

MONDAY, MAY 17, 1999

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The President. Referred to the Committees on Foreign Relations; and National Defense and Security.

The Secretary. Resolution No. 0917, current series of the Sangguniang Panlalawigan of Negros Occidental requesting the Committees on Foreign Relations; and National Defense and Security, to include the Province of Negros Occidental, specifically Bacolod City, as one of the venues for public hearing regarding the RP-US Visiting Forces Agreement.

The President. To the Archives.

ADDITIONAL REFERENCE OF BUSINESS

MESSAGES FROM THE HOUSE OF REPRESENTATIVES

The Secretary.

May 10, 1999

The Honorable
MARCELO B. FERNAN
President of the Senate
Financial Center
Pasay City 1308
Metropolitan Manila

Mr. President.

I have been directed to inform the Senate that the House of Representatives has reconsidered its approval of the Bicameral Conference Committee Report on the disagreeing provisions of House Bill No. 5992, entitled:

"AN ACT AMENDING REPUBLIC ACT NO. 7916, OTHERWISE KNOWN AS THE SPECIAL ECONOMIC ZONE ACT OF 1995"

and Senate Bill No. 1136, entitled:

"AN ACT EXPEDITING THE DEVELOPING OF ECOZONES, AMENDING CERTAIN SECTIONS OF REPUBLIC ACT NO. 7916, OTHERWISE KNOWN AS THE SPECIAL ECONOMIC ZONE ACT OF 1995, AND FOR OTHER PURPOSES"

and consequently, reconstituted on May 5, 1999 the House Panel to the Bicameral Conference Committee and elected Representatives Ralph G. Recto, Eduardo R. Gullas, Manuel A. Roxas II, Jesli A. Lapus, Oscar S. Moreno, Antonino P. Roman, Benjamin S. Lim, Leonardo Q. Montemayor, Bellaflor J. Angara-Castillo, Ma. Victoria L. Locsin, Inee R. Marcos and Sergio A.F. Apostol as its conferees.

Very truly yours,

(Sgd.) ROBERTO P. NAZARENO
Secretary General

The President. To the Archives.

The Secretary.

May 13, 1999

The Honorable
MARCELO B. FERNAN
President of the Senate
Financial Center
Pasay City 1308
Metropolitan Manila

Mr. President:

I have been directed to inform the Senate that the House of Representatives on May 12, 1999 approved the Bicameral Conference Committee Report on the disagreeing provisions of House Bill No. 5992, entitled:

"AN ACT AMENDING REPUBLIC ACT NO. 7916,
OTHERWISE KNOWN AS THE SPECIAL
ECONOMIC ZONE ACT OF 1995"

and Senate Bill No. 1136, entitled:

"AN ACT EXPEDITING THE DEVELOPMENT OF
ECOZONES, AMENDING CERTAIN SECTIONS OF
REPUBLIC ACT NO. 7916, OTHERWISE KNOWN
AS THE SPECIAL ECONOMIC ZONE ACT OF
1995, AND FOR OTHER PURPOSES"

Very truly yours,

(Sgd.) ROBERTO P. NAZARENO
Secretary General

The President. To the Archives.

CONFERENCE COMMITTEE REPORT ON S. NO. 1136/H. NO. 5992
(Special Economic Zone)

Senator Drilon. Mr. President, with the permission of this Chamber, may we, at this point, consider the Bicameral Conference Committee Report on the disagreeing provisions of Senate Bill No. 1136 and House Bill No. 5992.

The President. Is there any objection? [Silence] There being none, the motion is approved.

Senator Drilon. With the permission of the Body, may we ask the Chair to recognize Sen. Sergio Osmeña III to deliver the report.

The President. Sen. Sergio R. Osmeña III is recognized.

REPORT OF SENATOR OSMEÑA (S)

Senator Osmeña (S). Thank you, Mr. President.

