

SIXTEENTH CONGRESS)
OF THE REPUBLIC OF THE PHILIPPINES)
First Regular Session)



HOUSE OF REPRESENTATIVES
House Bill No. **4503**

Introduced by Representative Ben P. Evardone
Lone District, Eastern Samar

EXPLANATORY NOTE

The November 2013 Typhoon Yolanda proved to be the world's deadliest and strongest typhoon. Its first landfall in Guiuan, Salcedo and Mercedes towns in Eastern Samar left thousands of our constituents homeless, and economically 'broke'. Yet, despite its ferocity, Yolanda failed to take away the actual wealth of our people— natural endowments from the seas.

Located at the southernmost tip of Eastern Samar, facing the Pacific Ocean, and bounded to the South by Surigao Strait and the Leyte Gulf to the West, the towns of Salcedo, Mercedes and Guiuan are known fishing communities. They are so rich in fishery and aquatic resources that the area has been considered the best fishing belt in the region.

The coastal waters of these towns, especially in Guiuan, offer almost all species of marine life: eucheuma, abalone, ornamental fish, lobster and the Golden Cowry. They also offer delicacies, shellcraft products as well as fresh and processed marine products.

Before typhoon Yolanda struck, most of the agricultural lands are dominantly planted with coconut trees. Other major crops include vegetables, root crops, palay, corn, banana and other fruit trees, coffee and pineapple.

These towns boast of white sand beaches, not to mention its challenging waves kissing the shores every now and then, playing host to both foreign and local surfing enthusiasts.

At the cliffside margin of Guiuan's Calicoan island lie hidden the dozens of caves waiting to satiate the appetite of spelunkers. On its northern tip are wetlands like the Everglades, teeming with fish, shrimp, and crabs. The surrounding waters support several marine based industries such as fish, seaweed, and pearl farming.

Our history books have made Guiuan widely known for two significant events 423 years apart. In 1521, Ferdinand Magellan first set foot on Philippine soil in Homonhon island on his way to discover the Philippines for the Western World. In 1944, the American Forces landed on the island of Suluan where they fought their first battle in the Philippine territory three days before Gen. Mac Arthur stormed the beaches of Leyte. During the Second World War, Guiuan served as one of the Alliance's bases. What's left of the American occupation

nowadays are just concrete slabs which once served as the foundations of a vast supply depot, and an air strip which now serves as the town's own airport.

However, despite these natural wonders and the rich history and culture and the abundance of marine wealth, these towns are highly dependent on its internal revenue allocations (IRA).

Hence, through this bill, the establishment of a Special Economic and Tourism Zone and Freeport in the Lone District of Eastern Samar, particularly in the towns of Salcedo, Mercedes and Guiuan, including the islands of Homonhon, Manicani, Suluan and Calicoan is proposed once again.

The author believes that now is the best time to realize such ecozone project if the government is to fast-track the economic recovery of the country from the devastation of Typhoon Yolanda.

On this score, the passage of this bill is urgently sought.



BEN P. EVARDONE
Representative
Lone District, Eastern Samar

HOUSE OF REPRESENTATIVES

House Bill No. 4503

Introduced by REP. BEN P. EVARDONE
Lone District, Eastern Samar

AN ACT

CREATING A SPECIAL ECONOMIC AND TOURISM ZONE AND FREE PORT IN
THE MUNICIPALITIES OF SALCEDO, MERCEDES AND GUIUAN, INCLUDING
THE ISLANDS OF CALICOAN, HOMONHON, SULUAN, MANICANI, TUBABAO,
AND VICTORY, IN THE PROVINCE OF EASTERN SAMAR, CREATING FOR
THIS PURPOSE THE EASTERN SAMAR SPECIAL ECONOMIC AND TOURISM
ZONE AUTHORITY, APPROPRIATING 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 "Eastern Samar Special
Economic and Tourism Zone Act of 2014 (ESSETZA)."

