

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City

NINETEENTH CONGRESS
First Regular Session

House Bill No. 5737



Introduced by

HON. YEDDA MARIE K. ROMUALDEZ
and
HON. JUDE A. ACIDRE

AN ACT
ESTABLISHING A SPECIAL ECONOMIC ZONE IN THE CITY OF ILIGAN,
PROVINCE OF LANA DEL NORTE, TO BE KNOWN AS THE "NSC SPECIAL
ECONOMIC ZONE," AND APPROPRIATING FUNDS THEREFOR

EXPLANATORY NOTE

The land formerly occupied by the National Steel Corporation (NSC) located in Barangays Suarez, Tomas Cabili, Sta. Elena, and Maria Cristina, Iligan City remains as one of the most expensive prime lots in the city. Sitting at 430 hectares, NSC was originally operated by the National Shipyard and Steel Corporation before it changed ownership several times until its acquisition by the local government of Iligan City. Unfortunately, the property and remaining facilities that once housed a bustling steel industry in the former industrial city of the south are now desperate for redevelopment and reconstruction.

Paragraph (d), Section 5 of Republic Act (RA) No. 7916, otherwise known as the "Special Economic Zone Act of 1995," clearly states that Iligan, or a part thereof, is one of the areas initially identified as an ecozone. The vast NSC properties and area has huge potential for a self-sustaining industrial, commercial, agro-industrial, tourist, banking, financial, and investment center that can create more jobs and generate more income not only for the people of Iligan City but for the whole of Lanao del Norte as well and it can even attract foreign investors.

To fulfill the mandate of R.A. No. 7916 and to generate more job opportunities in the city, this bill seeks to establish a special economic zone in the National Steel Corporation (NSC) Site in Iligan City, Lanao del Norte to be known as the NSC Special Economic Zone. As a special economic zone, the property shall be under the supervision of the Philippine Economic Zone Authority and managed and operated by the NSC Special Economic Zone Authority.

This measure has been filed by former Lone District of Iligan Representative Frederick W. Siao in the 18th Congress but it remained pending with its primary committee referral – Committee on Economic Affairs.

In view of the foregoing, approval of this bill is earnestly sought.



Rep. YEDDA MARIE K. ROMUALDEZ
Representative, Tingog Sinirangan



Rep. JUDE A. ACIDRE
Representative, Tingog Sinirangan

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

Section 1. *Short Title.* This Act shall be known as the "NSC Special Economic Zone Act."

Section 2. *Declaration of Policy.* - It is a declared policy of the State to actively encourage, promote, induce, and accelerate a sound and balanced industrial, economic, and social development of the country through measures that attract legitimate and productive foreign investments. Towards this end, the state shall undertake the establishment of special economic zones in suitable and strategic locations in the country to provide jobs to the people especially those in rural areas, increase their productivity and income, and improve the level and quality of their living conditions.

Section 3. *NSC Special Economic Zone.* There is hereby established a special economic zone to be located at the National Steel Corporation (NSC) site in Iligan City, Province of Lanao del Norte, to be known as the "NSC Special Economic

Zone," hereinafter referred to as the NSC Ecozone. The specific metes and bounds of the NSC Ecozone shall be more particularly defined in a presidential proclamation that shall be issued for this purpose.

Section 4. *Governing Principles.* The NSC Ecozone shall be managed and operated under the following principles:

