

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

HOUSE OF REPRESENTATIVES
H.B. No. **6472**



Introduced by Congressman Dakila Carlo E. Cua

AN ACT CONVERTING BARANGAY DUMABEL, BARANGAY SAN LEONARDO, BARANGAY PINARIPAD NORTE, AND BARANGAY PINARIPAD SUR, ALL LOCATED IN THE MUNICIPALITY OF AGLIPAY, PROVINCE QUIRINO INTO THE FREEPORT AREA OF QUIRINO (FAQ) INTO A SPECIAL ECONOMIC ZONE AND FREEPORT, CREATING FOR THIS PURPOSE THE AUTHORITY OF THE FREEPORT AREA OF QUIRINO (AFAQ), APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES

EXPLANATORY NOTE

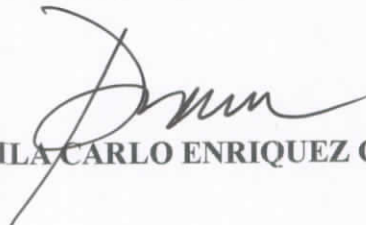
Quirino is a first class province located in the Cagayan Valley region in Luzon. It is bounded by Isabela, Aurora, Nueva Vizcaya and the Sierra Madre mountain range. It is vastly covered by mountains and forest lands.

Through the years, Quirino has been producing export-quality and high value agricultural products such as rice, corn, ginger, banana, mango, pineapples, coffee, coconut, papaya, lanzones, and rambutan, among its other produce production.

Aside from its production of export-quality and high value agricultural products, Quirino is also known for its tourism, mining, and renewable energy. Its Aglipay Caves and Campsite, and its Maddela Falls alone attract over fifteen thousand tourists annually.

This Bill seeks to have Barangays Dumabel, San Leonardo, Pinaripad Norte and Pinaripad Sur, all located in the Municipality of Aglipay in the province of Quirino as Special Economic Zone and Freeport.

The approval of this bill will certainly develop the province through job creation, income generation, investment attraction and technology transfer. The Success of AFAQ will certainly contribute to the country's economic prosperity, as was observed in the creation of the Freeport Area of Bataan. In light of this, the timely approval of this Bill is earnestly requested.


DAKILA CARLO ENRIQUEZ CUA

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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 “*Freeport Area of Quirino (FAQ) Act of 2017*”.

Section 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.

Section 3. Conversion of Barangay Dumabel, Barangay San Leonardo, Barangay Pinaripad Norte, and Barangay Pinaripad Sur into the Freeport Area of Quirino. - Barangay Dumabel, Barangay San Leonardo, Barangay Pinaripad Norte, and Barangay Pinaripad Sur, all located in the Municipality of Aglipay, Province of Quirino is hereby converted into a special economic zone and Freeport to be known as the Freeport Area of Quirino (FAQ). The FAQ shall cover the Municipality of Aglipay, Province of Quirino.

Section 4. Governing Principles. - The FAQ shall be managed and operated under the following principles:

- (a) Within the framework and limitations of the Constitution and applicable provisions of the Local Government Code, the FAQ shall be developed into and operated as a decentralized, self - reliant and self - sustaining industrial, commercial - trading, agro - Industrial, tourist, banking, financial and investment center with suitable residential areas;

(b) The FAQ shall be provided with transportation, telecommunications and other facilities needed to attract legitimate and productive investments, giving priority to developments in agricultural, mineral, renewable energy, and power storage sectors; generate linkage industries, and employment opportunities for the people of the Province of Quirino and its neighboring towns and cities;

(c) The FAQ may establish mutually beneficial economic relations with other entities or enterprises within the country or with foreign entities or enterprises;

(d) Foreign citizens and companies owned by non-Filipinos, whatever proportion may set up enterprises in the FAQ either by themselves or in Joint venture with Filipinos in any sector of industry, international trade and commerce within the FAQ;

(e) The FAQ shall be managed and operated as a separate customs territory ensuring free flow or movement of goods and capital within, into and out of its territory;

