achieve the optimum level of national development and, towards this and, to create opportunities where and by which foreign investors may avail of these resources and put in place a wide reaching and sustained employment and investment generation mechanism.

SECTION 3. Creation of Iloilo Free Port - There is hereby created a body corporate to be known as the Iloilo Free port, hereinafter referred to as the "Free Port" consisting of the City of Iloilo, Municipalities of Leganes, Oton and Buenavista, Province of Guimaras.

SECTION 4. Policies and Objectives - There shall be managed and operated in accordance with the following policies and objectives:

(a) The Free Port shall be developed into a self sustaining, industrial, commercial, financial and investment center to generate employment opportunities in and around the free port and to attract and promote productive foreign investments;

(b) The Free Port shall be operated and managed as a separate customs territory to ensure the free flow, entry and movement of raw materials, commodities, goods, supplies, facilities, equipment and machinery's into and within and their exportation and re-exportation out of the Free Port premises, as well as provide incentives such as tax and duty free entry and importations of such raw materials, commodities, goods, supplies, facilities, equipment and machinery's from the territory of the Iloilo Free Port to other parts of the Philippines to customs duties and taxes under the Customs and Tariff Code and other relevant tax laws of the Philippines;

© The provision of the existing laws, rules and regulations to the contrary notwithstanding, no taxes, fees, charges, or impositions, local and national, shall be imposed on corporations, firms, enterprises, or entities operating within the Free Port territory. In lieu of such taxes or impositions, a gross income billing of five (5%) percent of the gross income earned by all business of the corporation is located and another one (1%) percent of such gross income billing shall be constituted into a development fund to directly and exclusively utilized for the development of the localities comprising the Free Port; and one half of one (0.5%) percent to the Barangay where the principal business of the corporation is located.

In case of conflict between national and local laws with respect to tax exemption privileges in the Iloilo Free Port, the same shall be resolved in favor of the latter.

(d) The Banko Sentral ng Pilipinas (BSP), through the Monetary Board, shall supervise and regulate the operations of banks and other financial institutions within the Free Port. Banking and Finance shall be liberalized with the establishment of foreign currency depository units of local commercial banks and offshore banking units of foreign banks with minimum BSP regulation;

(e) Any investor within the Free Port whose continuing investment shall not be less than Two Hundred Fifty Thousand (US\$250,000.00) Dollars, his/her spouse and dependent children under twenty one (21) years of age, shall be granted permanent residents status within the Free Port territory. They shall have freedom of ingress and egress to and from the Free Port Territory without any need of special authorization from the Bureau of Immigration and Deportation. The names of aliens granted permanent resident status and working visas shall be reported to the Bureau of Immigration and Deportation within thirty (30) days after issuance hereof;

(f) The defense and security of the Free Port shall be the responsibility of the national government. The Free Port shall provide and establish its own internal security and fire fighting forces.

SECTION 5. Powers and Functions of the Free Port - The Free Port shall have the following powers and functions;

a. To authorize or undertake on its own and regulate the establishment, operation and maintenance of public utilities, services and infrastructure in the Iloilo Free Port such as shipping, barging, stevedoring, cargo, port services or concessions, piers, wharves, bulk heads, bulk terminals, mooring areas, roads, bridges, terminals conveyors, water supply and storage, drainage and such other services or infrastructure necessary or incidental to the accomplishment of the objectives of this Act;

b. To conduct, acquire, own, lease, operate, and maintain on its own or through others by virtue of contracts, franchise, licenses, or permits under the build-operate-transfer scheme or under a joint venture with the private sector;

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

d. To adopt and use a seal;

e. To acquire, own, hire, use, operate, and dispose of personal property and to acquire, own, use, lease, operate and dispose of real property and interests thereon and to make improvements of such real property. Including the reclamation port purposes of foreshore and submerged lands within its territorial jurisdiction;

f. To make expenditures in foreign currencies to pay commission and hire for contract experts and consultants, both foreign and local;

g. To make expenditures for promotion of the Iloilo Free Port;

h. To prescribe its by-laws and such rules and regulations as may be found necessary to promote or enhance the business of the Iloilo Free Port;

i. To levy dues and import rates and charges for the use of premises, works, appliances, facilities, or for services provided by or belonging to the Iloilo Free Port the proceeds of which shall be actually, directly and exclusively used for the operations of the Iloilo Free Port;

j. To exercise all the powers of a corporation under the Corporation Law in so far as they are not inconsistent with the provisions of this Act.

