

SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)

HOUSE OF REPRESENTATIVES
H. B. No. 7919



Introduced by:
HON. RAMON C. NOLASCO

EXPLANATORY NOTE

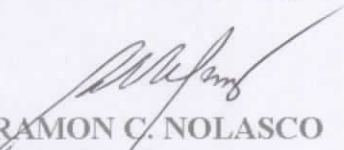
The Cagayan Economic Zone Authority (CEZA) is a government-owned and -controlled corporation created by Republic Act No. 7922, otherwise known as the "Cagayan Special Economic Zone Act of 1995." Its mandate is to manage and supervise the development of the Cagayan Special Economic Zone and Freeport (CSEZFP).

The CSEZFP is envisioned to be a self-sustaining Freeport that would likewise serve neighboring markets in the Far East – China, Hong Kong, Taiwan, Japan, South Korea as well as the Russian Far East – and as a gateway to the West Coast of North America and the South Pacific. The developments being undertaken within CSEZFP are also aimed at maximizing its potential as a hub for industrial, commercial, financial and investment ventures, eco-tourism, recreational and leisure activities. All these correspond to the six areas of development identified in the CEZA Medium Term Development formulated in the last decade. These areas are: seaport development, airport development, agro-industrial development, tourism and eco-tourism development, community support, and information technology development.

With the development of the Cagayan North International Airport in the municipality of Lal-lo, air travel is expected to escalate both for tourism and trade purposes, particularly as the new airport can also serve as a transit point for aircrafts operating out of Hong Kong. Rehabilitation efforts will be undertaken in Port Irene in the municipality of Santa Ana, to upgrade and modernize its capacity to be able to accommodate bigger and wider vessels coming from and going to other Asian markets. These infrastructure development projects will hopefully open the way for other sustainable economic activities.

Needless to say, the strategic location of CSEZFP as well as the tax and fiscal incentives provided for form a highly attractive incentive package thus making the CSEZFP the ideal choice for foreign investors. There is therefore a need not only to expand the geographical coverage of the CSEZFP, which shall be henceforth renamed the GREATER CAGAYAN ADVANCED SPECIAL ECONOMIC ZONE AND FREEPORT, or GCASEZFP, but also to strengthen the administrative, management and supervisory capabilities of the Cagayan Economic Zone Authority itself, to enable its leadership to adapt and respond to emerging challenges, and to serve as the groundwork for more dynamic and robust economic activities that will also cater to the needs not only of the province of Cagayan, but of the neighboring provinces and regions as well.

The approval of this measure is therefore earnestly sought.


HON. RAMON C. NOLASCO
1st District, Cagayan

HOUSE OF REPRESENTATIVES
H. B. No. 7919

Introduced by:
HON. RAMON C. NOLASCO

AN ACT
AMENDING CERTAIN PROVISIONS OF REPUBLIC ACT NO. 7922, OTHERWISE
KNOWN AS THE “CAGAYAN SPECIAL ECONOMIC ZONE ACT OF 1995”,
PROVIDING FUNDS THEREFOR AND FOR OTHER PURPOSES

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

SECTION 1. Section 3 of RA 7922 is hereby amended to read as follows:

“SEC. 3. *The GREATER Cagayan ADVANCED Special Economic Zone
and Freeport.* – In accordance with the foregoing declared policy, there is hereby
established a special economic zone and free port, to be known as the GREATER
Cagayan ADVANCED Special Economic Zone and Freeport, hereinafter known
as the Zone, which shall cover the [entire] FOLLOWING areaS [embraced by]:

- (a) the ENTIRE Municipality of Santa Ana, PROVINCE OF CAGAYAN;
- (b) SO MUCH AS MAY BE NECESSARY OF THAT PORTION OF,
INCLUDING THE [and] islands of Fuga, Barit, and Mabbag AND THE
BARANGAYS OF PUNTA, SAN ANTONIO, MINANGA AND CENTRO,
[in] the Municipality of Aparri, Province of Cagayan;
- (c) SO MUCH AS MAY BE NECESSARY OF THAT PORTION OF,
INCLUDING THE BARANGAYS OF BAUA, SAN JOSE, STA. CRUZ,
AND AMONITAN, THE MUNICIPALITY OF GONZAGA, PROVINCE
OF CAGAYAN;
- (d) SO MUCH AS MAY BE NECESSARY OF THAT PORTION OF,
INCLUDING THE BARANGAYS OF MAGAPIT, DAGUPAN, STA.