(f) The FAQ shall provide incentives such as tax and duty-free importations of raw materials, capital and equipment to registered enterprises located therein. However, exportation or removal of goods from the territory of the FAQ to the other parts of the Philippine territory shall be subject to customs duties and taxes under the Customs Modernization and Tariff Act (CMTA), as amended, and the National Internal Revenue Code (NIRC) of 1997, as amended;

(g) The areas comprising the FAQ may be expanded or reduced when necessary. For this purpose, the FAQ Authority which will be created under this Act, with the concurrence of the provincial government, in accordance with existing laws shall have the power to acquire either by purchase, negotiation or condemnation proceedings, any private lands within or adjacent to the FAQ for the following purposes: (1) consolidation of lands for FAQ development; (2) acquisition of right of way to the FAQ; and (3) the protection of watershed areas and the maintenance and improvement of its water yield and natural assets valuable to the prosperity of the FAQ, the management of solid and water waste and its impact to adjacent areas within the local government concerned.

The LGU and the FAQ shall provide for a mechanism to address inappropriate exploitation of the natural environment and disruptive land use within the jurisdiction of the FAQ;

(h) Goods manufactured by the FAQ 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 FAQ Authority, together with the Philippine Economic Zone Authority (PEZA), the Bangko Sentral ng Pilipinas (BSP), the Department of Finance (DOF), the Bureau of Customs (BOC) and the Department of Trade and Industry (DTI) in accordance with the NIRC of 1997, as amended, and the Customs Modernization and Tariff Act, as amended. However, in order to protect the domestic industries, a negative list of industries shall be drawn up and regularly updated by the PEZA. Enterprises engaged in industries included in such negative list shall not be allowed to sell their products locally; and

- (i) The defense of the FAQ and the security of its perimeter fence shall be the responsibility of the National Government in coordination with the FAQ Authority and the LGUs.

Section 5. *Fiscal Incentives.* - The registered enterprises operating within the FAQ may be entitled to the existing pertinent fiscal incentives as provided for under Republic Act No. 7916, as amended by Republic Act No. 8748, also known as the Special Economic Zone Act of 1995, or those provided under Executive Order No. 226, as amended, otherwise known as the Omnibus Investment Code of 1987.

Section 6. *Imposition of a Tax Rate of Five Percent (5%) on Gross Income Earned.* - No taxes, local or national, shall be imposed on business establishments operating within the FAQ. In lieu thereof, said business establishments shall pay a five percent (5%) final tax on their gross income earned in the following percentages:

- (a) One per centum (1%) to the National Government;
- (b) One per centum (1%) to the Province of Quirino;
- (c) One per centum (1%) to the treasurer's office of the Municipality of Aglipay; and
- (d) Two per centum (2%) to the Authority of the Freeport of Area of Quirino.

Section 7. *Incentive to Investors.* - Any foreign national who invests an amount of Two Hundred Fifty Thousand US dollars (US\$250,000.00), either in cash and/or equipment, in a registered enterprise shall be entitled to an investor's visa: *Provided*, that he has the following qualifications:

- (a) He is at least eighteen (18) years of age;
- (b) He has not been convicted of a crime involving moral turpitude;
- (c) He is not afflicted with any loathsome, dangerous or contagious disease; and
- (d) He has not been institutionalized for any mental disorder or disability.

As a holder of investor's visa, an alien shall be entitled to reside in the Philippines while his investment subsists. For this purpose, he should submit an annual report, in the form duly prescribed for the purpose, to prove that he has maintained his investment in the country, should said alien withdraw his investments from the Philippines, then the investor's visa issued to him shall automatically expire.