- a. Within the framework and limitations of the 1987 Philippine Constitution and applicable provisions of the Local Government Code, the NSC Ecozone shall be developed into and operated as a decentralized, self-reliant, and self-sustaining industrial, commercial, agro-industrial, tourist, banking, financial, and investment center with suitable residential areas;
- b. The NSC Ecozone may establish mutually beneficial economic relations with other entities or enterprises within the country subject to the administrative guidance of the Department of Foreign Affairs (DFA) and the Department of Trade and Industry with foreign entities or enterprises;
- c. Foreign citizens and companies owned by non-Filipinos in whatever proportion may set up enterprises in the NSC Ecozone, either by themselves or in a joint venture or partnership with Filipinos in any sector of industry, international trade, and commerce within the NSC Ecozone;
- d. The NSC Ecozone shall be managed and operated as a separate customs territory to ensure and facilitate the free flow, entry, and movement of machinery and other goods. However, exportation or removal of goods, articles, and capital from the zone to other parts of the Philippine territory shall be subject to customs duties and taxes under the Customs and Tariff Code and other relevant tax laws of the Philippines. It shall be vested with the authority to issue certificates of origin for products manufactured or processed within the NSC Ecozone in accordance with prevailing rules of origin, and the pertinent regulations of the duly recognized national bodies tasked to oversee all other ecozones in the country;
- e. Duty-free shops shall be located only within the NSC Ecozone;
- f. Business establishments operating within the NSC Ecozone are 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," and such incentives, benefits or privileges presently enjoyed by business establishments operating within the Subic Special Economic Zone under Republic Act No. 7227, otherwise known as the "Bases Conversion and Development Act of 1992";

- g. Any provision of existing laws, rules or regulations to the contrary notwithstanding, no taxes, local and national, including final withholding taxes on dividends to the parent company and branch profit remittances to the head office of a business establishment, shall be imposed on business establishments operating within the NSC Ecozone. In lieu of all local and national taxes, said business establishments shall pay to the National Government a final tax of eight per centum (8%) of their net taxable income as determined in accordance with the provisions of the National Internal Revenue Code, as amended, to be divided as follows:

1. Three per centum (3%) shall accrue to the National Government;
2. Two per centum (2%) to Iligan City;
3. One per centum (1%) to be shared by the barangays affected by the declaration of the NSC Ecozone in proportion to their income from business activities within the NSC Ecozone; and,
4. Two per centum (2%) to the NSC Special Economic Zone Authority which shall be created under this Act: Provided, That the final tax of eight per centum (8%) of net income may be increased by the President of the Philippines after ten (10) years from the effectivity of this Act upon the recommendation of the Secretaries of Finance, and Trade and Industry, the Chairperson of the National Economic Development Authority and the administrator of the NSC Special Economic Zone Authority: Provided, further, That in no case shall the final tax to be imposed exceed fifteen per centum (15%) of net income.

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 grant of incentives.

- h. Except as otherwise provided herein, the local government units embraced within the NSC Ecozone shall retain and maintain their basic autonomy and identity. Iligan City shall operate and function in accordance with Republic Act No. 7160, otherwise known as the "Local Government Code of 1991";
- i. Any foreign investor who establishes a business enterprise within the NSC Ecozone and who maintains a capital investment of not less than One Hundred Fifty Thousand United States Dollars (US\$150,000.00) shall be granted, along with the foreign investor's spouse, dependents, and unmarried children below twenty-one (21) years of age, a permanent resident status within the NSC Ecozone;

Such foreign investor's spouse, dependents, and unmarried children below twenty-one (21) years of age, shall have freedom of ingress and egress in the NSC Ecozone without any need of any special authorization from the Bureau of Immigration.

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

The names of the foreigners granted permanent resident status and working visas by the NSC Special Economic Zone Authority shall be reported to the Bureau of Immigration 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.

- j. The provisions of any law to the contrary notwithstanding, any foreigner, partnership, corporation, or any other business association not created and existing 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 NSC Ecozone after securing a license for that purpose from the NSC Special Economic Zone Authority: *Provided*, That only foreign nationals engaged in medium and large-scale retail trade may

be permitted to engage in such business within the NSC Ecozone. The determination of the medium and large-scale retail trade operation shall be the responsibility of the NSC Special Economic Zone Authority; and,

- k. Existing banking laws and Bangko Sentral ng Pilipinas (BSP) rules and regulations shall apply on foreign exchange and other current account trade and non-trade transactions, local and foreign borrowings, foreign investments, establishment and operation of local and foreign banks, foreign currency deposit units, offshore banking units, and other financial institutions under the supervision of the BSP: *Provided, however,* That the NSC Special Economic Zone Authority may, in coordination with the Bangko Sentral ng Pilipinas and the Department of Trade and Industry, adopt more liberal rules to attract offshore banking, financial services, trust, or trading institutions to operate in the zone: *Provided, further,* That such rules if adopted shall apply only to offshore banking, finance, financial services, trust, or trading institutions operating within the NSC Ecozone.