MARIA AND SAN MARIANO, THE MUNICIPALITY OF LAL-LO,
PROVINCE OF CAGAYAN;

(e) SO MUCH AS MAY BE NECESSARY OF THAT PORTION OF,
INCLUDING THE BARANGAYS OF TAGGAT NORTE, TAGGAT SUR,
CENTRO, AND MAGDALENA, THE MUNICIPALITY OF CLAVERIA,
PROVINCE OF CAGAYAN;

(f) SO MUCH AS MAY BE NECESSARY OF THAT PORTION OF THE
MUNICIPALITIES OF BAGGAO, ALCALA, GATTARAN,
CAMALANIUGAN, BUGUEY AND STA. TERESITA UNDER THE
FIRST CONGRESSIONAL DISTRICT, THE PROVINCE OF CAGAYAN;
AND

(g) SO MUCH AS MAY BE NECESSARY OF THAT PORTION OF THE
MUNICIPALITIES OF PIAT, RIZAL, STO. NIÑO, LASAM,
ALLACAPAN, BALLESTEROS, ABULUG, PAMPLONA, SANCHEZ
MIRA, STA. PRAXEDES AND CALAYAN UNDER THE SECOND
CONGRESSIONAL DISTRICT, THE PROVINCE OF CAGAYAN.

HOWEVER, THE TERRITORIAL COVERAGE OF THE
CAGAYAN ECONOMIC ZONE (CEZA) IN THE PROVINCE OF CAGAYAN
MAY BE EXPANDED BY VIRTUE OF A PROCLAMATION OF THE
PRESIDENT OF THE PHILIPPINES SUBJECT TO THE EVALUATION AND
RECOMMENDATION OF THE CEZA, BASED ON A DETAILED
FEASIBILITY AND ENGINEERING STUDY WHICH MUST CONFORM TO
THE CRITERIA ENUMERATED UNDER SEC. 6 OF REPUBLIC ACT NO.
7916, OR THE 'SPECIAL ECONOMIC ZONE ACT OF 1995', AS AMENDED
BY REPUBLIC ACT NO. 8748."

SECTION 2. Section 4 of RA 7922 is hereby amended to read as follows:

"SEC. 4. *Governing Principles.* – The GREATER Cagayan ADVANCED
[Special] Economic Zone and Freeport shall be managed and operated under the
following principles:

1 (a) Under the framework and limitations of the Constitution and the
2 applicable provisions of the Local Government Code, the Zone shall be
3 developed into and operated as a self-sustaining industrial, commercial,
4 financial, investment, and tourism/recreational center and free port with
5 suitable retirement/residential areas, in order to create employment
6 opportunities in and around the Zone, and to effectively encourage and
7 attract legitimate and productive foreign investments therein;

8 (b) Business establishments operating within the Zone shall be entitled
9 to existing fiscal incentives as provided for under Presidential Decree No.
10 66, the law creating the Export Processing Zone Authority (EPZA), or
11 those provided under Book VI of Executive Order No. 226, otherwise
12 known as the Omnibus Investments Code of 1987;

13 (c) Any provisions of existing law, rules or regulations to the contrary
14 notwithstanding, no taxes, local and national, shall be imposed on business
15 establishments operating within the Zone. In lieu of paying taxes, said
16 business establishments shall pay and remit to the national government
17 five *per centum* (5%) of their gross income, to be divided as follows:

18 (1) Two *per centum* (2%) shall accrue to the general fund of the
19 national government;

20 (2) One *per centum* (1%) to the Province of Cagayan;

21 (3) One-half *per centum* (½%) to be shared by the municipalities
22 affected by the declaration of the Zone in proportion to their
23 income from business activities within the Zone; and,

24 (4) One and one-half *per centum* (1 ½%) to the Cagayan Economic
25 Zone Authority which shall be created under this Act;

26 (d) Existing banking laws and *Bangko Sentral ng Pilipinas* (BSP) rules
27 and regulations shall apply on foreign exchange and other current
28 account transactions (trade and non-trade), local and foreign
29 borrowings, foreign investments, establishment and operation of local

1 and foreign banks, foreign currency deposit units, offshore banking
2 units and other financial institutions under the supervision of the BSP;
3 PROVIDED, HOWEVER, THAT CEZA, IN COORDINATION
4 WITH THE BANGKO SENTRAL NG PILIPINAS MAY ADOPT
5 MORE LIBERAL RULES TO ATTRACT OFFSHORE BANKING,
6 FINANCIAL SERVICES, OR TRADING INSTITUTIONS TO
7 OPERATE IN THE ZONE; PROVIDED, FURTHER, THAT SUCH
8 RULES WILL BE APPLICABLE TO OFFSHORE BANKING,
9 FINANCIAL SERVICES OR TRADING INSTITUTIONS
10 OPERATING WITHIN THE ZONE ONLY;

11 (e) Any foreign investor who establishes a business enterprise within the
12 Zone and who maintains capital investment of not less than one
13 hundred fifty thousand United States dollars (US\$150,000.00) shall be
14 granted, along with his or her spouse, dependents, and unmarried
15 children below twenty-one (21) years of age, a permanent resident
16 status within the Zone. The responsibility and authority to grant such
17 permanent resident status is hereby delegated to the Cagayan
18 Economic Zone Authority referred to in Section 5 of this Act.

