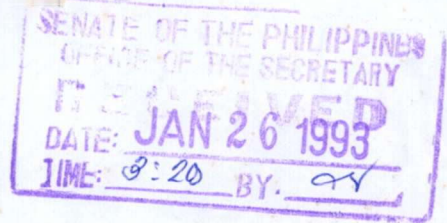


NINTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Session



COMMITTEE REPORT NO. 70

Submitted by the Committee on Economic Affairs on JAN 26 1993
day of December, 1992.

Re: Senate Bill No. 1061

Recommending its approval in substitution of Senate Bill No. 1

Sponsors: Senators Guingona, Jr., Macapagal-Arroyo and members of the Committee on Economic Affairs

Mr. President:

The Committee on Economic Affairs to which was referred Senate Bill No. 1, entitled:

"AN ACT
ESTABLISHING SPECIAL ECONOMIC ZONES IN THE PHILIPPINES, PROVIDING THE LEGAL FRAMEWORK AND MECHANISMS FOR THEIR CREATION, OPERATION, ADMINISTRATION, AND COORDINATION AND INTEGRATION WITH SIMILAR SCHEMES CREATING FOR THIS PURPOSE THE PHILIPPINE INDUSTRIAL ZONE DEVELOPMENT BOARD, AND FOR OTHER PURPOSES"

has considered the same and has the honor to report it back to the Senate with the recommendation that it be substituted by the attached Senate Bill No. 1061 prepared by the Committee, entitled:

"AN ACT
PROVIDING FOR THE LEGAL FRAMEWORK AND MECHANISMS FOR THE CREATION, OPERATION, ADMINISTRATION, AND COORDINATION OF SPECIAL ECONOMIC ZONES AND FOR OTHER PURPOSES"

and that this Bill be approved without amendment, with Senators Guingona, ^{Padua} Macapagal-Arroyo and members of the Committee as authors thereof.

Respectfully Submitted:

Gloria Macapagal-Arroyo
GLORIA MACAPAGAL-ARROYO
Chairperson

IN THE PHILC.
[Signature]

Blas F. Ople
SENATOR BLAS F. OPLE
Vice-Chairman
w/ reservations

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w/ reservations
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Honorable Edgardo J. Angara
President of the Senate
Manila


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NINTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Session

SENATE OF THE PHILIPPINES
OFFICE OF THE SECRETARY
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DATE: JAN 26 1993
TIME: 3:20 BY: gr

S E N A T E

S. No. 1061

Introduced by Senators Guingona, Jr., Tatarad
and Macapagal-Arroyo, Jr. 

AN ACT
PROVIDING FOR THE LEGAL FRAMEWORK AND MECHANISMS
FOR THE CREATION, OPERATION, ADMINISTRATION, AND
COORDINATION OF SPECIAL ECONOMIC ZONES IN
THE PHILIPPINES AND FOR OTHER PURPOSES.

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

CHAPTER I

PURPOSES, AND OBJECTIVES; ESTABLISHMENT AND NATURE
OF SPECIAL ECONOMIC ZONES; COORDINATION
WITH OTHER SIMILAR SCHEMES

SECTION 1. Title. - This Act shall be known and
cited as "The Special Economic Zone Act of 1992".

SEC. 2. Declaration of Policy. - It is the
declared policy of the Government to translate into
practical realities the following State policies and
mandates in the 1987 Constitution, namely:

(a) "The State recognizes the indispensable role
of the private sector, encourages private enterprise,
and provides incentives to needed investments." (Sec.
20, Art. II);

1 (b) "The State shall promote the preferential use
2 of Filipino labor, domestic materials and locally
3 produced goods, and adopt measures that help make them
4 competitive." (Sec. 12, Art. XII);

5 SEC. 3. Purposes, Intentions and Objectives. - it is
6 the purpose, intent and objective of this act:

7 1. To establish the legal framework and
8 mechanisms for the integration, coordination, planning
9 and monitoring of special economic zones, industrial
10 estates, export processing zones, free trade zones
11 and regional industrial centers and other economic
12 zones;

13 2. To transform selected areas in the country
14 into highly developed, geographically dispersed agro-
15 industrial, commercial, banking, investment, and
16 financial centers, where highly trained workers and
17 efficient services will be available to commercial
18 enterprises;

19 3. To promote the flow of investors, both
20 foreign and local, into the special economic zones which
21 would generate employment opportunities and linkage
22 industries in and around economic zone;

23 4. To stimulate the repatriation of Filipino
24 capital by providing an attractive climate and
25 incentives for business activity;

26 5. To promote financial and industrial
27 cooperation between the Philippines and industrialized
28 countries through technology-intensive industries to
29 modernize the countries industrial sector and improve
30 productivity by utilizing new technological and
31 managerial know how; and



1 6. To vest the Special Economic Zone with the
2 status of a free port and separate customs territory
3 within the framework of the constitution, and the
4 national sovereignty and territorial integrity of the
5 Philippines.

6 SEC. 4. Establishment of Special Economic Zone.-

7 A. Upon approval of this Act, the President of
8 the Philippines shall direct the Lands Management
9 Bureau to survey the areas designated in this act and
10 others that may be designated in this act and others
11 that may be designated by the President of the for the
12 purpose of fixing and delimiting the metes and bounds
13 and formulating the technical description of the
14 boundaries of each Special Economic Zone, hereafter
15 referred to as Economic Zone or ECOZONE. The
16 recommendations of the Lands Management Bureau shall be
17 submitted within sixty (60) working days from receipt
18 of the President's directive.

19 Upon receipt of the recommendation of the Lands
20 Management Bureau, after due consultation with and
21 endorsement by the NEDA the and concurrence of the
22 local government units that will directly affected by
23 the establishment of the Economic Zone as provided in
24 the local Government Code and its implementing rules
25 and regulations, the President shall issue a
26 Proclamation fixing and delimiting the boundaries of
27 each ECOZONE.

28 Conversion of lands for purposes of establishing
29 ECOZONE shall be governed by the appropriate provisions
30 of local Government Code and its implementing rules and
31 regulations, consistent with the National Land Use
32 framework plan.

1 B. Any provision of existing laws, decrees,
 2 letters of instructions, executive orders, and other
 3 issuances or parts thereof to the contrary
 4 notwithstanding, there are hereby established prototype
 5 Special Economic Zone or ECOZONE; hereinafter referred
 6 to as Economic Zone or "ECOZONE" in each of the
 7 following areas of the country, namely:

8 1. So much as may be necessary of that portion of
 9 Zamboanga City and its immediate environs, including
 10 Sta. Cruz Island and its territorial waters, in the
 11 Province of Zamboanga del Sur;

12 2. So much as may be necessary of that portion
 13 of the city of Lapu-Lapu and the municipality of
 14 Cordova in the Island of Mactan, including its
 15 territorial waters and islets, and its immediate
 16 environs, in the Province of Cebu.

17 3. So much as may be necessary of that portion
 18 of Port Irene and its immediate environs in the
 19 Province of Cagayan; and

20 4. So much as may be necessary of that portion
 21 of General Santos City in South Cotabato and its
 22 immediate environs.

23 The metes and bounds of each Economic Zone are to
 24 be delineated and more particularly described in a
 25 Proclamation to be issued by the President of the
 26 Philippines.

27 SEC. 5. Criteria for the Establishment of a Special
 28 Economic Zone: Expansion or Reduction of the Area
 29 Occupied by a Zone. - In designating other an area as a
 30 Special Economic Zone (ECOZONE) the following factors
 31 shall, as much as possible, be present as shown in a
 32 detailed feasibility and engineering study:

1 (a) the probability that the Economic Zone will
2 promote full employment, a rising standard of living,
3 and an improved quality of life for the inhabitants
4 inside the ECOZONE as well as those in the outlying or
5 surrounding provinces, cities, and municipalities;

6 (b) the existing and required infrastructure in
7 the proposed Economic Zone, such as roads, railways,
8 telephones, ports, airport, etc., and the suitability
9 and capacity of the proposed site to absorb such
10 improvements;

11 (c) the availability of water source and electric
12 power supply for use of the ECOZONE;

13 (d) the extent of vacant lands available for
14 industrial and commercial development and future
15 expansion of the ECOZONE as well as of lands adjacent
16 to the ECOZONE available for development of residential
17 areas for ECOZONE workers; and

18 (e) the availability of skilled, semi-skilled and
19 non-skilled trainable labor force in and around the
20 ECOZONE. The areas comprising an ECOZONE may be
21 expanded or reduced when necessary. For this purpose,
22 the Government shall have the power to acquire either
23 by purchase, negotiation or condemnation proceedings
24 any private land within or adjacent to the ECOZONE for:

25 (1) consolidation of lands for zone development
26 purposes;

27 (2) acquisition of right of way to the ECOZONE;
28 and

29 (3) the protection of watershed areas and
30 natural assets valuable to the prosperity of
31 the ECOZONE.