Section 5. *NSC Special Economic Zone Authority.* Subject to the concurrence of the local government units that will be affected by the creation of the NSC ecozone, there is hereby created a body corporate to be known as 10 the "NSC Special Economic Zone Authority," hereinafter referred to as the Authority, which shall manage and operate the NSC Ecozone under this Act. It shall be organized within one hundred eighty (180) days after the effectivity of this Act.

Section 6. *Principal Office.* The Authority shall maintain its principal office in Iligan City, Province of Lanao Del Norte but it may establish branches within the Philippines and abroad as may be necessary for the proper conduct of its business.

Section 7. *Powers and Functions of the Authority.* The Authority shall have the following functions:

- a. Operate, administer, and manage the NSC Ecozone according to the principles and provisions set forth in this Act;
- b. Recommend to the President the issuance of a proclamation to fix and

- delimit the site of the NSC Ecozone;
- c. Register, regulate, and supervise the enterprises in the NSC Ecozone in an efficient and decentralized manner;
 - d. Regulate and undertake the establishment, operation, and maintenance of utilities, other services and infrastructure in the NSC Ecozone such as heat, light and power, water supply, telecommunications, transport, toll roads and bridges, and fix just, reasonable, and competitive rates, fares, charges and prices therefor;
 - e. Directly negotiate with and grant foreign or international airlines and carriers entry permits and landing rights into the zone;
 - f. Have sole, absolute, and exclusive authority to construct, acquire, own, lease, assign, establish, operate, and maintain on its own or through others by virtue of contracts, franchises, licenses, or permits under any of the schemes allowed in Republic Act No. 6957, otherwise known as the "Build-Operate Transfer Law," or in joint venture with the private sector without the necessity of conducting public bidding thereon, any or all of the public utilities and infrastructure required or needed in the NSC Ecozone, which include transportation, construction of road networks, water and sewerage systems, electric power, wireline and wireless telecommunications systems, networks, facilities and services, in coordination with appropriate national and local government authorities and in conformity with applicable laws thereon;
 - g. To undertake all public infrastructure and utility projects within the NSC Ecozone and as provided for in this Act and to contract foreign loans and grants in accordance with existing laws;
 - h. Operate on its own, either directly or through a subsidiary entity, or license to other tourism related activities, including games, amusements, and recreational and sports facilities to provide, in cooperation with the Department of Tourism, incentives to tourism-related businesses operating within the NSC Ecozone which include duty-free buying privileges for non-resident visitors;
 - i. Within the limitation 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 a guarantee, pledge, mortgage, deed of trust, or an assignment of all or part of its property or assets;

- j. Provide security for the NSC Ecozone in coordination with the national and local governments. For this purpose, the Authority may establish and maintain its own security force and firefighting capability or hire others to provide the same;
- k. Protect, preserve, maintain, and develop, among others, the virgin forests, minerals and mineral deposits, including precious metals within the NSC 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 NSC Ecozone, including the issuance of environmental clearance certificates, patents and leasehold rights over government lands and mining, drilling, and timber licenses;
- l. Acquire private real properties or rights thereon for infrastructure and other development projects, secure rights-of-way which are needed for said projects and the settlement of claims for payment, without further need of conducting feasibility studies, information campaign, engineering surveys, project cost estimates as required by existing laws and regulations pertinent thereto;
- m. Charge reasonable fees for the provisions of services and the maintenance of infrastructure and utilities;
- n. Impose fines and penalties for violations of the provisions of this Act and the rules and regulations to be issued by the Authority;
- o. Phase the operationalization of the zone by delineating secured areas within the zone: *Provided*, That privileges including tax and duty-free retailing provided herein shall be accorded only to the secured areas: *Provided, further*, That the Authority-registered enterprises located outside of the secured areas may still enjoy the income tax incentives and duty-free

importation privileges herein granted but may not engage in tax and duty-free retailing: Provided, finally, That in such secured area, the component local government units may still exercise their taxing and revenue generating authority but only insofar as persons or enterprises not registered with the Authority as zone enterprises;

- p. Create, operate, or contract to operate such agencies and functional units or offices of the Authority, as it may deem necessary;
- q. Adopt, alter, and use a corporate seal; make contracts, leases, own, or otherwise dispose of personal or real property; sue and be sued; and otherwise carry out its functions and duties as provided for in this Act; and,
- r. 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 therein.