Section 8. *Administration, Implementation and Monitoring of Incentives.* - For the proper administration, implementation and monitoring of tax incentives provided under this law, the following are herein mandated: (a) The AFAQ shall be responsible for the administration and implementation of the incentives granted to its respective registered enterprises. Among others, it shall adopt and implement systems and procedures affecting trade and customs policies. The BOC shall set up and establish a custom's controlled area outside the gate of the FAQ to facilitate payment of duties and taxes on goods entering the Philippine customs territory; and (b) The AFAQ shall likewise submit to the DOF its annual tax expenditures based on the tax incentives granted to its registered enterprises. The DOF, for its part, shall create a single database of all incentives provided by the governing authority. The DOF shall monitor the incentives granted, and submit all annual report to the President.

Section 9. *Extension of Period of Availment.* - The availment period of the incentives provided herein may be extended by AFAQ, in the event that the registered enterprise has suffered operational force majeure that has impaired its viability, or in such other similar circumstances.

Section 10. *Duration of Incentives.* - Enterprises registered with AFAQ may enjoy the income tax holiday (ITH) or the net operating loss carryover (NOLCO) granted by the authority prior to the availment of the five percent (5%) gross income earned (GIE). Fiscal incentives under this Act shall be terminated after a cumulative period of twenty (20) years from date of registration or start of commercial operation, whichever is applicable, except that it could be extended with regard to industries deemed indispensable to national development. The industries exempted from this provision shall be determined by the AFAQ.

Section 11. *Creation of the Authority of the Freeport Area of Quirino (AFAQ).* - There is hereby created a body corporate to be known as the Authority of the Freeport Area of Quirino (AFAQ), hereafter referred to as the AFAQ which shall manage and operate the FAQ, in accordance with the provisions of this Act.

Section 12. *Principal Office of the AFAQ.* - The AFAQ shall maintain its principal office in the Municipality of Aglipay, Province of Quirino, but it may establish liaison offices within the Philippines as may be necessary for the proper conduct of its business.

Section 13. *Powers and Functions of the AFAQ.* - The AFAQ shall have the following functions:

- (a) To adopt, alter, and use a corporate seal;
- (b) To contract, lease, buy, sell, acquire, own and dispose properties of whatever nature;
- (c) 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 for public use and public purpose;
- (d) To operate, administer, manage, develop, in accordance with Executive Order No. 525, as amended, the FAQ according to the principles and provisions set forth in this Act and to coordinate with the LGUs for the development plans, activities and operation of the FAQ;
- (e) To recommend to the President the issuance of a proclamation to fix and delimit the site of the FAQ;
- (f) To register, regulate and supervise the enterprises in the FAQ in an efficient and decentralized manner, subject to existing laws;
- (f) To coordinate with the LGUs and exercise general supervision over the development plans, activities and operations of the FAQ;

(g) To authorize or undertake, on its own or through others, and to regulate the establishment, construction, operation and maintenance of public utilities, services, and infrastructure in the FAQ such as shipping, barging, stevedoring, cargo, handling, hauling, warehousing, storage of cargo, port services or concessions, piers, wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads, bridges, reclamation projects, terminals, conveyors, water supply and 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 FAQ shall be given priority in the awarding of contracts, franchises, licenses, or permits for the establishment, operation and maintenance of utilities, services and infrastructure in the FAQ;

(h) To license, set fees, regulate and undertake the establishment, operation and maintenance of utilities, other services, educational and medical Institutions and infrastructure in the FAQ such as, but not limited to, heat, light and power, water supply, telecommunications, mobile, internet and other data facilities, transport, toll roads and bridges, port services, etc., and to fix just, reasonable and competitive rates, fares, charges and prices thereof;

(i) To construct, acquire, own, lease, operate and maintain on its own or through contracts, franchises, licenses, bulk purchase from the private sector and build - operate - transfer scheme, or under a Joint venture with the private sectors, any or all of the public utilities and infrastructure required or needed for the operation and development of the FAQ, in coordination with appropriate national and local government authorities and in conformity with applicable laws thereon;

(j) To operate on its own, either directly or through a license to other tourism-related activities, including games, amusements, recreational and sports facilities, subject to the approval and supervision of the Philippine Amusement and Gaming Corporation (PAGCOR);