Section 2. Declaration of Policy. — It is hereby declared the policy of the State to
encourage and promote the attainment of a sound and balanced industrial, economic and
social development in the country through the promotion of private enterprises. Towards this
end, the State shall endeavor to establish special economic zones in suitable and selected
areas in the country where enterprises will be given incentives to create an environment
conducive to business. This shall be the means to attract local and foreign investors, general
employment opportunities, encourage the regional dispersal of industries and promote
tourism.

Section 3. Creation of the Eastern Samar Special Economic and Tourism Zone.
— In accordance with the foregoing policy, there is hereby established a special economic
and tourism zone in the Municipalities of Salcedo, Mercedes and Guiuan, including the

1 islands of Calicoan, Homonhon, Suluan, Manicani, Tubabao, and Victory, in the Province of
2 Eastern Samar to be known as the Eastern Samar Special Economic and Tourism Zone,
3 hereinafter referred to as the ESSETZONE. The specific metes and bounds of the
4 ESSETZONE shall be more particularly defined in a presidential proclamation that shall be
5 issued for this purpose.

6
7 **Section 4. Governing Principles.** — The Eastern Samar Special Economic and
8 Tourism Zone shall be managed and operated under the following principles:

9
10 (a) Within the framework and limitations of the Constitution and the applicable
11 provisions of the Local Government Code, the ESSETZONE shall be developed into
12 a decentralized, self-reliant and self-sustaining industrial, commercial, financial,
13 investment and tourism center and free port with suitable retirement and residential
14 areas. The ESSETZONE shall be provided with transportation, telecommunications,
15 and other facilities needed to attract legitimate and productive foreign investments,
16 generate linkage industries and employment opportunities for the people, and
17 promote tourism in the municipalities comprising the ESSETZONE and its
18 neighboring towns and cities.

19
20 (b) The ESSETZONE may establish mutually beneficial economic relations with other
21 entities within the country, subject to the administrative guidance of the Department
22 of Foreign Affairs, and/or Department of Trade and Industry, and/or Department of
23 Tourism with foreign entities or enterprises.

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

29
30 (d) The ESSETZONE shall be managed and operated as a separate customs territory to
31 ensure and facilitate the free flow, entry and movement of machinery and other
32 goods. It shall be vested with the authority to issue certificates of origin for products
33 manufactured or processed in the ESSETZONE in accordance with prevailing rules
34 of origin, and the pertinent regulations of the duly recognized national bodies tasked
35 to oversee all other ECOZONES in the country.

1
2 (e) Business establishments within the ESSETZONE shall be entitled to the existing
3 fiscal incentives as provided for under existing laws, such as but not limited to
4 Presidential Decree No. 66, the law creating the Export Processing Zone Authority,
5 or those provided under Book VI of Executive Order No. 226, otherwise known as
6 the Omnibus Investment Code of 1987, and such incentives, benefits or privileges
7 presently enjoyed by business establishments operating within the Subic Special
8 Economic Zone pursuant to Republic Act No. 7227.

9
10 (f) Any provisions of existing laws, rules or regulations to the contrary notwithstanding,
11 no taxes, local and national, shall be imposed on business establishments operating
12 within the ESSETZONE. In lieu of paying taxes, said business establishments shall
13 pay and remit to the national government two percent (2%) of their gross income. In
14 addition, they shall remit to the component municipalities three percent (3%) of their
15 gross income, to be allocated as follows:

- 16
17 (1) One percent (1%) to the Municipality of Salcedo;
18 (2) One percent (1%) to the Municipality of Mercedes; and
19 (3) One percent (1%) to the Municipality of Guiuan;
20

21 (g) Except as otherwise provided herein, the local government unit/s embraced within
22 the ESSETZONE shall retain and maintain their basic autonomy and identity, which
23 shall operate and function in accordance with Republic Act No. 7160, otherwise
24 known as the Local Government Code of 1991.

25
26 (h) Any foreign investor who establishes a business enterprise within the ESSETZONE
27 and who maintains capital investment of not less than One hundred fifty thousand
28 United States dollars (US\$150,000) shall be granted, along with his or her spouse,
29 dependents, and unmarried children below twenty-one (21) years of age, a permanent
30 resident status within the ESSETZONE.