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

23 Likewise, the Cagayan Economic Zone Authority shall issue
24 working visas renewable every two (2) years to foreign executives and
25 foreign technicians with highly specialized skills which no Filipino
26 possesses, as certified by the Department of Labor and Employment.

27 The names of foreigners granted permanent resident status and
28 working visas by the Cagayan Economic Zone Authority shall be

1 reported to the Bureau of Immigration within thirty (30) days from
2 such grant.

3 The foregoing is without prejudice to a foreigner acquiring
4 permanent resident status in the Philippines in accordance with
5 applicable immigration, retirement, and other related laws; and,

6 (f) Except as otherwise provided herein, the local government units totally
7 embraced within the Zone shall retain and maintain their basic autonomy
8 and identity. The Municipalit[y]IES of BAGGAO, ALCALA,
9 GATTARAN, LAL-LO, CAMALANIUGAN, BUGUEY, STA.
10 TERESITA, GONZAGA, Santa Ana, Aparri, PIAT, RIZAL, STO.NIÑO,
11 LASAM, ALLACAPAN, BALLESTEROS, ABULUG, PAMPLONA,
12 SANCHEZ MIRA, STA. PRAXEDES, CLAVERIA AND CALAYAN
13 ISLAND shall operate and function in accordance with Republic Act No.
14 7160, otherwise known as the Local Government Code of 1991, insofar as
15 the areas within their respective jurisdictions covered in this Act are
16 concerned.”

17 **SECTION. 3.** Section 6 of RA 7922 is hereby amended to read as follows:

18 “SEC. 6. *Powers and Functions of the Cagayan Economic Zone Authority.*

19 – The Cagayan Economic Zone Authority shall have the following powers and
20 functions:

21 (a) To adopt, alter, use a corporate seal; to contract, lease, buy, sell,
22 acquire, own and dispose movable and immovable as well as personal
23 and real property of whatever nature (including but not limited to
24 shares of stock or participation in private corporations or in limited
25 partnerships, or in joint ventures with limited liability), bonds,
26 precious metals in bullions, ingots and easily convertible foreign
27 exchange; to sue and be sued in order to carry out its duties,
28 responsibilities, privileges, powers and functions as granted and

1 provided for in this Act; and to exercise the power of eminent domain
2 for public use and public purpose;

3 (b) Within the limitation provided by law, to raise or borrow adequate and
4 necessary funds from local or foreign sources to finance its projects
5 and programs under this Act, and for that purpose to issue bonds,
6 promissory notes, and other form of securities, and to secure the same
7 by a guarantee, pledge, mortgage, deed of trust, or an assignment of all
8 or part of its property or assets;

9 (c) To approve, accept, accredit and allow any local or foreign business,
10 enterprise or investment in the Zone subject only to such rules and
11 regulations as CEZA may promulgate from time to time in conformity
12 with the provisions of this Act and the limitations provided in the
13 Constitution;

14 (d) To authorize or undertake, on its own or through others, [and] regulate,
15 AND CHARGE THE APPROPRIATE SERVICE FEES FOR the
16 establishment, operation and maintenance of public utilities, services,
17 and infrastructure in the Zone such as shipping, SHIP BUILDING,
18 SHIP REGISTRY AND OTHER RELATED ACTIVITIES, barging,
19 stevedoring, cargo handling, hauling, warehousing, storage of cargo,
20 port services or concessions, piers, wharves, bulkheads, bulk terminals
21 mooring areas, storage areas, roads, bridges, terminals, conveyors,
22 water supply and storage, sewerage, drainage, airport operations in
23 coordination with the Civil Aeronautics Board, PUBLIC
24 TELECOMMUNICATIONS IN COORDINATION WITH THE
25 NATIONAL TELECOMMUNICATIONS COMMISSION, and such
26 other services or concessions or infrastructure necessary or incidental
27 to the accomplishment of the objectives of this Act: Provided,
28 however, That the private investors in the Zone shall be given priority
29 in the awarding of contracts, franchises, licenses, or permits for the