1 The ECOZONE Authority established for this
 2 purpose is hereby vested with the power of eminent
 3 domain: It may have the right and power to acquire
 4 lands and property by purchase or negotiation,
 5 Provided, That as much as possible, the ECOZONE
 6 Authority shall preserve private ownership of lands and
 7 property. Condemnation proceedings shall be
 8 resorted to only for the acquisition of rights of
 9 way, or of any property for the establishment of
 10 ECOZONE, or of low-cost housing projects working in the
 11 ECOZONE, or for the protection of watershed areas, or
 12 for the construction of dams, reservoirs, wharves,
 13 piers, docks, quays, warehouses and other terminal
 14 facilities, structures and approaches thereto:
 15 Provided, further, That condemnation proceedings shall
 16 be maintained by and in the manner provided for by law.
 17 Private landowners shall however be subject to such
 18 reasonable regulations by the ECOZONE Authority
 19 necessary for the full utilization of their commercial
 20 and industrial values and significance, and to prevent
 21 land speculation.

22 SEC. 6. Economic Zone to be Decentralized Agro-
 23 Industrial, Industrial, Commercial/Trading, Investment
 24 and Financial Communities. - Within the framework of
 25 the Constitution, the interest of national sovereignty
 26 and territorial integrity of the Republic, the Economic
 27 Zones shall be developed, as much as possible, into
 28 decentralized, self-reliant and self-sustaining
 29 industrial, commercial/trading, agro-industrial,
 30 banking, financial and investment centers. Each ECOZONE

1 shall be provided with transportation,
 2 telecommunications, and other facilities needed to
 3 generate linkage industries and employment
 4 opportunities for inhabitants of the Economic Zone, and
 5 nearby towns and cities.

6 The ECOZONES shall administer themselves on
 7 economic, financial, tourism development and such other
 8 matters not within the exclusive competence of the
 9 National Government.

10 The ECOZONE may establish mutually beneficial
 11 economic relations with other entities within the
 12 country, or, subject to the administrative guidance of
 13 the Department of Foreign Affairs and/or Department of
 14 Trade and Industry with foreign entities or
 15 enterprises.

16 Foreign citizens, and companies owned by non-
 17 Filipinos in whatever proportion, may set up
 18 enterprises in the ECOZONE, either by themselves or in
 19 joint venture with Filipinos in any sector of industry,
 20 international trade and commerce within the ECOZONE.
 21 Their assets, profits and other legitimate interests
 22 shall be protected: Provided, That the ECOZONE
 23 Authority may provide for a minimum investment
 24 requirement for any ECOZONE enterprise in freely
 25 convertible currencies: Provided, further, That the
 26 new investment shall fall under the priorities, thrusts
 27 and limits provided for in this Act.

28 SEC. 7. ECOZONE shall Operate and be Managed as
 29 Separate Customs Territories and Free Ports. - In
 30 coordination with the Department of Finance, the

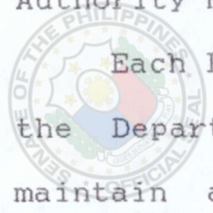
1 Department of Trade and Industry and other appropriate
2 agencies of the National Government, the Authority
3 shall operate and manage the ECOZONE as separate
4 customs territories and free ports.

5 The ECOZONE Authority is hereby vested with
6 authority to issue certificates of origin for products
7 manufactured or processed in each ECOZONE in accordance
8 with the prevailing rules of origin, and the pertinent
9 regulations of the Department of Trade and Industry
10 and/or Department of Finance.

11 SEC. 8. Economic and Trade Policy. - Subject to
12 limitations imposed by the constitution and this Act,
13 the ECOZONE Authority shall formulate the ECOZONE
14 economic policy, which shall include a free market and
15 free port policy, with the least government intervention
16 in commercial activities.

17 SEC. 9. Shipping and Shipping Register. -
18 Private shipping and related business, including
19 private container terminals may operate freely in the
20 Economic Zone subject, only to such minimum reasonable
21 regulations of local application which the ECOZONE
22 Authority may prescribe.

23 Each ECOZONE Authority shall, in coordination with
24 the Department of Transportation and Communications,
25 maintain a shipping register for each ECOZONE as a
26 business register of convenience for ocean-going
27 vessels and issue related certifications under the name
28 of the ECOZONE in which registered, viz: "ZAMBOANGA
29 SEZ" or MACTAN SEZ" or PORT IRENE SEZ" and so forth.



1 Ships of all size, descriptions and nationalities
 2 shall enjoy access to the ports of the ECOZONE, subject
 3 only to such reasonable requirement as may be
 4 prescribed by the ECOZONE Authority in coordination
 5 with the appropriate agencies of the National
 6 Government.

7 SEC. 10. Exemption from Taxes under the National
 8 Internal Revenue Code. - The provisions of existing
 9 laws, rules and regulations to the contrary
 10 notwithstanding, persons and enterprises in the ECOZONE
 11 shall be exempt from all national taxes under the
 12 National Internal Revenue Code for a minimum period of
 13 fifteen (15) years from its establishment. Thereafter,
 14 if the Authority concerned decides to lift the tax
 15 exemptions, it may require that a maximum three
 16 percent (3%) of the gross income earned by all persons
 17 and enterprises in the ECOZONE shall be remitted to the
 18 ECOZONE Authority in lieu of paying all other
 19 national taxes.

20 The Department of Finance, the Bureau of Internal
 21 Revenue and the ECOZONE Authority shall jointly issue
 22 the appropriate rules and regulations to implement this
 23 provision.



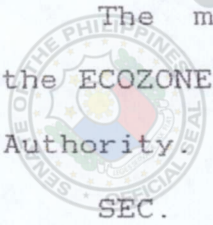
24 SEC. 11. Free Flow and Movement of Goods and
 25 Capital - The ECOZONE shall ensure the free flow and
 26 movement of goods and capital within, into and out of
 27 the ECOZONE: Provided however, That dutiable goods
 28 originating from the ECOZONE shall be subjected to
 29 applicable duties and taxes upon entry into customs
 30 territory, as provided in Section 46 (c) of this Act.

1 SEC. 12. Supervision Over Operations of Banks,
 2 etc.- The Central Bank or shall have supervision and
 3 regulatory powers over the operation of banks and
 4 other financial institutions within the Economic Zone:
 5 Provided, That the Central Bank or shall establish a
 6 special unit in the ECOZONE which shall facilitate and
 7 carry out routinary matters involved in the supervision
 8 of the operations of these establishments under such
 9 guidelines it shall provide.

10 SEC. 13. Foreign Exchange Controls. - No
 11 exchange control policy shall be applied and free
 12 markets for foreign exchange, gold, securities and
 13 futures shall be maintained within the ECOZONE.

14 SEC. 14. Leases of Lands and Building. - Lands
 15 and buildings in each Economic Zone, whether publicly
 16 or privately owned, may be leased to foreign investor
 17 for a period not exceeding twenty-five (25) years,
 18 renewable for a period of twenty-five (25) years
 19 under such reasonable terms and conditions that are
 20 more favorable to the lessor than the previous lease
 21 agreement that has expired or is about to expire.

22 The minimum annual rental price of lands within
 23 the ECOZONE shall be determined zonally by the ECOZONE
 24 Authority



25 SEC. 15. Economic Relations, Air Agreements,
 26 etc. - Subject to the principle that foreign affairs
 27 are the overall responsibility of the National
 28 Government, the ECOZONE Authority under the
 29 supervision, direction and control of the Department of
 30 Foreign Affairs and in coordination with the other

1 appropriate agencies of the National Government, may
 2 initiate talks with states, regions and relevant
 3 international organizations on appropriate fields, more
 4 specifically on matters of economic nature, such as
 5 trade, shipping, aviation, financial relations, tourism
 6 and communications, and other related fields.

