

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 4867



Introduced by Rep. Nerissa Corazon Soon-Ruiz, M.D.

EXPLANATORY NOTE

This bill seeks to create a special economic zone and free port in the Municipality of Cordova, Province of Cebu, to enhance the municipality's economic activity, uplift the quality of life of its residents and contribute to the government's thrusts of minimizing poverty among its citizenry, especially in the countryside.

The location of the proposed special economic zone is ideal. The municipality of Cordova, a fishing community unfit for agriculture, is gradually evolving into an industrial center with the setting shop of a European cable manufacturing company and several small-scale export-oriented industries. It is located at the north-eastern tip of the island of Mactan facing the Province of Bohol and is accessible to and from the industrial, agricultural and commercial centers in the Province of Cebu and nearby provinces in Central Visayas. It is an ideal alternative for business enterprises and industrial plants which can no longer be accommodated at the nearby Mactan Export Processing Zones due to space problems.

Up to the present, the municipality still has vast undeveloped residential and industrial land resources. It boasts of an educated and trained workforce being a major source of MEPZA's labor requirements, good roads, telecommunications facilities, a pier that can be developed to meet the Ecozone's requirements and steady supply of electricity. Once developed, it can be a competitive alternative to the Mactan Export Processing Zones which are now experiencing expansion problems.

It is highly indubitable that the economic zones have become a stabilizing factor in the nation's economy and this is the primordial reason that this measure is submitted in an effort to spread industrialization into this part of the country, especially that the proposed location possess all the ingredients and qualifications of a viable economic zone.

Given all the benefits that the establishment of an economic zone may bring to the Municipality of Cordova, the island of Mactan, the Province of Cebu and the country in general, the immediate consideration and approval of this measure is earnestly sought and recommended.


NERISSA CORAZON SOON-RUIZ, M.D.
6th district, Cebu

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HOUSE BILL NO. 4867

Introduced by Rep. Nerissa Corazon Soon-Ruiz, M.D.

**AN ACT ESTABLISHING A SPECIAL ECONOMIC ZONE AND FREE PORT IN
THE MUNICIPALITY OF CORDOVA, PROVINCE OF CEBU,
PROVIDING FUNDS THEREFOR, AND FOR OTHER PURPOSES**

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

SECTION 1. **Short Title.** - This Act shall be known as the "Cordova Special Economic Zone Act of 2005."

SECTION 2. **Declaration of Policy.** - It is the policy of the State to encourage and promote the attainment of a sound and balanced industrial, economic and social development of the country through the promotion of private enterprises and creation of jobs especially in the rural areas. Towards this end, the State shall endeavor to establish special economic zones in suitable and strategic locations in the country where enterprises will be given incentives to create an environment conducive to business and attract foreign and local investors, generate employment and encourage the growth of industries in rural areas.

SECTION 3. **Cordova Special Economic Zone and Freeport.** - In accordance with the foregoing policy, there is hereby established a special economic zone and free port in the Municipality of Cordova, Province of Cebu, to be known as the Cordova Special Economic Zone, hereinafter referred as the Cordova Ecozone.

SECTION 4. **Governing Principles.** - The Cordova Ecozone shall be managed and operated under the following principles:

(a) Within the framework and limitations of the Constitution and the applicable provisions of the Local Government Code, the Cordova Ecozone shall be developed into and operated as a self-sustaining agro-industrial, commercial, financial, investment and tourism/recreational center and free port with suitable retirement and residential areas. It shall be provided with the necessary telecommunications facilities and those necessary to attract local and foreign investments, generate support industries and employment opportunities. The municipality's seaport shall be developed, modernized and equipped to meet the growing demands of the Ecozone;

(b) The Cordova Ecozone shall be managed and operated as a separate customs territory to ensure and facilitate the free flow, entry and movement of machinery and goods. It shall be vested with the authority to issue certificates of origin for products manufactured or processed in the Cordova Ecozone in accordance with prevailing rules of origin and pertinent laws and regulations governing special economic zones;

(c) Business establishments within the Cordova Ecozone shall be entitled to the existing fiscal incentives as provided for under Presidential Decree No. 66, the law

creating the Export Processing Zone Authority, or those provided under Book VI of Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987;

(d) Any provisions of existing laws, rules or regulations to the contrary notwithstanding, no taxes, local and national, shall be imposed on business establishments operating within the Cordova Ecozone. 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 as follows:

- (1) One percent (1%) to the Barangay;
- (2) Three percent (3%) to the Municipality;
- (3) Two percent (2%) to the Cordova Special Economic Zone Authority; and
- (2) Two percent (2%) to the National Government.

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.

(e) Any foreign investor who establishes a business enterprise within the Cordova Ecozone and who maintains capital investment of not less than one hundred fifty thousand United States dollar (\$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 within the Cordova Special Economic Zone.

Such foreign investor and his/her spouse, dependents and unmarried children below the age of twenty-one (21) years, shall have the freedom of ingress and egress to and from the Cordova Ecozone without need of any special authorization from the Bureau of Immigration and Deportation.