(k) To raise or borrow, within the limitation provided by law, 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 a guarantee, pledge, mortgage, deed of trust, or an assignment of all or part of its property or assets;

(l) To provide security for the FAQ in coordination with the national and local governments for this purpose, the AFAQ may establish and maintain its security forces and firefighting capability or hire others to provide the same. In the event that an assistance of the military force is necessary, it shall not interfere in the internal affairs of the FAQ except to provide the necessary security and defense, and their expenses shall be borne by the National Government;

(m) To protect, preserve, maintain and develop the virgin forests, beaches, coral and coral reefs, and maintain ecological balance within the FAQ. For this purpose, the rules and regulations of the Department of Environment and Natural Resources (DENR) and other government agencies involved in the above functions shall be implemented by the AFAQ;

- (n) To create, operate and/or contract to operate such functional units or offices of the AFAQ as it may deem necessary;
- (o) To issue certificates of origin for products manufactured or processed in the FAQ;
- (p) 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 provided herein;
- (q) 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
- (r) To be vested with other powers enjoyed or exercised by other free port zone authorities.

Section 14. *Board of Directors of the FAQ.* - The powers of the AFAQ 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 AFAQ;
- (b) A vice chairman who shall come from among the members of the Board;
- (c) Members consisting of:
 - (1) Two (2) representatives from the National Government;
 - (2) One (1) representative from the Province of Quirino;
 - (3) One (1) representative from the district covering the site of the FAQ;
 - (4) One (1) representative from the Municipality of Aglipay, Province of Quirino;
 - (5) One (1) representative from the domestic investors;
 - (6) One (1) representative from the foreign investors; and
 - (7) One (1) representative from the workers working in the FAQ.

The chairman and the members of the Board, shall be appointed by the President of the Philippines to serve for a term of six (6) years, unless sooner separated from service due to death, voluntary resignation or removal for cause. 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 (DBM) 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.

Section 15. Powers and Duties of the Chairman-Administrator. - The chairman-administrator shall have the following powers and duties:

- (a) To direct and manage the affairs of the AFAQ in accordance with the policies of the Board;
- (b) To establish the internal organization of the AFAQ under such conditions that the Board may prescribe;
- (c) To submit an annual budget and necessary supplemental budget to the Board for its approval;
- (d) To submit within thirty (30) days after the close of each fiscal year an annual report to the Board and such other reports as may be required;
- (e) To submit to the Board for its approval policies, systems, procedures, rules and regulations that is essential to the operation of the AFAQ;
- (f) To create a mechanism in coordination with relevant agencies for the promotion of industrial peace, the protection of the environment, and the advancement of the quality of life in the FAQ; and
- (g) To perform such other duties as may be assigned to him by the Board or which are necessary or incidental to his office.

Section 16. Organization and Personnel. - The AFAQ Board of Directors shall develop an organizational structure and appoint employees, subject to the Civil Service Law. Upon the recommendation of the chairman-administrator and with the approval of the Secretary of the DTI, the Board shall appoint and fix the remuneration and other emoluments of its officers and employees in accordance with existing laws on compensation and position classification: *Provided,* That the Board shall exercise administrative supervision over their officers and employees.

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

No officer or employee of the AFAQ, subject to civil service laws and regulations, shall be removed or suspended except for cause, as provided by law.

Section 17. Labor Center. - A labor center shall be established within the FAQ. This center shall be responsible for studying and amicably settling professional and labor relations and disputes, interpretation of employment contracts, and monitoring work, hygiene and safety standards within the FAQ. The labor center shall comprise a labor office, an industrial health and safety office, and an inspection and disputes office.

Section 18. *Banking Rules and Regulations.* - Existing banking laws and rules/regulations of the BSP shall apply to banks and financial institutions to be established in the FAQ.

Section 19. *Remittances.* - In the case of foreign investments, a registered enterprise in the FAQ shall have the right to remit earnings from the investment in the currency in which the investment was originally made and at the exchange rate prevailing at the time of remittance, subject to the provisions of Section 74 of Republic Act No. 265, as amended.