7 Each ECOZONE shall have the right to
 8 designate a representative in the Philippine Government
 9 delegation to international negotiations on such areas.
 10 Conformably with foregoing limited authority, any
 11 ECOZONE may, under the direction, control and
 12 supervision of the Department of foreign Affairs:

13 1. Initiate negotiation and conclusion of Air
 14 Service Agreements providing for routes for airlines
 15 incorporated and having their principal office in an
 16 ECOZONE and for overflights and stops;

17 2. Initiate negotiation and conclusion of
 18 provisional arrangements where no Air Service Agreement
 19 with a foreign state or other region is in force;

20 3. Initiate talks on the renewal or amendment of
 21 Air Service Agreements and arrangements previously in
 22 force and affecting any of the ECOZONE established
 23 under this Act;

24 4. Initiate negotiation and conclusion of
 25 arrangements concerning implementation of the aforesaid
 26 Air Service Agreements and provisional arrange
 27 arrangements;;

28 5. In coordination with the Department of
 29 Transportation and Communications and other appropriate
 30 agencies of the National Government, issue licenses to



1 airlines incorporated and having their principal place
2 of business in any of the ECOZONE;

3 6. In coordination with the Department of
4 Transportation and communications and other appropriate
5 agencies of the National Government, issue permits to
6 foreign airlines for services other than those to, from
7 or through other places not within any of the ECOZONE
8 pursuant to this Act; and

9 7. In coordination with the Department of
10 Transportation and Communications and other appropriate
11 agencies of the National Government, designate such
12 airline under the aforesaid Air Service Agreements and
13 provisional arrangements.

14 SEC. 16. Defense and Security. - The defense
15 and security of the Economic Zone shall be the
16 responsibility of the National Government. Military
17 forces sent by the National Government for the purpose
18 of defense shall not interfere in the internal affairs
19 of any of the ECOZONE, and expenditure for these
20 military forces shall be borne by the National
21 Government.

22 SEC. 17. Disposition of Income from Rents. -
23 Income from rent of lands and buildings belonging to or
24 owned by any of the ECOZONE shall be put into the
25 Capital Works Reserve Fund administered by the ECOZONE
26 Authority of each ECOZONE for the financing of its land
27 development and public works and services program.

28 SEC. 18. Control of Airports within its
29 erritorial Jurisdiction. - In coordination with the
30 Department of Transportation and Communications, the

1 ECOZONE Authority shall have supervision and
 2 operational control over the airport (s) located within
 3 its area, particularly on matters of routine business,
 4 technical management of civil aviation within the
 5 ECOZONE, its management and maintenance, provision of
 6 traffic services within the flight information region
 7 of the ECOZONE under the regional navigation procedures
 8 of the International Civil Aviation Organization
 9 (ICAO), and its needed expansion or modernization, any
 10 provision of existing law, decree, executive order and
 11 other issuances or parts thereof to the contrary
 12 notwithstanding.

13 SEC. 19. Immigration. - Subject to the policy
 14 directions of the National government, the ECOZONE
 15 shall, in coordination with the Department of Foreign
 16 Affairs, the Bureau of Immigration and Deportation and
 17 other appropriate agencies of the National Government,
 18 apply simplified and computerized uniform immigration
 19 controls and procedures on entry, stay in, and
 20 departure from the ECOZONE, any provision of existing
 21 law, decree, executive order and other issuances or
 22 parts thereof to the contrary notwithstanding. Unless
 23 restrained by the law, holders or valid travel
 24 documents shall be free to leave without special
 25 authorization.

26 SEC. 20. Import of Raw Materials, Machinery,
 27 Equipment and Personal Items. - Enterprises in the
 28 ECOZONE may import raw materials, machinery and
 29 equipment without duty. Foreign investors may bring in
 30 a reasonable amount of items for their personal use
 31 free of duty, subject to appropriate rules and
 32 regulations promulgated by the ECOZONE Authority.

1 Imports of these goods and exports of products of
2 the ECOZONE shall go through special customs procedures
3 to be formulated by the Authority in consultations with
4 the Bureau of Customs.

5 SEC. 21. Protection of Environment. - The
6 ECOZONE Authority, in coordination with appropriate
7 government agencies, shall take concrete and appropriate
8 steps and enact the proper measures for the protection
9 of the local environment.

10 SEC. 22. Purchase of Local Inputs and Materials.-
11 Enterprises and firms in the ECOZONE shall be
12 encouraged to purchase or procure to the extent
13 possible raw materials, inputs, materials, machinery,
14 semi-furnished products or goods, and services from
15 local firms, enterprises and contractors. The ECOZONE
16 authority shall promulgate rules and regulations to
17 implement such policy.

18 SEC. 23. Survey of the ECOZONE Development Plan.
19 - The ECOZONE Authority shall, in coordination with
20 appropriate authorities and neighboring cities and
21 municipalities, immediately conduct a survey of the
22 physical, natural assets and potentialities of the
23 ECOZONE areas under its jurisdiction.

24 SEC. 24. Power to Repossess, etc. - The ECOZONE
25 Authority or the private landowner, as the case may be,
26 shall have the right to repossess any land owned by any
27 one of them which was leased to investors in cases of
28 insufficient use or misuse; Provided, That such
29 insufficient use or misuse has been established by the
30 proper courts after due process and hearings.

31 SEC. 25. After Tax Profits.- After tax profits
32 and other proper earnings of the enterprises in the
31 ECOZONE may be remitted outward through any of the

1 banks licensed by the Central Monetary Authority in the
2 ECOZONE, taking into consideration the no-foreign
3 exchange control policy laid down in Section 13 of this
4 Act.

5 CHAPTER II

6 GOVERNING STRUCTURE

7 SEC. 26. Administration of Each Economic Zone. -

8 The administration of each Economic Zone shall be the
9 responsibility of an ECOZONE Authority established
10 pursuant to this Act. The Authority shall be organized
11 and incorporated, viz, "ZAMBOANGA ECOZONE Authority"
12 or "MACTAN-CORDOVA ECOZONE Authority", and so forth and
13 shall be vested the personality and the powers of a
14 corporation under Philippine laws and as provided for
15 in this Act.

16 The ECOZONE Authority shall be headed by a Board
17 composed of the following:

18 1. Chairman who shall, at the same time, be the
19 Administrator of the Authority, appointed by the
20 President for a term of six (6) years without re-
21 appointment;

22 2. Vice chairman selected from among the
23 representatives of the investors in the ECOZONE
24 enterprises; and

- 25 3. Members consisting of:
 - 26 a. one representative from domestic
 - 27 investors in the ECOZONE enterprises;
 - 28 b. one representative from foreign investors
 - 29 in the ECOZONE enterprises;
 - 30 c. the representative(s) of the mayor(s) of

- 1 the city(ies) or municipality(ies) where
- 2 the ECOZONE is located;
- 3 d. the representative(s) of the governor(s)
- 4 of the province(s) where the ECOZONE is
- 5 located;
- 6 e. one representative from labor
- 7 organizations established in the ECOZONE
- 8 duly registered with the Department of
- 9 Labor and Employment, to be chosen from a
- 10 list of not more than five (5) nominees
- 11 endorsed by the Secretary of Labor to the
- 12 President. For this purpose, each labor
- 13 organization shall be entitled to
- 14 nominate only one (1) from among its
- 15 members for inclusion in said list of
- 16 nominees.