31
32 Such foreign investor and his or her spouse, dependents and unmarried
33 children below the age of twenty-one (21) years, shall have freedom of ingress and

1 egress to and from the ESSETZONE without any need of any special authorization
2 from the Bureau of Immigration.

3
4 The Eastern Samar Special Economic and Tourism Zone Authority shall issue
5 working visas renewable every two (2) years to foreign executives and foreign
6 technicians with highly specialized skills which no Filipino possesses, as certified by
7 the Department of Labor and Employment.

8
9 The names of the foreigners granted permanent resident status and working
10 visas by the Eastern Samar Special Economic and Tourism Zone Authority shall be
11 reported to the Bureau of Immigration within thirty (30) days from such grant.

12
13 The foregoing is without prejudice to a foreigner acquiring permanent resident
14 status in the Philippines in accordance with applicable immigration, retirement, and
15 other related laws.

- 16
17 (i) The provisions of any law to the contrary notwithstanding, any foreigner,
18 partnership, corporation, or any other business association not created and existing
19 under the laws of the Republic of the Philippines, engaged in the business of retailing
20 goods and merchandise, shall be permitted to engage in the business in such retail
21 trade within the ESSETZONE after securing license for that purpose from the
22 Eastern Samar Special Economic and Tourism Zone Authority: *Provided*, That only
23 foreign nationals engaged in medium- and large-scale retail trade may be permitted
24 to engage in such business within the ESSETZONE. The determination of the
25 medium- and large-scale retail trade operation shall be the responsibility of the
26 ESSETZONE Authority.

- 27
28 (j) Existing banking laws and Bangko Sentral ng Pilipinas (BSP) rules and regulations
29 shall apply on foreign exchange and other current account transactions (trade and
30 non-trade), local and foreign borrowings, foreign investments, establishment and
31 operation of local and foreign banks, foreign currency deposit units, offshore banking
32 units and other financial institutions under the supervision of the BSP.

1 **Section 5. Creation of the Eastern Samar Special Economic and Tourism Zone**
2 **Authority.** — Subject to the concurrence of the local government units that will be affected
3 by the creation of the ESSETZONE, there is hereby created a body corporate to be known as
4 the Eastern Samar Special Economic and Tourism Zone Authority, hereinafter referred to as
5 the ESSETZONE Authority, which shall manage and operate the ESSETZONE, in
6 accordance with this Act. It shall be organized within one hundred eighty (180) days after the
7 effectivity of this Act.

8
9 **Section 6. Principal Office.** — The ESSETZONE Authority shall maintain its
10 principal office within the ESSETZONE, but it may establish branches and agencies within
11 the Philippines and abroad as may be necessary for the proper conduct of its business.

12
13 **Section 7. Powers and Functions of the ESSETZONE Authority.** — The
14 ESSETZONE Authority shall have the following functions:

15
16 **(a)** To operate, administer, and manage the ESSETZONE according to the
17 principles and provisions set forth in this Act;

18
19 **(b)** To recommend to the President the issuance of a proclamation to fix and
20 delimit the site of the ESSETZONE;

21
22 **(c)** To register, regulate and supervise the enterprises in the ESSETZONE in an
23 efficient and decentralized manner;

24
25 **(d)** To regulate and undertake the establishment, operation and maintenance of
26 utilities, other services and infrastructure in the ESSETZONE such as heat,
27 light and power, water supply, telecommunications, transport, toll roads and
28 bridges, port services, among others, and to fix reasonable and competitive
29 rates, fares, charges and prices therefor;

30
31 **(e)** To construct, acquire, own, lease, operate and maintain on its own or through
32 others by virtue of contracts, franchises, licenses, or permits under any of the
33 schemes allowed in Republic Act No. 6957 (the build-operate-transfer law) as
34 amended, or in joint venture with the private sector, any or all of the public

1 utilities and infrastructure required or needed in the ESSETZONE in
2 coordination with appropriate national and local government authorities and in
3 conformity with applicable laws thereon;
4