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

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

Section 9. *Board of Directors; Composition; Tenure of the Authority.* The

powers of the Authority are vested in and exercised by a Board of Directors, hereinafter referred to as the Board. The Board is composed of the following;

- a. The chairperson who is appointed by the President of the Republic of the Philippines;
- b. The president and chief executive officer (CEO) who is appointed by the Board and who is the vice chairperson of the Board;
- c. One representative from the domestic investors;
- d. One representative from the foreign investors;
- e. One representative from the workers working in the NSC Ecozone; and
- f. Two prominent citizens of the Philippines of whom one shall be a resident of Iligan City, as members.

The chairperson 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 unexpired portion of the term. The president and CEO shall serve for a term of three (3) years subject to reappointment by the Board.

Except for the representatives of the investors and labor sectors, no person shall be appointed by the President of the Philippines as a member of the Board unless the person 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 are entitled to receive per diem at a rate to be determined by the Department of Budget and Management 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. Unless and until the President of the Philippines has fixed a higher per diem for the members of

the Board, such per diem shall not be more than Ten thousand pesos (P10,000.00) for every Board meeting.

Section 10. *Powers and Duties of the Chairperson, President and CEO of the Authority.* The chairperson shall have the following powers and duties:

- a. To exercise supervision over the affairs of the Authority;
- b. To preside over all the meetings of the Board;
- c. To spearhead the formulation of policies and procedures for the Board and the Authority with the concurrence of the majority of its members;
- d. To direct the affairs of the Authority in accordance with the policies of the Board through its president and CEO;
- e. To ensure that the goals and objectives set forth by the Board are achieved and its policies implemented; and,
- f. To lead the Board in carrying out the powers and functions of the Authority as enumerated in Section 7 of this Act.

The president and CEO shall, among other powers and duties, execute, carry out, and administer the policies, measures, orders and resolutions approved by the Board; direct and supervise the day to day operation and administration of the NSC Ecozone; and exercise such other powers and perform such other functions or duties as may be directed to or assigned by law or by the Board from time to time. Particularly, the president and CEO shall exercise the following powers and duties:

- a. To serve as the vice chairperson of the Board and to assist the chairperson and, in case of absence or incapacity of the chairperson: *Provided, however,* That in case both are absent, the Board shall designate a temporary chairperson from among its members;
- b. To sign and execute all contracts concluded by the Authority and enter into all necessary obligations required or permitted by the charter upon proper authorization by the Board; and sign all major documents, notes, and checks for the NSC Ecozone;
- c. To exercise full discretion in the management of the affairs of the Authority in accordance with law and in accordance with the provisions of this Act and

- be accountable to the Board;
- d. To establish the internal organization of the Authority under such conditions that the Board may prescribe;
 - e. To submit an annual budget and necessary supplemental budget to the Board for its approval;
 - f. 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;
 - g. To submit to the Board for its approval policies, systems, procedures, rules, and regulations that are essential to the operation of the NSC Ecozone;
 - h. 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 NSC Ecozone; and,
 - i. To perform such other duties as may be assigned by the Board or which are necessary or incidental to the office.

Section 11. *Organization and Personnel.* The Board of Directors of the Authority are entitled to organize its own personnel to assist the Board in the exercise of its functions and to provide for an organization of the Authority officers and employees. Upon recommendation of the president and CEO, the Board shall appoint and fix the remunerations and other emoluments of its officers and employees in accordance with existing laws on compensation and position classification: *Provided*, That the Board shall have exclusive and final authority to promote, transfer, assign, or reassign officers of the Authority, any provision of existing law to the contrary notwithstanding: *Provided, further*, That the president and CEO may carry out removal of such officers and employees.