17 SEC. 27. General Powers and Functions of the
 18 Authority. - The ECOZONE Authority shall have the
 19 following powers and functions:

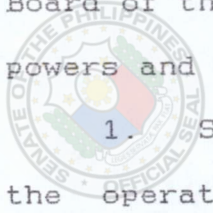
- 20 1. To operate, administer, manage and develop the
- 21 ECOZONE according to the principles and provisions set
- 22 forth in this Act;
- 23 2. To register, regulate and supervise the
- 24 enterprises in the ECOZONE in an efficient and
- 25 decentralized manner;
- 26 3. To regulate and undertake the establishment,
- 27 operation and maintenance of utilities, other services
- 28 and infrastructure in the ECOZONE such as heat, light
- 29 and power, water supply, telecommunications, transport,
- 30 toll roads and bridges, port services, etc. and to fix
- 31 just, reasonable and competitive rates, fares, charges
- 32 and prices therefor;

1 4. In coordination with local government units
 2 concerned and appropriate government agencies, to
 3 construct, acquire, own, lease, operate, and maintain
 4 on its own or through contract, franchise, license,
 5 bulk purchase from the private sector and build-
 6 operate-transfer scheme or joint venture, adequate
 7 utilities and infrastructure such as light and power
 8 systems, water supply and distribution systems,
 9 telecommunications and transportation, buildings,
 10 structures, warehouses, roads, bridges, ports and other
 11 facilities for the operation and development of the
 12 ECOZONE;

13 5. To create, operate and/or contract to operate
 14 such agencies and functional units or offices of the
 15 Authority as it may deem necessary; and

16 6. To adopt, alter and use a corporate seal; make
 17 contracts, lease, own or otherwise dispose of personal
 18 or real property; sue and be sued; and otherwise carry
 19 out its duties and functions as provided for in this
 20 Act.

21 SEC. 28. Powers and Functions of the Board. - The
 22 Board of the ECOZONE Authority shall have the following
 23 powers and functions:



24 1. Set the policies, rules and regulations for
 25 the operation, administration, and development of the
 26 ECOZONE as set forth in this Act;

27 2. Provide the guiding principles and general
 28 policy directions for the operation of the ECOZONE
 29 Authority and the development of the ECOZONE
 30 particularly in the formulation of the ECOZONE
 31 development plan;

32 3. Install an efficient framework and mechanism

1 for proper coordination with appropriate National
2 Government agencies, local governments and the
3 judiciary;

4 4. Approve the annual budget, work, financial and
5 expenditure program of the Authority and the ECOZONE
6 development plan.

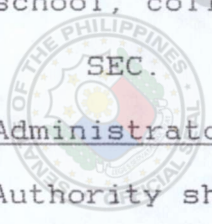
7 5. Approve the contracts, agreements, and
8 borrowings of the ECOZONE Authority;

9 6. Upon recommendation of the Administrator,
10 organize, reorganize and determine the Authority's
11 staffing pattern; to fix their salaries and to define
12 their powers and duties; and

13 7. Render annual reports to the President and the
14 Congress.

15 SEC. 29. Minimum Qualifications of Administrator.

16 - The Administrator of an Economic Zone must be a
17 natural-born citizen of the Philippines, at least
18 thirty (30) years of age on the day of his appointment,
19 preferably a resident of the ECOZONE or of the province
20 for at least one (1) year immediately preceding his
21 appointment, and a holder of a degree from a reputable
22 school, college or university.



23 SEC. 30. Powers and Functions of the

24 Administrator. - The Administrator of each ECOZONE
25 Authority shall have control, direction and supervision
26 of the affairs of the Economic Zone. In addition, he
27 shall have the following powers and functions:

28 1. To safeguard all the lands, buildings,
29 records, monies, credits and other properties and
30 rights of the Economic Zone;

31 2. To ensure that all revenues of the Economic

1 Zone are collected and applied in accordance with its
2 budget;

3 3. To give such information and recommend such
4 measures to the Board, as he shall deem advantageous to
5 the Economic Zone;

6 4. To submit to the Board the on-going and
7 proposed projects, work and financial program, annual
8 budget of receipts and expenditures of the Authority;

9 5. To represent the Economic Zone in all its
10 business matters and sign, in its behalf after approval
11 of the Board, all its bonds, borrowings, contracts,
12 agreements and obligations made in accordance with this
13 Act;

14 6. To acquire jurisdiction, as he may deem
15 proper, the protests, complaints, and claims of the
16 residents and enterprises in the Economic Zone
17 concerning administrative matters;

18 7. To recommend to the Board the grant, approval,
19 refusal, amendment or termination of Economic Zone
20 franchises, licenses, permits, contracts, and
21 agreements in accordance with the policy set by the
22 Board: Provided, That the action taken by the Board in
23 refusing to grant a franchise, license or permit or in
24 revoking, amending or terminating one may be appealed
25 to the Executive Council by the aggrieved party. The
26 decision of the Council shall be rendered not later
27 than thirty (30) days from the receipt of the appeal;

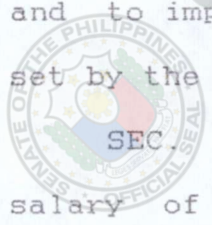
28 8. To require owners of houses, buildings or
29 other structures constructed without the necessary
30 permit whether constructed on public or private lands,
31 to remove or demolish such houses, buildings,
32 structures within sixty (60) days after notice, and

1 upon failure of such owner to remove or demolish such
 2 house, building, or structure within said period, the
 3 Administrator may summarily cause its removal or
 4 demolition at the expense of the owner, any existing
 5 law, decree, executive order and other issuances or
 6 part thereof to the contrary notwithstanding:
 7 Provided, That the aggrieved party may appeal the
 8 action taken by the Administrator to the NEDA Board and
 9 the appeal shall be decided within thirty (30) days
 10 from receipt thereof;

11 9. To take such emergency measures as may be
 12 necessary to avoid fires, floods, and mitigate the
 13 effects of storms and other natural or public
 14 calamities;

15 10. To prepare and make out plans for the
 16 physical and economic development of the Economic Zone,
 17 including zoning and land subdivision, and issue, such
 18 rules and regulations, which shall be submitted to the
 19 Board and Executive Council for its approval;

20 11. To perform such other duties and exercise
 21 such other powers as may be prescribed by the Board,
 22 and to implement the policies, rules and regulations
 23 set by the ECOZONE Authority.



24 SEC. 31. Salary and Other Emoluments. - The
 25 salary of the Administrator of an Economic Zone shall
 26 be equivalent to that of a Regional Director of a line
 27 agency and such other emoluments which the Board of the
 28 ECOZONE Authority may approve.

29 SEC. 32. Investigation and Inquiries. - Upon a
 30 written formal complaint made under oath, which on its
 31 face provides reasonable basis to believe that some

1 anomaly or irregularity might have been committed, the
2 Board of the ECOZONE authority or the Administrator of
3 the ECOZONE concerned, shall have the power to inquire
4 into the conduct of firms or employees of the ECOZONE
5 and to conduct investigations, and for that purpose may
6 subpoena witnesses, administer oaths, and compel the
7 productions of books, papers, and other evidence:
8 Provided, That to arrive at the truth, the
9 investigator(s) may grant immunity from prosecution to
10 any person whose testimony or whose possession of
11 documents or other evidence is necessary or convenient
12 to determine the truth in any investigation conducted
13 by him or under the authority of the Administrator of
14 the ECOZONE concerned or the Board of the ECOZONE
15 Authority.

16 SEC. 33. Prohibition Against Holding Any Other
17 Office. - The Administrator, his staff, or employees of
18 the Authority shall not hold any other office or
19 employment within or outside the Economic Zone during
20 their tenure. They shall not, during their tenure,
21 directly or indirectly practice any profession,
22 participate in any business, or be financially
23 interested in any contract with, or any franchise, or
24 special privilege granted by the ECOZONE Authority or
25 National Government, or any subdivision, agency, or
26 instrumentality thereof, including any government-owned
27 or controlled corporation, or its subsidiary, during
28 their tenure of office.

29 SEC. 34. Disbursement of Funds. - No money shall
30 be paid out of the funds of any of the ECOZONE except
31 in pursuance of the budget as formulated and adopted
32 the ECOZONE Authority.

1 SEC. 35. Extent and Scope of Rule-Making and
 2 Administrative Powers. - The provisions of existing
 3 laws, rules and regulations to the contrary
 4 notwithstanding, the ECOZONE Authority shall exercise
 5 rule-making and administrative powers over the ECOZONE
 6 within the framework of national development plans,
 7 policies and goals, in the following areas:

- 8 (a) Organization of ECOZONE administrative
 9 system;
- 10 (b) Agricultural, commercial and industrial
 11 programs for the ECOZONE;
- 12 (c) Infrastructure development of the ECOZONE;
- 13 (d) Urban and rural planning for the ECOZONE;
- 14 (e) Revenue-raising measures as provided for and
 15 limited in this Act;
- 16 (f) Establishment, operation and maintenance of
 17 health, welfare and other social services,
 18 programs and facilities; and
- 19 (g) Such other matters as may be authorized by
 20 this Act.