Likewise, the Cordova Special Economic Zone Authority shall issue working visas renewable every two (2) years to foreign executives and 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 Cordova Special Economic Zone Authority shall be reported to the Bureau of Immigration and Deportation 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.

(f) The provisions of law to the contrary notwithstanding, any foreigner, partnership, corporation, or any other business association not created under the laws of the Republic of the Philippines, engaged in the business of retailing goods and merchandise, shall be permitted to engage in such retail trade within the Cordova Ecozone after securing the necessary license for that purpose from the Cordova Special Economic Zone Authority: Provided, that only foreign nationals and corporations engaged in medium and large-scale retail trade may be permitted to engage in such business within the Cordova Ecozone. The determination of the medium and large-scale retail trade operation shall be the responsibility of the Cordova Special Economic Zone Authority.

(g) Except as otherwise provided herein, the local government of the Municipality of Cordova shall retain and maintain its basic autonomy and identity. It shall continue to operate and function in accordance with Republic Act No. 1760,

otherwise known as the Local Government Code of 1991, insofar as the area within its jurisdiction covered in this Act is concerned.

SECTION 5. *Creation of the Cordova Economic Zone Authority.* - Within one hundred eighty (180) days from the effectivity of this act, a body corporate to be known as the Cordova Special Economic Zone Authority, hereinafter referred to as the CSEZA, shall be created and organized to manage and operate, in accordance with the provisions of this Act, the Cordova Special Economic Zone and Free Port. It shall have a franchise of fifty (50) years, unless otherwise extended by Congress.

SECTION 6. *Powers and Functions of the Cordova Economic Zone Authority.*
- The Cordova Special Economic Zone Authority (CSEZA) 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 of whatever nature (including but not limited to shares of stocks or participation in private corporations or in limited partnerships, joint ventures with limited liability), bonds, precious metals, 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;

(b) To approve, accept, accredit and permit local and foreign businesses, enterprises and investments in the Ecozone subject only to such rules and regulations as the NSEZA may promulgate from time to time in conformity with the provisions of this Act and the limitations provided in the Constitution;

(c) To authorize or undertake on its own or through others, and regulate the establishment, operation and maintenance of utilities, other services and infrastructure within the Cordova Ecozone, such as but not limited to hauling, warehousing, storage of cargo, sewerage, drainage, gas, sanitation, garbage disposal, waste management, pollution control, heat, light and power, water supply, communications, telecommunications, transport, toll roads and bridges and such other services and concessions or infrastructure necessary or incidental to the accomplishment of the objectives of this Act; to fix and adjust the rates, fares, charges and prices therefore; Provided, That the said rates, fares, charges and prices are reasonable, competitive and just;

(d) To operate on its own, either directly or through a subsidiary entity, or license to others, tourism related activities, including games, amusements and recreational sports facilities, such as but not limited to golf courses, entertainment or amusement centers, resorts, hotels, convention centers, casinos and other similar establishments without prior authorization from any government offices;

(e) Within the limitations provided by law, to raise 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 securities, and to secure the same by guarantee, pledge, mortgage, trust, or assignment of all or part of its assets;

(f) 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 joint venture with the private sector any or all of the public utilities and infrastructure required or needed in the Ecozone, in coordination with appropriate national and local government authorities and in conformity with applicable laws thereon;

(g) To protect, preserve, maintain and develop, among others the beaches, corals and coral reefs and minerals and mineral deposits, including precious metals within the Ecozone. 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 CSEZA, including the issuance of environmental clearance certificates, patents, and leasehold rights over government lands within the Zone and mining and drilling licenses;

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

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

(j) To form, establish and maintain subsidiary corporations, as its business and operations may require, whether under the laws of the Philippines or any foreign state;

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

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

(m) 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;

(n) To impose fines and penalties for violation of the provisions of this Act, the rules and regulations to be issued mentioned in the immediately preceding paragraph or any law the CSEZA may be 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.

SECTION 7. *The Board of Directors.* – The powers of the Cordova Special Economic Zone Authority shall be vested in and exercised by the Board of Directors, hereinafter referred to as the Board, which shall be composed of the following:

- (a) The Secretary of Trade and Industry who shall serve as ex-officio voting chairman of the Board;
- (b) The Administrative and Chief Executive Officer who shall serve as ex-officio voting vice-chairman of the Board;
- (c) Six voting members of the Board, to wit:
 - (1) The Director-General of the National Economic and Development Authority, or his representative;
 - (2) The district's congressional Representative;

- (3) The Governor of the Province of Cebu;
- (4) The Mayor of the Municipality of Cordova;
- (5) One representative from the business sector within the Zone;
- (6) One representative from the Zone's labor sector.