5 (f) To operate on its own, either directly or through a subsidy entity, or license to
6 other tourism related activities, including games, amusements and recreational
7 and sports facilities;
8

9 (g) Within the limitation provided by law, to raise or borrow adequate and
10 necessary funds from local or foreign sources to finance its projects and
11 programs under this Act, and for that purpose to issue bonds, promissory
12 notes, and other forms of securities, and to secure the same by a guarantee,
13 pledge, mortgage, deed of trust, or an assignment of all part of its property or
14 assets;
15

16 (h) To provide security for the ESSETZONE in coordination with national and
17 local governments. For this purpose, the ESSETZONE Authority may
18 establish and maintain its own security force and firefighting capability or hire
19 others to provide the same;
20

21 (i) To protect, preserve, maintain and develop the virgin forests, beaches, coral
22 and functional units or offices within the ESSETZONE;
23

24 (j) To create, operate and/or contract to operate such agencies and functional
25 units or offices of the ESSETZONE Authority as it may deem necessary;
26

27 (k) To adopt, alter and use a corporate seal; make contracts, leases, own or
28 otherwise dispose of personal or real property; sue and be sued; and otherwise
29 carry out its functions and duties as provided for in this Act; and
30

31 (l) To issue rules and regulations consistent with the provisions of this Act as
32 may be necessary to implement and accomplish the purposes, objectives, and
33 policies provided therein.
34

1 **Section 8. Non-profit Character of the ESSETZONE Authority.** — The
2 ESSETZONE Authority shall be non-profit and shall devote the use of its returns from capital
3 investments, as well as excess revenues from its operations, for the development,
4 improvement, and maintenance and other related expenditures of the ESSETZONE Authority
5 to pay its indebtedness and obligations and in furtherance and effective implementation of the
6 policy provided in this Act. In consonance with this, the ESSETZONE Authority is hereby
7 declared exempt from the payment of all taxes, duties, fees, imposts, charges, costs and
8 service fees in any court or administrative proceedings in which it may be a party.

9
10 The foregoing exemptions may however be entirely or partially lifted by the President
11 of the Philippines upon the recommendation of the Secretary of Finance, not earlier than five
12 (5) years from the effectivity of this Act, if the President shall find the Authority to be self-
13 sustaining and financially capable by then to pay such taxes, customs duties, fees and other
14 charges after providing for debt service requirements of the ESSETZONE Authority and of
15 its projected capital and operating expenditures.

16
17 **Section 9. Board of Directors of the ESSETZONE Authority.** — The powers of
18 the ESSETZONE Authority shall be vested in and exercised by a Board of Directors,
19 hereinafter referred to as the Board, which shall be composed of the following:

20
21 (a) A chairman who shall, at the same time, be the administrator of the ESSETZONE
22 Authority;

23 (b) A vice-chairman who shall come from the national agency tasked to coordinate
24 and monitor special economic zones and the like in the country;

25 (c) Ten (10) members consisting of:

26 (1) The congressional representative of Eastern Samar;

27 (2) The mayors of the municipalities of Salcedo, Mercedes and Guiuan;

28 (3) One (1) representative each from the Sangguniang Bayan of the Municipalities of
29 Salcedo, Mercedes and Guiuan;

30 (4) One (1) representative from domestic investors in the ESSETZONE;

31 (5) One (1) representative from foreign investors in the ESSETZONE; and

32 (6) One (1) representative from the labor sector chosen from the workers in the
33 ESSETZONE.

34

1 The congressional representative, the mayors of the Municipalities of Salcedo,
2 Mercedes and Guiuan, and the representatives of the respective municipal councils shall
3 serve as ex officio voting members of the Board.

4
5 The chairman and the members of the Board, except the ex officio members, shall be
6 appointed by the President of the Philippines to serve for a term of six (6) years, unless
7 sooner removed for cause or dies or resigns voluntarily. In case of death, resignation or
8 removal for cause, the replacement shall serve only the unexpired portion of the term.