21 Accordingly, the ECOZONE Authority shall have the
 22 power to institute rules and regulations to govern the
 23 following subjects within the ECOZONE:

24 1. The construction, acquisition, ownership,
 25 lease, operation, franchise, license, and contracting
 26 out to the private sector or infrastructure facilities,
 27 factories, buildings, warehouses, dams, reservoir,
 28 water distribution, electric light and power systems,
 29 gas telecommunications and transportation, or other
 30 facilities and services necessary in the conduct of
 31 commerce and industry, banking and finance, etc. within
 32 the ECOZONE. The rates, charges and fees for such

1 facilities and services shall also be collected or
2 regulated by the Authority.

3 2. The taking of water from any public stream,
4 river, creak, lake, spring or waterfall;

5 3. The reclamation of land, alteration,
6 obstruction or increase of the flow of water in streams
7 or in water channel intersecting or connecting
8 therewith or contiguous to its works;

9 4. The types of enterprises or investments within
10 the ECOZONE in order not to adversely affect the
11 operations and viability of existing domestic
12 industries outside the ECOZONE;

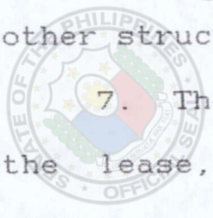
13 5. The grant to private persons, under such terms
14 as may be reasonable and proper, of permission to use,
15 rent, or lease port facilities, or of any concession
16 incident thereto or in connection with the receipt,
17 delivery, shipment and transfer in transit, storing and
18 handling of goods, including the port terminal
19 facilities;

20 6. The issuance of permits to persons, firms,
21 corporations or associations to make use of the
22 facilities of the ECOZONE, or to erect buildings and
23 other structures within the ECOZONE;

24 7. The assessment and collection of rentals for
25 the lease, use or occupancy of lands, buildings,
26 structures, warehouses and other properties and
27 facilities owned or administered by the ECOZONE;

28 8. Special consideration and privileges for
29 industries introducing new and advanced technology;

30 9. The development of a portion of the ECOZONE as
31 may be necessary to accommodate the construction of



1 housing units, and/or condominiums and houses which
2 shall be leased or sold to bona fide residents of or
3 workers in the ECOZONE, according priority and
4 preferential treatment to low-cost housing;

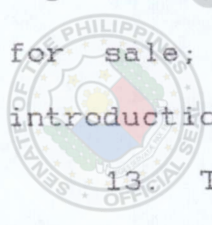
5 10. The maintenance and preservation of peace and
6 public morals and in pursuance thereof to provide for
7 the suppression of riots, disturbances, disorderly
8 assemblies and all disorderly conduct; and for the
9 prohibition of houses of ill-fame, gambling houses,
10 gambling and prostitution, vagrancy, and the printing,
11 circulation, exhibition or sale of obscene pictures,
12 books or publications.

13 11. To provide for and maintain a fire
14 department and to establish, acquire and maintain
15 engine houses, fire engines, hydrants and other
16 equipment for the prevention and extinguishment of
17 fires;

18 12. To establish or authorize the establishment
19 of fix the fees for the use of, slaughterhouses and
20 markets and inspect, regulate the keeping, preparation
21 and sale of meat, fruits, poultry, game, milk, fish,
22 vegetables, bread and other provisions of food offered
23 for sale; to adopt such measures to prevent the
24 introduction and spread of disease;

25 13. To provide for enforcement of rules and
26 regulations issued by health services and by law; to
27 impose penalties for violations of such rules and
28 regulations;

29 14. To provide for the established and
30 maintenance, and regulate the construction and use, of



1 public drains, sewers, latrines, and cesspools; to
 2 provide for the establishment and maintenance of
 3 waterworks and purification systems for potable water
 4 supply, and to regulate the consumption and use of the
 5 water; to fix and provide for the collection of rents
 6 thereof, and to regulate the construction, repair, and
 7 use of hydrants, pumps, cisterns and reservoirs;

8 15. To provide for the laying out, construction,
 9 improvement, maintenance and regulation of the use of
 10 streets, avenues, alleys, sidewalks, wharves, piers,
 11 parks, cemeteries, and other public places; to provide
 12 for the construction and maintenance and regulate the
 13 use of bridges, viaducts and culverts; to close any
 14 city road, street, alley, boulevard, avenue, park or
 15 square within the ECOZONE;

16 16. Subject to limits and procedures provided for
 17 by law and by rules and regulations of appropriate
 18 government agencies, to enter, if necessary, into
 19 contracts, for partial or deferred payment; to sell
 20 bonds to raise money for such projects; and to
 21 appropriate funds of the ECOZONE therefor.

22 SEC. 36. Full Disclosure of Financial and
 23 Business Interests. - Every member of the Board of the
 24 ECOZONE Authority, its employees and staff shall, upon
 25 assumption of office, make a full disclosure of his
 26 financial and business interests.

27 SEC. 37. Appointment and Removal of Certain
 28 Officials and Employees.- The Administrator of the
 29 ECOZONE, upon approval of the Board, shall appoint and
 30 may remove in accordance with the provisions of the
 31 Civil Service Law that are not inconsistent with this

1 Act, the department heads and their assistants and all
2 their subordinate officials and employees.

3 SEC. 38. Offices and Each ECOZONE. - The ECOZONE
4 Administrator shall have direct supervision and control
5 of the following offices, subject to guidelines
6 and implementing rules prescribed and adopted by the
7 Board:

8 (a) Office of Engineering and Public Works;

9 (b) Office of Public Health;

10 (c) Office of Finance;

11 (d) Office of Public Services;

12 and such other offices as an ECOZONE may require as
13 approved by the Board.

14 A. OFFICE OF ENGINEERING AND PUBLIC WORKS

15 SEC. 39. Powers and Duties of the ECOZONE
16 Engineer. - There shall be an ECOZONE Engineer who
17 shall be in charge of the Office of Engineering and
18 Public Works. He shall have charge of all the
19 surveying and engineering work of the ECOZONE;
20 maintenance of streets, canals and esteros, parks,
21 bridges and public grounds, and shall perform
22 engineering services in connection with public
23 improvements, or any project by the ECOZONE. He shall
24 be responsible for issuance of permits for the
25 construction, repair, and removal of public and private
26 buildings, land improvements and other civil works
27 within the ECOZONE and to enforce all rules and
28 regulations relating to the same of waterworks and
29 sewerage and of all sources of water supply. He shall
30 have power, subject to the approval of the
31 Administrator, to tear down or to cause buildings
32 dangerous to the public to be made secure.

B. OFFICE OF PUBLIC HEALTH

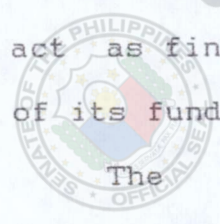
SEC. 40. Powers and Duties of the ECOZONE Health

1
2
3 Officers. - There shall be an ECOZONE Health Officer,
4 who shall have charge over the health and sanitary
5 conditions of the ECOZONE and shall have control and
6 supervision over puericulture centers in the ECOZONE.
7 He shall recommend to the Board, through the ECOZONE
8 Administrator, appropriate rules and regulations for
9 the preservation of public health, and shall be
10 responsible for their enforcement. He may be aided in
11 sanitary inspections by such members of the police
12 force and by such sanitary inspectors as may be
13 authorized. He shall keep the civil registry for the
14 ECOZONE and record therein all births, marriages, and
15 deaths with their respective dates. He shall perform
16 such other duties as may be assigned by the
17 Administration with reference to the health of the
18 residents and sanitation within the ECOZONE.

D. OFFICE OF FINANCE

SEC. 41. Powers and Duties of the ECOZONE

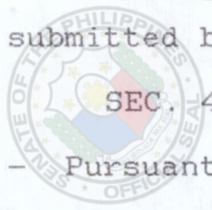
19
20 Treasurer. - There shall be an ECOZONE Treasurer who
21 shall have charge of the Office of Finance and shall
22 act as financial officer of the ECOZONE and custodian
23 of its funds.
24



25 The ECOZONE Treasurer shall collect all levies
26 and assessments due from persons and enterprises in the
27 ECOZONE as provided in this Act: shall collect all
28 license fees and rents due for public lands, markets,
29 and other property, and shall receive and receipt all
30 costs, fees, fines and forfeitures imposed on persons
31 and enterprises in the ECOZONE. He shall collect all

1 miscellaneous charges for inspection, permits,
 2 licenses, etc. made by the ECOZONE Authority. He shall
 3 be accountable for all funds and property of the
 4 government in the ECOZONE and shall render such
 5 accounts in connection therewith as may be prescribed
 6 by the Commission on Audit. He shall deposit daily all
 7 funds and collection in any government bank duly
 8 designated by the Board as government depository.