Section 20. *Applicability Clause.* - The provisions of Sections 30-41 of Republic Act No. 7916, otherwise known as "The Special Economic Zone Act of 1995", as amended, shall likewise apply to the FAQ.

Section 21. *Capitalization.* - The AFAQ shall have an authorized capital stock of Two Billion Pesos (Php 2,000,000,000.00), with option to increase capitalization upon the discretion of the AFAQ, divided into twenty thousand (20,000) no-par shares fully subscribed and paid up by the Republic of the Philippines with: (a) All lands embraced and covered by the FAQ, as well as permanent improvements and fixtures upon proper inventory not otherwise alienated, conveyed, or transferred to another government agency; (b) All other assets which the President may transfer to the AFAQ as part of the equity contribution of the government; and (c) Cash contribution by the government in the amount of One Billion Pesos (Php 1,000,000,000.00) a year for the next five (5) years, which is hereby appropriated out of any fund in the National Treasury not otherwise appropriated.

Section 22. *Supervision and Control.* - For purposes of policy direction and coordination, the AFAQ shall be under the direct control and supervision of the Office of the President of the Philippines.

Section 23. *Regional Development Council.* - The AFAQ shall determine the development goals for the FAQ within the framework of national development plans, policies and goals. The administrator shall, upon approval by the Board, submit the FAQ plans, programs and projects to the Regional Development Council for inclusion and inputs to the overall regional development plan.

Section 24. *Relationship with Local Government Units.* - Except as herein provided, the Municipality of Aglipay in the Province of Quirino shall operate and function in accordance with the Local Government Code of 1991. In case of any conflict between the AFAQ and the local government units (LGUs) and the National Government (NG) on matters affecting the FAQ other than defense and security matters, the decision of the AFAQ shall prevail.

Section 25. *Legal Counsel.* - The AFAQ shall have its own internal legal counsel under the supervision of the Government Corporate Counsel. When the exigencies of its businesses and operations demand, the AFAQ may engage the services of an outside counsel either on a case-to-case or on a fixed retainer basis.

Section 26. *Interpretation/Construction.* - The powers, authorities and functions that are vested in the AFAQ are intended to establish decentralization of governmental functions and authority and promote an efficient and effective working relationship between the AFAQ, the National Government and the LGU.

Section 27. *Audit.* - The Commission on Audit shall appoint a full-time auditor in the AFAQ or may assign such number of personnel as may be necessary in the performance of their functions.

Section 28. *Transitory Provisions.* - All properties, assets, funds, rights, obligations, and liabilities are hereby transferred to the AFAQ except for the liabilities that are not properly accounted for as per the reports coming from the Commission on Audit, which shall be retained by the LGU.

The AFAQ shall be responsible for the operations, administration, management and development of the FAQ. The AFAQ shall effect the transfer herein provided in a manner that will ensure the least disruption of on-going programs of the LGU. The qualified and necessary personnel of the LGU shall be transferred to and absorbed by the AFAQ: *Provided*, That the tenure, rank, salaries and privileges of such personnel are not reduced or adversely affected. The personnel whose services are not retained by the AFAQ shall be granted separation pay and retirement and other benefits they are entitled to under existing laws but in no case shall the separation pay be less than one (1) month for every year of service.

Section 29. *Implementing Rules and Regulations.* - The DTI, the DOF, the LGU and the Department of the Interior and Local Government shall formulate the implementing rules and regulations of this Act within ninety (90) days after its approval. Such rules and regulations shall take effect fifteen (15) days after their publication in a newspaper of general circulation in the Philippines.

Section 30. *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.

Section 31. *Repealing Clause.* - All laws, executive orders or issuances or any part thereof which are inconsistent herewith are hereby repealed or amended accordingly.

Section 32. *Effectivity Clause.* - This Act shall take effect fifteen (15) days upon its publication in at least one (1) newspaper of general circulation.

Approved,