1 establishment, operation and maintenance of utilities, services and
2 infrastructure in the Zone;

3 (e) To construct, acquire, own, lease, operate and maintain on its own or
4 through others by virtue of contracts, franchises, licenses or permits
5 under the build-operate-transfer scheme or under a joint venture with
6 the private sector any or all of the public utilities and infrastructure
7 required or needed in the Zone in coordination with appropriate
8 national and local government authorities and in conformity with
9 applicable laws thereon;

10 (f) To operate on its own, either directly or through a subsidiary entity, or
11 license to others, tourism-related activities, including games,
12 amusements, recreation, and sports facilities, such as horse racing, dog
13 racing, gambling casinos, golf courses, and others, under priorities and
14 standards set by the CEZA;

15 (g) TO ADOPT AND IMPLEMENT POLICIES ON
16 ENVIRONMENTAL PROTECTION, INCLUDING BUT NOT
17 LIMITED [T]to THE protectiON, preserv[e]ATION,
18 mainte[ain]NANCE and developMENT OF [the] virgin forests,
19 beaches, coral and coral reefs, AND MINERALS AND MINERAL
20 DEPOSITS, INCLUDING PRECIOUS METALS within the Zone.
21 The virgin forest within the Zone [will] SHALL be proclaimed as a
22 national park and [will] SHALL be covered by a permanent total log
23 ban; PROVIDED, THAT[F]for this purpose, the rules and regulations
24 of the Department of Environment and Natural Resources and other
25 government agencies involved in the above functions shall be
26 implemented by the CEZA, INCLUDING THE ISSUANCE OF
27 ENVIRONMENTAL COMPLIANCE CERTIFICATES,
28 CLEARANCES, PERMITS, PATENTS AND LEASHOLD RIGHTS
29 OVER GOVERNMENT LANDS AND MINING, DRILLING AND

1 TIMBER LICENSES, AND SUCH OTHER ISSUANCES TO
2 BUSINESSES AND INDUSTRIES OPERATING WITHIN THE
3 ZONE;

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

6 (i) To provide security for the Zone in coordination with the national and
7 local governments. For this purpose, CEZA may establish and
8 maintain its own security force and firefighting capability or hire
9 others to provide the same;

10 (j)To form, establish, organize and maintain subsidiary corporations, as its
11 business and operations may require, whether under the laws of the
12 Philippines or not;

13 (K)TO PROVIDE, IN COORDINATION WITH THE DEPARTMENT
14 OF TOURISM, INCENTIVES TO TOURISM-RELATED
15 BUSINESSES OPERATING WITHIN THE ZONE, SUCH AS BUT
16 NOT LIMITED TO DUTY-FREE BUYING PRIVILEGES FOR
17 NON-ZONE RESIDENTS;

18 [(k)] (L) To issue rules and regulations consistent with the provisions of
19 this Act as may be necessary to implement and accomplish the
20 purposes, objectives and policies herein provided;

21 (M) TO IMPOSE FINES AND PENALTIES FOR VIOLATIONS OF
22 THIS ACT, THE RULES AND REGULATIONS TO BE
23 ESTABLISHED BY THE CEZA OR ANY OTHER LAW THAT
24 THE CEZA IS MANDATED TO ENFORCE; and,

25 [(l)] (N) To exercise such powers as may be essential, necessary or
26 incidental to the powers granted to it hereunder as well as those that
27 shall enable it to carry out, implement, and accomplish the purposes,
28 objectives and policies of this Act.

29 **SECTION. 4.** Section 7 of RA 7922 is hereby amended to read as follows:

1 “SEC. 7. *Board of Directors of CEZA.* – The powers of the Cagayan
2 Economic Zone Authority shall be vested in and exercised by a Board of
3 Directors, hereinafter referred to as the Board, which shall be composed of fifteen
4 (15) members, to wit:

5 (a) The Secretary of Trade and Industry who shall serve as an *ex officio*
6 chairman of the Board of Directors [and four (4) other representatives
7 of the national government];

8 (b) THE ADMINISTRATOR AND CEO OF CEZA AS *EX OFFICIO*
9 VICE CHAIRMAN;

10 (c) FIVE (5) OTHER REPRESENTATIVES OF THE NATIONAL
11 GOVERNMENT AS EX OFFICIO MEMBERS;