9 The ECOZONE Treasurer shall submit to the
 10 Administrator an annual certified detailed statement of
 11 all receipts and expenditures of the ECOZONE in the
 12 preceding year. He shall submit to the Administrator
 13 each quarter a statement of receipts and expenditures
 14 during the immediately past calendar quarter, and an
 15 estimate of the receipts and expenditures for the
 16 remainder of the current year. Upon receipt thereof,
 17 the Administrator shall formulate and submit to the
 18 Board for approval a detailed budget covering the
 19 estimated necessary expenditures for the ensuing twelve
 20 months: Provided, however, That in no case shall the
 21 Board approve an aggregate amount of appropriations
 22 exceeding the estimate of revenues and receipts
 23 submitted by the ECOZONE Treasurer.



24 SEC. 42. Exemption from Local Taxes and Licenses.

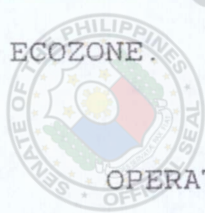
25 Pursuant to the provisions of the Local Government
 26 Code and its implementing rules and regulations, the
 27 appropriate local government units may grant exemptions
 28 from the payment of local imposts, fees, licenses or
 29 taxes to persons and enterprises in the ECOZONE. These
 30 tax exemptions shall be designed primarily to attract
 31 investors into the ECOZONE and make it internationally
 32 competitive.

1 SEC. 43. Audit Jurisdiction - The Commission on
 2 Audit or COA shall audit, examine, and settle on post
 3 audit basis all accounts pertaining to the revenue and
 4 receipts of, and expenditures or uses of funds and
 5 property owned or held in trust by or pertaining to
 6 the Philippine government in each ECOZONE.

7 SEC. 44. Engagement of Private Auditors. - With
 8 the approval of the COA, the ECOZONE Authority may
 9 engage private auditors to undertake service not
 10 otherwise performed by the COA.

11 When the exigencies of the service demand it, the
 12 COA may deputize and retain in the name of the COA such
 13 certified public accountants and other licensed
 14 professionals not in the public service as it may deem
 15 necessary to assist government auditors in undertaking
 16 special audit engagements.

17 SEC. 45. Audit Reports. - The COA shall submit to
 18 the President of the Philippines, the Congress of the
 19 Philippines and Board of the ECOZONE Authority an
 20 annual report covering the financial condition and
 21 operation of each ECOZONE, which shall also recommend
 22 measures necessary to improve efficiency in the
 23 ECOZONE.



24 CHAPTER III

25 OPERATIONS PERMITTED WITHIN THE ECONOMIC ZONE

26 SEC. 46. Dealing In or Disposal of Goods in the
 27 ECOZONE. - In the matter of dealing in or disposal of
 28 good in the ECOZONE, the following rules shall be
 29 enforced:

- 30 (a) Goods of every description, except tobacco,
- 31 firearms, ammunitions, narcotics and prohibited drugs

1 specifically and absolutely prohibited by law, may be
2 brought into an ECOZONE;

3 (b) Allowable goods inside an ECOZONE may be
4 removed from the ECOZONE in the original package or
5 otherwise;

6 (c) Unless otherwise directed by the ECOZONE
7 Authority or the appropriate government functionary,
8 goods allowable within an ECOZONE may be stored, sold,
9 exhibited, broken up, repacked, processed, assembled,
10 distributed, sorted, graded, cleaned, mixed, or
11 otherwise manipulated, or be manufactured in accordance
12 with the provisions of this Act. Provided, That, any
13 good dutiable on entry into customs territory, whether
14 in its original condition or after manufacture or as
15 component or ingredient of any goods manufactured in an
16 ECOZONE are sent from an ECOZONE into the customs
17 territory, shall be subject to the duty which should
18 have been paid on the imported good(s) in original
19 condition or as component or ingredient of the product,
20 if the import had been made directly into the customs
21 territory and to the pertinent provisions of the Tariff
22 and Customs Code and any regulations made thereunder;

23 (d) Goods, except as are prescribed under the
24 provisions of the succeeding paragraph, which have been
25 brought into an ECOZONE from customs territory shall be
26 deemed exported for the purpose of drawback under the
27 pertinent provisions of the Tariff and Customs Code;

28 (e) The provisions of paragraph (c) hereof shall
29 not apply to such goods as may be listed from time to
30 time by the Board of the ECOZONE Authority save that
31 such listed goods may be stored in the ECOZONE for the

1 purpose of transshipment, survey and repacking before
 2 removal into customs territory: Provided, That such
 3 survey and repacking shall not be carried out except
 4 with the prior permission of a senior customs official
 5 in the Economic Zone and shall be subject to such
 6 conditions as may be prescribed in the rules and
 7 regulations promulgated by the ECOZONE Authority.

8 SEC. 47. Manipulation or Manufacture in an
 9 ECOZONE. -

10 1. Subject to the provisions of Section 46 (c) of
 11 this Act, any person who intends to assemble, mix or
 12 otherwise manipulate any goods or to carry out such
 13 manufacture to the extent allowed under this Act or the
 14 rules of the ECOZONE Authority for entry into customs
 15 territory shall give the Administrator of the ECOZONE
 16 Authority written notice of his intention and obtain
 17 his prior written permission to do so. Such permission
 18 shall be granted or withheld to the rules of the
 19 ECOZONE: Provided, That, such manipulation or
 20 manufacture shall be carried out under customs
 21 supervision and in accordance with pertinent ECOZONE
 22 regulations.

23 2. The Administrator of the ECOZONE may, subject
 24 to such guidelines prescribed by the Board of the
 25 ECOZONE Authority, give an allowance for recoverable
 26 waste, but if recoverable waste is sent into customs
 27 territory, it shall be dutiable in its condition and
 28 quantity and as its weight at the time of entry.

29 SEC. 48. Calculation of Customs Duty. - The rate
 30 of customs duty and the valuation applicable to any
 31 dutiable good shall be:

1 1. in the case of goods lawfully brought into or
2 manufactured in the Economic Zone -

3 (a) if there has been no manipulation or
4 manufacture effecting a change in tariff
5 classification, the rate and valuation
6 in force on the day on which such goods
7 are sent into customs territory;

8 (b) if such goods are used in the
9 manufacture of any product which is not
10 a class dutiable on entry into customs
11 territory, the rate and valuation in
12 force on the day on which such goods are
13 removed for manufacture; and

14 (c) if such goods are manufactured from
15 materials which are not subject to
16 customs duty, the rate and valuation in
17 force on the day on which the entry or
18 such manufactured goods into customs
19 territory is authorized by the proper
20 customs official; and

21 2. in case of uncustomed goods, the rate and
22 valuation in force on the day on which such goods
23 became uncustomed goods, if known, or the rate and
24 valuation in force on the day of seizure, whichever, is
25 higher.

26 The rate of exchange of any foreign currency shall
27 be the current selling rate in the ECOZONE as last
28 notified before the time the goods are removed for the
29 purpose of manufacture or entry into customs territory.

30 SEC. 49. Retail Trade. - Not more than ten
31 percent (10%) of the goods being manufactured by an

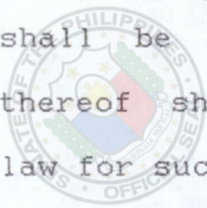
1 ECOZONE enterprise shall be made available for domestic
2 retail sales in the ECOZONE only upon forfeiture of all
3 tax and duty privileges provided by this Act.