As the Chair of the Senate panel to the Bicameral Conference Committee on the disagreeing provisions of Senate Bill No. 1136 and House Bill No. 5992, we are hereby pleased to submit to our colleagues in this Chamber the following joint statements in explanation of the amendments agreed upon by the conferees and recommended in the accompanying Conference Committee Report:

- 1) The Conferees agreed to adopt the Senate version as the working draft.
- 2) Section 1 which deals with the composition of the PEZA Board is a consolidated version of Section 2 of the Senate version and Section 1 of the House version with some modifications. Instead of the word "particularly" the term was replaced by the word PREFERABLY. The phrase "solid track record" was deleted. In lieu of the 11 and 15 board members as proposed in the Senate and House versions, respectively, the Bicameral panel settled for THIRTEEN (13) members to comprise the PEZA Board.
- 3) Section 2 covering the Administration of Ecozones was lifted from Section 3 of the Senate version.
- 4) Section 3 covering Personnel was taken from Section 4 of the Senate version.
- 5) Section 4 on Tax Exemptions is a consolidation of Section 5 of the Senate version and Section 2 of the House version with some modifications. The title was amended to read: "Exemption from NATIONAL AND LOCAL taxes." The phrase "Any provision of existing laws, rules and regulations to the contrary notwithstanding" was removed and replaced by the phrase EXCEPT FOR REAL PROPERTY TAXES ON LAND OWNED BY DEVELOPERS.

The phrase "of paying taxes" was replaced by the word THEREOF. Moreover, the phrase "remitted to the National Government" was deleted. Also, the terms "shared" and "distributed" were substituted by the words PAID and REMITTED, respectively.

Subsection (b) was removed and replaced with Section 2 of the House version which reads as follows:

(b) TWO PERCENT (2%) WHICH SHALL BE DIRECTLY REMITTED BY THE BUSINESS ESTABLISHMENTS TO THE TREASURER'S OFFICE OF THE

MUNICIPALITY OR CITY WHERE THE ENTERPRISE IS LOCATED.

On Subsection (c), the House version deleting the same was adopted.

6) On Section 5 which deals with Applicable National Taxes, the conferees agreed to amend Section 25 of Republic Act No. 7916 by clarifying that both national and local taxes shall be applicable to all persons and service establishments in the ecozone.

7. Section 6 which deals with Eminent Domain is Section 1 of the Senate version and Section 3 of the House version were consolidated to read as follows:

SEC. 29. Eminent Domain. --- ...

IF IN THE ESTABLISHMENT OF A PUBLICLY OWNED ECOZONE, ANY PERSON OR GROUP OF PERSONS WHO HAS BEEN OCCUPYING A PARCEL OF LAND WITHIN THE ZONE HAS TO BE EVICTED, THE PEZA SHALL PROVIDE THE PERSON OR GROUP OF PERSONS CONCERNED WITH PROPER DISTURBANCE COMPENSATION: PROVIDED, HOWEVER, THAT IN THE CASE OF DISPLACED AGRARIAN REFORM BENEFICIARIES, THEY SHALL BE ENTITLED TO THE BENEFITS UNDER THE COMPREHENSIVE AGRARIAN REFORM LAW, INCLUDING BUT NOT LIMITED TO SECTION 36 OF REPUBLIC ACT NO. 3844. IN ADDITION TO A HOMELOT IN THE RELOCATION SITE AND PREFERENTIAL EMPLOYMENT IN THE PROJECT BEING UNDERTAKEN.

8. In Section 7, the conferees agreed to delete the second paragraph of Chapter VI, Section 50 of Republic Act No. 7916, which reads: "Any provision of this Act which provides benefits or privileges less than those granted or imposes obligations or burdens more onerous to special economic zones created or to be created under special laws shall not apply to them."

9. Section 8 on the Effectivity Clause was adopted from the Senate version.

10. The conferees adopted the title of the House version which reads as follows:

AN ACT AMENDING REPUBLIC ACT NO. 7916, OTHERWISE KNOWN AS THE "SPECIAL ECONOMIC ZONE ACT OF 1995"

In case of conflict between the statement or statements stated in this Joint Explanatory Statement and that of the provisions of the consolidated bill in the accompanying Conference Committee Report, the provisions of the latter shall prevail.

Mr. President, I am pleased to submit this Bicameral Conference Committee Report for the approval of this Chamber.

Thank you very much.

Senator Drilon. Mr. President.

The President. The Majority Leader is recognized.

Senator Drilon. Mr. President, may I ask that we recognize the Minority Leader for some clarification.

The President. Senator Guingona is recognized.

Senator Guingona. Thank you, Mr. President.

May I ask the distinguished sponsor whether Section 4 exempts real property taxes on land owned by cooperatives because there are some agrarian recipients who are cooperatives and they developed this property. Would they be subject to real property taxes?

Senator Osmeña (S). Mr. President, ecozone developers are approved by the Philippine Economic Zone Authority (PEZA). To my knowledge, there have been no cooperatives, but if they are developers, they will have to pay real estate taxes.