The Chairman and the other members of the Board coming from the government sector shall serve only during their incumbency. Representatives from the Ecozone's business and labor sectors shall be appointed by the President and shall serve for a term of three (3) years, unless sooner removed for cause or dies or resigns voluntarily. In case of death, removal or resignation, the replacement shall serve only the unexpired portion of the term.

No person shall be appointed as a member of the Board unless he is a Filipino citizen, except for the representative of the business sector, 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* of not more than ten thousand pesos (P10,000.00) for every board meeting actually attended: Provided, however, That no *per diem* shall be paid for more than four (4) board meetings per month: Provided, further, That the President of the Philippines may fix a higher per diem for the members of the Board once every six years.

SECTION 8. *The Administrative and Chief Executive Officer.* – The President of the Philippines shall appoint a full-time professional and competent administrator and chief operating officer for the Cordova Economic Zone Authority who shall serve for a term of three (3) years and whose compensation shall be determined by the Board.

SECTION 9. *Power and Duties of the Administrator and CEO.* – The Administrator and CEO shall have the following powers and duties:

- (a) To direct and manage the affairs of the CSEZA in accordance with the policies of the Board;
- (b) To establish the internal organization of the CSEZA under such conditions that the Board may prescribe;
- (c) To prepare and submit an annual budget to the Board for its approval;
- (d) To submit an annual report to the Board and such other reports as may be required within thirty (30) days after the close of each fiscal year; and
- (e) To perform such other duties as may be assigned to him by the Board.

SECTION 12. *Capitalization.* – The Cordova Special 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 (P10.00) each. The National Government shall initially subscribe and fully pay three hundred million (300,000,000) shares of such capital stock. The initial amount necessary to subscribe and pay for the shares of stock shall be included in the Annual General Appropriations Act of the year following its enactment and thereafter. The Board of Directors of the Cordova Special Economic Zone Authority may, from time to time and 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 Cordova Economic Zone Authority 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 Cordova Economic Zone Authority.

A suitable area within the municipality of Cordova not less than thirty (30) hectares now owned, administered or falling under the control or supervision of the local

or national government or any of its branches or instrumentalities, including all equipment, facilities and improvements found therein, shall be transferred, ceded and conveyed to the Cordova Special Economic Zone Authority to form part of the Authority's equity within ninety (90) days from approval of this Act; Provided, however, That the equipment, facilities and improvements found thereon shall be paid for by the Cordova Special Economic Zone Authority to and upon mutual agreement by the government offices concerned. Should there be no available government land of such area within the municipality, the CSEZA shall expropriate suitable lands within the municipality for this purpose.

SEC. 13. ***Supervision.*** – The Cordova Special Economic Zone Authority shall be an independent and autonomous entity attached to the Philippine Economic Zone Authority for purposes of policy and program coordination.

SEC. 14. ***Relationship with the Local Government Unit.*** – In case of conflict between the Cordova Special Economic Zone Authority and the municipal government of Cordova on matters affecting the Cordova Ecozone other than defense and security matters, the decision of the CSEZA shall prevail.

SEC. 15. ***Auditing.*** – The Commission on Audit shall appoint a representative who shall be a full time auditor of the Cordova Special 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 shall be in accordance with pertinent laws, rules and regulations.

To ensure the expeditious implementation of the economic policy and purpose of this Act, the Commission on Audit, in cooperation with the Cordova Special Economic Zone Authority, shall formulate special rules on audit, disbursement of funds, bidding, procurement and the like towards realizing the aforesaid objectives; Provided, That such rules and any amendment thereto shall be approved by the Office of the President.

SEC. 16. ***Legal Counsel.*** – The Cordova Special Economic Zone Authority and the corporations in which it owns a majority of the issued capital stock shall have its own internal legal counsel under the supervision of the government corporate counsel. When the exigencies of its businesses and operations demand it, the CSEZA may engage the services of an outside counsel either on a case to case basis or on a fixed retainer.

SEC. 17. ***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 Revised Compensation and Position Classification System, shall not apply to the Cordova Special Economic Zone Authority. The salaries, benefits and other emoluments of the officers, directors and employees of the CSEZA shall be commensurate to private industry standards to be determined by its Board.

SEC. 18. ***Retention of All Earnings.*** – The Cordova Special Economic Zone Authority 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 the CSEZA may invest in its various infrastructure or special projects, corporate undertaking, payment of salaries, honoraria, per diem and/or other obligations.

SEC. 19. ***Parity Clause.*** – In the event of any law, policy, rule or regulation granting any rights or privileges to any existing or future special economic zones and/or free ports which are more favorable or advantageous than those granted to the Cordova Special Economic Zone Authority or the enterprises and other business concerns

operating within the Cordova Ecozone, then such law, policy, rule or regulation shall be *ipso facto* incorporated hereto and apply equally in favor of the Cordova Special Economic Zone Authority or the enterprises or business concerns operating within the Cordova Ecozone, as the case may be.

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

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. ***Effectivity Clause.*** – This Act shall take effect upon its publication in at least one (1) newspaper of general circulation.

Approved,