4 SEC. 50. Taxation and Tax Treatment of Merchandise
5 in the Economic Zone. -

6 1. Except as otherwise provided in this Act,
7 foreign and domestic merchandise, raw materials,
8 supplies, articles, equipment, machinery, spare parts
9 and wares of every description, except those
10 specifically prohibited by law, brought into the
11 ECOZONE to be sold, stored, broken up, repacked,
12 assembled, installed, sorted, cleaned, graded, or
13 otherwise processed, manipulated, manufactured, mixed
14 with foreign or domestic merchandise or used whether
15 directly or indirectly in such activity, shall not be
16 subject to customs and internal revenue laws and
17 regulations nor to local tax ordinance of cities or
18 municipalities outside of the ECOZONE;

19 2. Merchandise purchased by a registered zone
20 enterprise from the customs territory, if paid for in
21 United States dollars or in any convertible foreign
22 currency and subsequently brought into the ECOZONE,
23 shall be considered as exported, and the exporter
24 thereof shall be entitled to the benefits allowed by
25 law for such transaction;

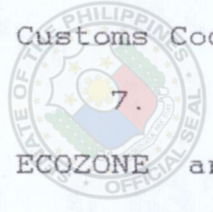
26 3. Domestic merchandise, sent from the ECOZONE
27 to the customs territory shall, whether or not combined
28 with or made part of other articles likewise the
29 growth, product or manufacture of the Philippines while
30 in the ECOZONE, be subject to internal revenue laws of
31 the Philippines as domestic goods sold, transferred or
32 disposed of for local consumption;



1 4. Subject to the provisions of Section 46 (c) of
2 this Act, merchandise sent from the ECOZONE to the
3 customs territory shall, whether or not combined with
4 or made part of other articles while in the ECOZONE be
5 governed by pertinent laws and regulations on imported
6 merchandise;

7 5. Domestic merchandise on which all internal
8 revenue taxes have been paid, if subject thereto, and
9 foreign merchandise previously imported on which duty
10 or tax has been paid, or which have been admitted free
11 of duty and tax, may be taken into the ECOZONE from the
12 customs territory of the Philippines and be brought
13 back thereto free of quotas, duty or tax;

14 6. Subject to such regulations respecting
15 identity and the safeguarding of the revenue as the
16 ECOZONE Authority may deem necessary when the identity
17 of an article entered into the ECOZONE has been lost,
18 such article when removed from the ECOZONE and taken to
19 the customs territory shall be treated as foreign
20 merchandise entering the country for the first time,
21 under the pertinent provisions of the Tariff and
22 Customs Code of the Philippines; and



23 7. Articles produced or manufactured in the
24 ECOZONE and exported therefrom shall, on subsequent
25 importation into the customs territory, be subject to
26 the import laws or regulations applicable to like
27 articles manufactured in a foreign country.

28 CHAPTER IV

29 INDUSTRIAL HARMONY IN THE ECOZONES

30 SEC. 51. Labor and Management Relations. -

31 Except as otherwise provided in this Act, labor and

1 management relations in the ECOZONE shall be governed
 2 by the existing Labor Code of the Philippines.
 3 Employees and personnel in ECOZONE enterprises shall
 4 receive salaries and benefits and shall enjoy working
 5 conditions not less than those provided under the
 6 Philippine Labor Code and other relevant laws,
 7 issuances, rules and regulations of the Philippine
 8 Government and the Department of Labor and Employment.

9 SEC. 52. Master Employment Contracts. - The
 10 ECOZONE Authority, in coordination with the Department
 11 of Labor and Employment, shall prescribe a Master
 12 Employment Contract for all ECOZONE enterprise staff
 13 members and workers, the terms of which shall provide
 14 salaries and benefits not less than those provided
 15 under this Act, the Philippine Labor Code as amended
 16 and other relevant issuances of the National Government.

17 SEC. 53. Percentage of Foreign Nationals. -
 18 Employment of foreign nationals hired by ECOZONE
 19 enterprises in a supervisory, technical or advisory
 20 capacity shall not exceed five per centum (5%) of its
 21 workforce without the express authorization of the
 22 Secretary of Labor and Employment.



23 Foreign nationals under employment contracts,
 24 their spouses and unmarried children under twenty-one
 25 (21) years of age, who are not excluded under any
 26 policy or law, shall be permitted to enter and reside
 27 in the Philippines during the period of the contract of
 28 employment of such foreign national.

29 SEC. 54. Migrant Worker. - The ECOZONE Authority,
 30 in coordination with the Department of Labor and
 31 Employment, shall promulgate appropriate measures and

1 programs leading to the expansion of the services of
2 the ECOZONE to help the local governments of nearby
3 areas meet the needs of the migrant workers.

4 SEC. 55. Incentive Scheme. - An additional
5 deduction from the National Government share of the
6 three percent (3%) of gross income of persons and
7 enterprises in the ECOZONE equivalent to one-half (1/2)
8 of the value of training expenses incurred in
9 developing skilled or unskilled labor or for managerial
10 or other management development programs shall be
11 granted to the person or enterprise concerned. Such
12 shall first be approved by the ECOZONE Authority
13 according to guidelines prescribed by it in
14 coordination with the Department of Labor and
15 Employment. The deduction allowed under this section
16 shall, not exceed ten percent (10%) of direct labor
17 wage.

18 The ECOZONE Authority and the Department of Labor
19 and Employment shall jointly make a periodic review of
20 the incentive scheme provided in this section every two
21 (2) years or when circumstances so warrant.

22 SEC. 56. Service Charges. - All service charges
23 collected by hotels, motels, restaurants, nightclubs,
24 day clubs, gambling casinos and other similar
25 establishments in the ECOZONE shall be distributed at
26 the rate of eighty-five percent (85%) for all employees
27 of said establishments, regardless of the nature of
28 their work in the same establishments, and fifteen
29 percent (15%) for management. The share pertaining to
30 the employee shall be equitably distributed among them.

1 socio-economic regional development projects in the
2 ECOZONE that are funded out of national funds, as well
3 as evaluation thereof from a regional development
4 perspective.

5 SEC. 60. Relationship with the Regional
6 Development Council: Delineation of Responsibilities
7 for Regional Development Council of the Region where
8 the ECOZONE is located.

9 The ECOZONE Authority shall determine the development
10 goals for the ECOZONE within the framework of national
11 development plans, policies and goals, and the Administrator
12 shall submit the ECOZONE plans, programs and projects to the
13 Regional Development Council for inclusion in and as inputs
14 to the overall regional development plan.

15 SEC. 61. Relationship with Service-Wide Agencies.

16 - The Department of Budget and Management, the
17 Commission on Audit, the Civil Service Commission, the
18 Department of Finance, the Central Bank and other
19 service-wide agencies shall make the necessary
20 amendments and adjustments in their respective
21 regulations and procedures in order to make them
22 consistent with the purposes, intents and objectives of
23 this Act and responsive to the particular developmental
24 needs of the ECOZONE.

25 SEC. 62. Resolution of Conflict. - In case of
26 conflict between the local government units concerned
27 and the ECOZONE Authority on matters affecting both
28 entities which cannot be resolved in their level, it
29 shall be elevated by any of the parties to the Regional
30 Development Council having territorial jurisdiction

1 over them. The Decision of the Council shall be final
2 and immediately executory.

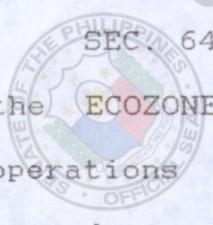
3 For purposes of this Section, the NEDA Board shall
4 formulate and issue the necessary implementing rules
5 and regulations.

6 CHAPTER VI

7 MISCELLANEOUS PROVISIONS

8 SEC. 63. Power to Borrow and Incur Debts. - The
9 ECOZONE Authority is hereby vested with the authority
10 to borrow money for the account of the ECOZONE from
11 local or foreign investors directly or through private
12 placement, or public issuances and flotation of bonds,
13 notes, debentures, certificates of indebtedness,
14 securities and other financial instruments and papers
15 for the purpose of financing the development and/or
16 operations of the ECOZONE under such terms and
17 conditions the Board of the ECOZONE Authority may deem
18 for the best interests of the ECOZONES: Provided, That
19 such borrowings and flotations shall be subject to the
20 approval of Department of Finance and if made, foreign
21 exchange to the prior approval of the Central Bank,
22 according to prescribed guidelines and procedures.