Senator Guingona. And on top of that, they pay the 2%?

Senator Osmeña (S). That is a separate issue, Mr. President. The 2% is income tax in lieu of all other national and local taxes aside from real property taxes on land. So therefore the practice or what has been happening is that the locators in the ecozone tend to take advantage first of the tax exemptions granted by the BOI which is four to six years depending upon what type of industry they have. After that, the 5% on gross operating income, in lieu of all national and local taxes, kicks in.

So to my mind, there would only be a handful who have been paying the 5% because they are all still enjoying the four to six-year tax holiday granted by the BOI.

Senator Guingona. The 2% will be imposed upon all?

Senator Osmeña (S). Of the 5%, the 2% will now directly go to the local government. Before, those who are paying it had to course it through the BIR, the national government and never got to the local governments.

Senator Guingona. And the 3% will go to national government?

Senator Osmeña (S). The 3% will go to the...

Senator Guingona. And then Section 5 says that "both national and local taxes shall be applicable to all persons and service establishments." Is that correct?

Senator Osmeña (S). The distinguished gentleman is talking

about paragraph 6 of the Committee Report. Yes, this is just to clarify the law. Senator Enrile, who is one of the authors of the law, Regional Law, wanted to make sure that those who work in the zone or those who establish banks, dry cleaners and other service-type of establishments to service the locators in the zones will not be able to take advantage of the tax advantages that are given to locators inside the ecozones.

Senator Guingona. So, they would be subject to all....

Senator Osmeña (S). That is correct, Mr. President, they will have to pay income tax just like anybody else, I suppose.

Senator Guingona. Thank you, Mr. President.

Senator Osmeña (S). Thank you, Mr. President.

Senator Drilon. Mr. President.

The President. Senator Drilon is recognized.

Senator Drilon. Just one or two questions for clarification if the distinguished sponsor may yield?

The President. Please proceed.

Senator Osmeña (S). With pleasure, Mr. President, to the distinguished Majority Leader.

Senator Drilon. Paragraph 6 of the report, Mr. President, provides that in Section 7, the conferees agreed to delete the second paragraph of Chapter 6, Section 50, of Republic Act No. 7916.

First, may we know what this exactly means, Mr. President?

Senator Osmeña (S). I thank the Majority Leader for that question, Mr. President.

During the Bicam report, although this was never subject of the amendments proposed, upon reading that particular section, Section 50, the entire section, if I might be permitted, Mr. President, reads as follows:

SEC. 50. Non-Applicability on Areas Covered by Republic Act No. 7227. -- This Act shall not be applicable to economic zones and areas already created or to be created under Republic Act No. 7227 or other special laws, and governed by authorities constituted pursuant thereto.

Then the next paragraph which reads:

Any provision of this Act which provides benefits or privileges less than those granted or imposes

obligations or burdens more onerous to special economic zones created or to be created under special laws shall not apply to them.

did not make sense in the context of the law or in the context of the section. So we all agreed to delete this particular part of Section 50.

Senator Drilon. May I know, Mr. President, if any private rights are affected by the deletion of this sentence? Honestly, I could not figure out what this means. I am just asking whether certain companies or certain private rights--existing rights--which were acquired pursuant to Section 50 would be prejudiced by the deletion of the paragraph referred to in the Bicameral Conference Committee Report.

Senator Osmeña (S). No, Mr. President. Precisely this was removed because it was confusing. Nobody could figure out what it meant.

But the first part of Section 50 was pretty clear enough in itself, Republic Act No. 7227 which created the BCDA and the Subic Bay Development Authority and other special laws--the special laws we passed creating, let us say, the Cagayan Special Economic Zone or the Free Port in Zamboanga or in other places. These are covered by the first part of the section and nobody could make any sense out of this second part of the section. So we just decided to delete it.

Senator Drilon. Since nobody could figure out what it means, we just deleted it.

Senator Osmeña (S). That is correct.

Senator Drilon. Thank you very much, Mr. President.

Senator Osmeña (S). Thank you, Mr. President.

APPROVAL OF CONFERENCE COMMITTEE REPORT ON
S. NO. 1136/H. NO. 5992

Senator Drilon. Mr. President, may we now move that we approve the Conference Committee Report on the disagreeing provisions of Senate Bill No. 1136 and House Bill No. 5992.

The President. Is there any objection? [Silence] There being none, the motion is hereby unanimously approved.

The following is the whole text of the Conference Committee Report:

(Insert)