12 (d) [The mayors of the Municipality of Aparri and the Municipality of
13 Santa Ana, Province of Cagayan,] TWO (2) MAYORS TO
14 REPRESENT THE FIRST CONGRESSIONAL DISTRICT, AND
15 TWO (2) MAYORS TO REPRESENT THE SECOND
16 CONGRESSIONAL DISTRICT, ALL as *ex officio* voting members;
17 PROVIDED, THAT, THE MAYORS SHALL TAKE TURNS, BY
18 DRAWING OF LOTS, TO SERVE IN THE BOARD
19 ALTERNATELY FOR ONE (1) YEAR;

20 (e) Two (2) representatives of labor from among the workers in the
21 Cagayan Special Economic Zone;

22 (f) [Four (4)] TWO (2) representatives from the business and investment
23 sectors in the Zone[, two (2) of whom must come from the investors in
24 the Municipality of Santa Ana and the other two (2) must come from
25 the investors in the islands of Fuga, Barit, and Mabbag in the
26 Municipality of Aparri]; PROVIDED, THAT, EACH
27 REPRESENTATIVE SHALL COME FROM EACH OF THE
28 CONGRESSIONAL DISTRICT;

29 X X X

1 **SECTION. 5.** Section 9 of RA 7922 is hereby amended to read as follows:

2 “SEC. 9. *Capitalization.* – The Cagayan Economic Zone Authority shall
3 have an authorized capital stock of two billion (2,000,000,000) no par shares with
4 a minimum issue of value of Ten pesos (P10.00) each. The national government
5 shall initially subscribe and fully pay three hundred million (300,000,000) shares
6 of such capital stock. The initial amount necessary to subscribe and pay for the
7 shares of stock shall be included in the General Appropriations Act of the year
8 following its enactment into law and thereafter. The Board of Directors of CEZA
9 may, from time to time and with the written concurrence of the Secretary of
10 Finance, increase the issue value of the shares representing the capital stock of the
11 Cagayan Economic Zone Authority. The Board of Directors of CEZA, with the
12 written concurrence of the Secretary of Finance, may sell shares representing not
13 more than forty *per centum* (40%) of the capital stock of the CEZA to the general
14 public with such annual dividend policy as the Board and the Secretary of Finance
15 may determine. The national government shall in no case own less than sixty per
16 centum (60%) of the total issued and outstanding capital stock of the CEZA.

17 ALL UNOCCUPIED GOVERNMENT-OWNED LANDS FALLING
18 WITHIN ITS JURISDICTION SHALL ALSO BE INCLUDED AS PART OF
19 THE EQUITY OF CEZA AND MAY BE DISPOSED OF ONLY BY CEZA;
20 PROVIDED, THAT IN CASE OF ABSOLUTE SALE OR CONVEYANCE,
21 CEZA SHALL SEEK THE APPROVAL OF THE OFFICE OF THE
22 PRESIDENT.”

23 **SECTION 6.** Section 11 of RA 7922 is hereby amended to read as follows:

24 “SEC. 1[1]2. *Relationship with the Municipalities [of Santa Ana and*
25 *Aparri] COVERED BY THE EXPANSION OF CEZA.* – In case of any conflict
26 between the Cagayan Economic Zone Authority and the municipalities [of Santa
27 Ana and Aparri] COVERED BY THE EXPANSION OF CEZA UNDER SEC. 3
28 OF THIS ACT on matters affecting the Cagayan Special Economic Zone other
29 than in defense and security matters, the decision of the municipality/ies shall prevail.

1 SECTION 7. A new Section 15 is hereby inserted to read as follows and the subsequent
2 sections shall be renumbered accordingly:

3 "SEC. 15. INJUNCTIONS, RESTRAINING ORDERS AND OTHER
4 INTERLOCUTORY ORDERS. – NO INJUNCTIONS, RESTRAINING
5 ORDERS AND OTHER INTERLOCUTORY ORDERS WHICH SEEK TO
6 STOP OR INTERRUPT ANY CONTRACT ENTERED INTO OR ANY
7 PROJECT BEING UNDERTAKEN BY CEZA MAY BE ISSUED BY ANY
8 COURT OF LAW OR ANY QUASI-JUDICIAL BODY EXCEPT BY THE
9 SUPREME COURT OF THE PHILIPPINES."

10 SECTION. 8. *Separability Clause.* – If any provision of this Act shall be declared
11 unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force
12 and effect.

13 SECTION 9. *Repealing Clause.* – All laws, executive orders or issuances, or any parts thereof
14 which are inconsistent herewith are hereby repealed or amended accordingly.

15 SECTION 10. *Effectivity Clause.* – This Act shall take effect upon its publication in at least two
16 (2) newspapers of general circulation.

17 Approved.