SECTION 6. Governing Body - The Powers and Functions of the Free Port shall be vested in and exercised by a Board of Directors, hereinafter referred to as the Board, it shall be composed of nine (9) members, to wit:

- 1) Mayor of the City of Iloilo
- 2) Mayors of the Municipalities of Leganes and Oton and Buenavista, Province of Guimaras.
- 3) Governor of the Province of Iloilo
- 4) Representatives from the office of the Congressman, Lone District of Iloilo City; President of the Iloilo Business Club, the Regional Director of the NEDA, and a representative from a recognized service civic organization to be elected by the Mayor of the City of Iloilo, and the Municipalities of Leganes, Oton and Buenavista, Province of Guimaras.

SECTION 7. Powers, Functions and Duties of the Board- In addition to the powers vested in the Board under the other sections of this Act, the Board shall have the following functions, powers and duties;

- a. To define and approve the programs plans, policies, procedures and guidelines of the Free Port for its development and operation;
- b. To appoint an administrator of the Free Port, as herein provided, who shall be the chief executive officer;
- c. To approve the Free Ports organizational and administrative structure, staffing pattern, operating and capital expenditures, and financial budgets, upon recommendations of the Administrator, subject to existing laws, rules and regulations;
- d. To approve salary ranges, benefits and other terms and conditions of the service for all officers and employees of the Free Port, upon recommendation of the administrator, which shall, as far as possible, be competitive with those offered in the private sector, subject of the existing laws, rules and regulations;
- e. To fix the rates of dues, charges, fees or assessments for the use of the Free Port premises, work, appliances, facilities, concessions, services and other fees and charges related to the activities of the Free Port upon recommendation of the Administrator, and
- f. Generally, to exercise all the functions and powers necessary or incidental to attain the purposes and objectives of this Act.

SECTION 8. Powers and Functions of the Administrator- The management of the day to day business and operation of the port shall be under the direction and control of the administrator. He shall have the following powers and functions:

- a. To manage, direct and supervise the operations and internal administration of the Free Port, subject to the control and supervision of the board;
- b. To operate all memoranda pertaining to each and every item in the agenda for the meetings of the board and to submit for the consideration thereof such proposals or recommendation which he believe to be necessary to carry out effectively and beneficiary the business of the Port;
- c. To implement the policies and administer the measure approved by the board;
- d. To devise the executive organization pattern of the board, submit from time to time to the board the corresponding organizational and function charts and enforce the executive elements thereof;

e. To appoint and employ the services of the subordinate officials and employees, subject to the confirmation of the board;

f. To prepare and submit to the budget proposals of all kinds; and

g. To perform such other powers as may be directed or authorized specially by the board.

SECTION 9. Capitalization- The Free Port shall have an authorized capital stock of Five Hundred Million (500,000,000.00) no par shares with a minimum issue of ten (10.00) pesos each. The National Government shall initially subscribe the fully pay One Hundred Fifty Million (150,000,000.00) pesos of such capital stock within three hundred sixty five (365) days after the effectivity of this act. Likewise, the board may, with the written concurrence of the secretary of the Finance, sell shares representing not more than forty (40%) percent of the capital stock of the Iloilo Free Port to the general public under such policy as the board and the secretary of finance may determine.

SECTION 10. Relationship with local Units - The government units comprising the Free Port shall retain their integrity, powers, and functions as such under the Local Government Code of 1991. However, in case of any conflict between the Free Port and any local government units on matters affecting the operation of the Free Port, the decision of the Free Port shall prevail.

SECTION 11. Supervision - The free Port shall be under the control and supervision of the Office of the president of the Philippines for purposes of policy direction and coordination.

SECTION 12. Ipso Facto Clause - All privileges, benefits, advantages, and exemptions granted to special Economic Zones under Republic Act No. 7277 shall ipso facto be accorded to the Free Port, including the establishments located therein.

SECTION 13. Repealing Clause - All laws, executive's orders or issuance's, or any part thereof which are inconsistent herewith are hereby repealed or amended accordingly.

SECTION 14. Separability Clause - If any part of these provisions is declared unconstitutional, all other provisions not affected thereby shall not be affected by such declaration and shall continue to be full force and effect.

SECTION 15. Effectivity Clause - These acts shall effect fifteen (15) days after its publication in at least two (2) national newspapers of general circulation.

Approved,