All positions in the Authority shall be governed by a compensation, position, classification system, and qualification standards approved by the chairperson with the concurrence of the Board based on a comprehensive job analysis and audit of actual duties and responsibilities. The compensation plan must be comparable with the prevailing compensation plans in the Subic Bay Metropolitan Authority (SBMA), the Clark Development Corporation (CDC), the Bases Conversion and Development

Authority (BCDA) and the private sector and subject to the periodic review by the Board no more than once every two (2) years without prejudice to yearly merit reviews or increases based on productivity and profitability. The Authority shall therefore be exempt from existing laws, rules and regulations on compensation, position classification and qualification standards. It shall, however, endeavor to make its systems conform as closely as possible with the principles under Republic Act No. 6758, otherwise known as the "Compensation and Position Classification Act of 1989," as amended.

The officers and employees of the Authority, including its appointive 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 Authority, subject to civil service laws and regulations, shall be removed or suspended except for cause, as provided by law.

Section 12. *Labor and Management Relations.* Except as otherwise provided in this Act, labor and management relations in the NSC Ecozone shall be governed by applicable rules and regulations under the Labor Code of the Philippines, as amended. Employees and personnel in the registered enterprises shall receive salaries and benefits and shall enjoy working conditions provided under the Labor Code and other relevant laws and issuances of the Philippine government and the DOLE. The Authority shall allow the exercise of the visitorial power of the Secretary of Labor and Employment or the duly authorized representative.

Section 13. *Ipsa Facto Clause.* Sections 30-41 of Republic Act No. 7916, otherwise known as the "Special Economic Zone Act of 1995," as amended by Republic Act No. 8748, shall *ipso facto* apply to the NSC Ecozone.

Section 14. *Capitalization.* - The Authority shall have an authorized capital stock of Two billion pesos (P2,000,000,000.00) no par shares with a minimum issue of Ten pesos (P10.00) each, the majority shares of which shall be subscribed and paid

for by the National Government and the local government units (LGUs) comprising the NSC Ecozone. The Board of Directors of the Authority may, with the written concurrence of the Secretary of Finance, sell shares, representing not more than forty per centum (40%) of the capital stock of the Authority to the general public under such policy as the Board and the Secretary of Finance may determine. The National Government and the LGUs shall, in no case, own less than sixty per centum (60%) of the total issued and outstanding capital of the Authority.

The amount necessary to subscribe and pay for the shares of the National Government to the capital stock of the Authority shall be included in the annual General Appropriations Act. For LGUs, the funds shall be taken from their internal revenue allotment and other local funds.

Section 15. *Supervision.* The NSC Ecozone shall be under the direct control and supervision of the Philippine Economic Zone Authority for purposes of policy direction and coordination.

Section 16. *Relationship with the Regional Development Council.* The Authority shall determine the development goals for the NSC Ecozone within the framework of national development plans, policies, and goals. The president and CEO shall, upon approval by the Board, submit the plans, programs and projects to the Regional Development Council for inclusion and inputs to the overall regional development plan.

Section 17. *Relationship with Local Government Units.* Except as herein provided, the local government units comprising the NSC Ecozone shall retain their basic autonomy and identity. In case of any conflict between the Authority and Iligan City on matters affecting the NSC Ecozone other than defense and security matters, the decision of the Authority prevails.

Section 18. *Interpretation and Construction.* The powers, authorities and functions that are vested in the Authority are intended to decentralize governmental

functions and authority and promote an efficient and effective working relationship between the NSC Ecozone, the National Government, and the local government units.

Section 19. *Auditing.* The Commission on Audit shall appoint a representative who shall be a full time auditor of the Authority and assign such number of personnel as may be necessary to assist said representative in the performance of official duties. The salaries and emoluments of the assigned auditor and personnel shall be in accordance with pertinent laws, rules, and regulations.

Section 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.

Section 21. *Repealing Clause.* All laws, executive orders, and issuances, or any part thereof, which are inconsistent herewith are hereby repealed or amended accordingly.

Section 22. *Effectivity Clause.* This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,