9
10 Except for the representatives of the business and investment sectors no person shall
11 be appointed by the President of the Philippines as member of the Board unless he is a
12 Filipino citizen, of good moral character and of recognized competence in some relevant
13 fields of business, banking, shipping, business or labor management, port operations,
14 engineering or law.

15
16 Members of the Board shall receive a reasonable per diem which shall be fixed by the
17 President of the Philippines once every six (6) years for every Board meeting: Provided,
18 however, That the total per diem collected each month shall not exceed the equivalent per
19 diems for four (4) meetings. Unless and until the President of the Philippines has fixed a
20 higher per diem for the members of the Board, such per diem shall not be more than Ten
21 thousand pesos (P10,000.00) for every Board meeting.

22
23 **Section 10. Powers and Duties of the Chairman-Administrator.** — The chairman-
24 administrator shall have the following powers and duties:

25
26 (a) To direct and manage the affairs of the Authority in accordance with the policies
27 of the Board;

28
29 (b) To establish the internal organization of the Authority under such conditions that
30 the Board may prescribe;

31
32 (c) To submit an annual budget and necessary supplemental budget to the Board for
33 its approval;

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

3
4 (e) To perform such other duties as may be assigned to him by the Board.
5

6 **Section 11. Promotion of Industrial Peace.** — One representative each from the
7 Department of Labor and Employment (DOLE), labor sector, business and industry sectors
8 shall formulate a mechanism under a social pact for the enhancement and preservation of
9 industrial peace in the ESSETZONE within thirty (30) days after the effectivity of this Act.
10

11 **Section 12. Capitalization.** — The Eastern Samar Special Economic and Tourism
12 Zone Authority shall have an authorized capital stock of two billion (2,000,000,000) no par
13 shares with a minimum issue value of Ten pesos (P10.00) each. The national government
14 shall initially subscribe and fully pay three hundred million (300,000,000) shares of such
15 capital stock. The initial amount necessary to subscribe and pay for the shares of stock shall
16 be included in the General Appropriations Act of the year following its enactment into law
17 and thereafter. The Board of Directors of the ESSETZONE Authority may, from time to time
18 and with the written concurrence of the Secretary of Finance, increase the issue value of the
19 shares representing the capital stock of the ESSETZONE Authority. The Board of Directors
20 of the ESSETZONE Authority, with the written concurrence of the Secretary of Finance, may
21 sell shares representing not more than forty per centum (40%) of the capital stock of the
22 ESSETZONE Authority to the general public with such annual dividend policy as the Board
23 and the Secretary of Finance may determine. The national government shall in no case own
24 less than sixty per centum (60%) of the total issued and outstanding capital stock of the
25 ESSETZONE Authority.
26

27 **Section 13. Supervision and Coordination of Development Plans.** — For purposes
28 of policy direction and coordination, the ESSETZONE Authority shall be under the direct
29 control and supervision of the Office of the President, in the meantime that the agency tasked
30 with the coordination of special economic zones is not yet in place.
31

32 **Section 14. Relationship with the Local Government Units.** — In case of any
33 conflict between the ESSETZONE Authority and the municipalities concerned on matters

1 affecting the ESSETZONE other than defense and security matters, the decision of the
2 ESSETZONE Authority shall prevail.

3
4 **Section 15. Auditing.** — The Commission on Audit shall appoint a representative
5 who shall be a full time auditor of the ESSETZONE Authority and assign such number of
6 personnel as may be necessary to assist said representative in the performance of his/her
7 duties. The salaries and emoluments of the assigned auditor and personnel shall be in
8 accordance with pertinent laws, rules and regulations.

9
10 **Section 16. Separability Clause.** — If any provision of this Act shall be held
11 unconstitutional or invalid, the other provisions not otherwise affected shall remain in full
12 force and effect.

13
14 **Section 17. Repealing Clause.** — All laws, executive orders or issuance, or any parts
15 thereof which are inconsistent herewith, are hereby repealed or amended accordingly.

16
17 **Section 18. Effectivity Clause.** — This Act shall take effect upon its publication in at
18 least two (2) newspapers of general circulation.

19
20 **Approved,**
21