23 SEC. 64. Termination of Business. - Investors in
24 the ECOZONE who desire to terminate business or
25 operations shall comply with such requirements and
26 procedures which the ECOZONE Authority shall set,
27 particularly those relating to the clearing of debts.
28 The assets of the closed enterprises can be transferred
29 and the funds can be remitted out of the ECOZONE
30 subject to rules, guidelines and procedures prescribed
31 jointly by the Central Bank, Department of Finance and
32 the ECOZONE Authority concerned.



1 SEC. 65. Jurisdiction of the ECOZONE for the
 2 Police Purposes. - The jurisdiction of the ECOZONE for
 3 police purposes shall extend to six (6) kilometers from
 4 the shore, and the land to a perimeter of up to three
 5 (3) kilometers in width, subject to the consent of the
 6 concerned local government and PNP unit, solely for the
 7 purpose of protecting and ensuring the safety of water
 8 supply of the ECOZONE. Such police jurisdiction shall
 9 also extend over all territory within the drainage area
 10 of such water supply, or within two hundred (200)
 11 meters of any reservoir, conduit, canal, aqueduct, or
 12 pumping station used in connection with an ECOZONE
 13 water service.

14 SEC. 66. Foreign-Assisted Projects.- The
 15 foreign-assisted projects of an ECOZONE shall be under
 16 the direction and supervision of the ECOZONE
 17 Administrator, subject to the powers of the ECOZONE
 18 Authority: Provided, That the foreign-assisted
 19 projects of National Government agencies shall be under
 20 the supervision of the appropriate agencies of the
 21 National Government.

22 SEC. 67. Corporate Register. - The ECOZONE
 23 Authority shall have and maintain their individual
 24 separate business register for partnerships,
 25 corporations or single proprietorship and shall
 26 supervise, regulate and control all corporations and
 27 partnerships registered with the ECOZONE, in accordance
 28 with the policies laid down by it.

29 The Securities and Exchange Commission, for
 30 statistics and information purposes only, shall note in

1 a separate book the pertinent papers of corporations
2 and partnerships that have been established in the
3 ECOZONE.

4 SEC. 68. Construction and Other Permit Fees. -

5 To further encourage investments in the ECOZONE, the
6 Administrator of the ECOZONE, upon approval of the
7 ECOZONE Authority, may waive the payment of
8 construction permit fee, electrical inspection fee,
9 water connection fee, and other similar fees to the
10 first one hundred (100) investors in the ECOZONE.

11 CHAPTER VII

12 SPECIAL PROVISIONS

13 SEC. 69. Effect of the Establishment of an

14 ECOZONE in an Area where there is an Existing Export
15 Processing Zone, Barter Trade Office, Industrial
16 Estate, Special Regional Industrial Centers (RIC's) and
17 other Economic Areas - Whenever an ECOZONE is
18 established in an area where there is an existing
19 Export Processing Zone, Barter Trade Office,
20 Industrial Estate, Regional, Industrial and other
21 Economic areas, the same shall be absorbed and
22 integrated with the ECOZONE and all properties,
23 records, equipment, appropriations, subsidies,
24 buildings, facilities and other assets of said
25 entities, including such applicable personnel and
26 existing obligations, shall be transferred to the
27 ECOZONE.

28 Government personnel whose services are not
29 retained by the ECOZONE Authority or any government
30 office within the ECOZONE shall be entitled to
31 separation pay and such retirement and other benefits

1 they are entitled to under the laws then in force at
2 the time of their separation: Provided, That in no
3 case shall the separation pay be less than one (1)
4 month salary for every year of service.

5 SEC. 70. Strategy of Development of the ECOZONE.

6 - The strategy and priority of development of the
7 ECOZONE established pursuant to this Act may follow
8 the following patterns:

9 (a) the development of high-value marine or
10 aquatic industry products that are highly in demand in
11 the world markets;

12 (b) the manufacture of agri-products and the
13 development of the food and beverage processing
14 industry and other similar or related activities;

15 (c) commercial activities, such as the
16 establishment and development of international
17 investment banking facilities and financial services,
18 trading, insurance, shipping, establishment of modern
19 container terminals, transshipment of goods, securities
20 and development of commodity futures trading;

21 (d) light and medium high technology industries,
22 such as the manufacture of highly sophisticated
23 telecommunications equipment, computers, peripherals
24 and softwares, the manufacture of medical diagnostic
25 and therapeutic, equipment and other similar or related
26 high-technology electronics industry;

27 (e) the manufacture of essential drugs and other
28 pharmaceutical products both for local consumption and
29 export: Provided, That ten percent (10%) of the total
30 production of pharmaceutical products by an ECOZONE
31 enterprise may be required to be made available to the
32 domestic market;

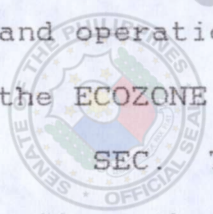
1 (f) establishment of modern infrastructure and
2 facilities such as airports, telecommunications
3 stations and other highly efficient facilities.

4 (g) processing into finished products of raw
5 materials sent by business firms from abroad to their
6 local branches or affiliates in the ECOZONE and other
7 similar or related activities.

8 (h) tourism and travel and other service
9 industries in the ECOZONE, such as hotels, motels,
10 tourist restaurants and other similar or related
11 activities.

12 Depending on the appropriateness of the area where
13 the proposed ECOZONE is to be established, priority
14 shall be given to heavy industries such as ship
15 building and repair facilities and other heavy
16 industries: Provided, That the ECOZONE shall, as much
17 as possible, align their strategy development to the
18 priorities of the National government.

19 It shall be the policy of the government and the
20 ECOZONE Authority to encourage and provide incentives
21 and facilitate private sector participation, especially
22 the build-operate-transfer scheme, in the construction
23 and operation of public utilities and infrastructure in
24 the ECOZONE.



25 SEC. 71. Sources of Funding. - The initial, as
26 well as the regular operations of the ECOZONE shall be
27 funded from the following:

28 (a) The annual subsidies, appropriations and/or
29 other assets of the Export Processing Zone, the Barter
30 Trade Office and the Industrial Estates and other
31 economic areas that have been absorbed/transferred to
32 the ECOZONES as mandated in this Act;

1 (b) The proceeds from the rents of lands,
2 buildings, and other properties belonging to the
3 ECOZONE concerned;

4 (c) The proceeds from fees, charges and other
5 revenue generating instruments which the ECOZONE
6 Authority is authorized to impose and collect under
7 this Act;

8 (d) The proceeds from bonds which any of the
9 ECOZONE established under this Act is authorized to
10 float both domestic and abroad;

11 (e) The advance rentals, license fees, and other
12 charges which the ECOZONE Authority is authorized to
13 impose and collect under this Act and which an investor
14 is willing to advance payment; and

15 (f) Such amounts which the National Government
16 shall advance to help expedite the organization of an
17 ECOZONE and its other initial expenses, which shall be
18 paid back by the ECOZONE Authority concerned at
19 reasonable terms and conditions.

20 SEC. 72. Authority of the President to Advance
21 Initial Expenses, Etc. - Subject to existing laws, the
22 President of the Philippines is hereby authorized to
23 advance out of the savings of the Office of the
24 President and any other executive department such funds
25 as may be necessary to effect the organization of an
26 ECOZONE which shall be reimbursed by the ECOZONE
27 Authority at reasonable terms and conditions.

28 CHAPTER VIII

29 FINAL PROVISIONS

30 SEC. 73. Separability Clause. - The provisions of
31 this Act are hereby declared separable, and in the
32 event one or more of such provisions or part thereof

1 are declared unconstitutional, such declaration of
2 unconstitutionality shall not affect the validity of
3 the other provisions thereof.

4 SEC. 74. Interpretation/Construction. - The
5 powers, authorities and functions that are vested in
6 the ECOZONE and the ECOZONE Authority by this Act, are
7 intended to establish decentralization of governmental
8 functions and authority as well as an efficient and
9 effective working relationship between the ECOZONE, the
10 central government and the local government units.

11 SEC. 75. Repealing Clause - All laws, acts,
12 presidential decrees, executive orders, proclamations
13 and/or administrative regulations which are
14 inconsistent with the provisions of this Act are hereby
15 amended, modified, superseded or repealed accordingly.

16 SEC. 76. Effectivity. - This Act shall take effect
17 upon its approval.

18 Approved,



Senate Archives (IRAS)