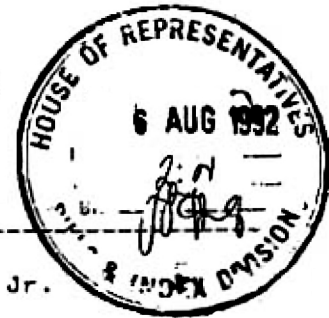


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

First Regular Session

HOUSE BILL NO. 666



By Congressman Ferdinand R. Marcos, Jr.

EXPLANATORY NOTE

The establishment of economic zones and free ports is not a new economic phenomenon in the Philippines. In 1969, the Bataan Export Processing Zone was put up in Mariveles, Bataan. Subsequently, the Cavite Export Processing Zone and the Mactan Export Processing Zone were also established in the 70's.

It seems though that the economic objectives for which said economic zones and free ports were established have not yet been realized even after the lapse of more than two decades. Instead of developing, the Philippine economy has stagnated.

One of the reasons cited for the lackluster performance of said eco-zones and free ports, in terms of being able to attract foreign investors, is the inadequacy of the incentives provided under existing laws compared with those being offered by other Asian countries. Hence, this proposed legislative measure which seeks to provide for more attractive incentives with the fervent hope that the excess capital of our neighboring countries, particularly the so-called Tiger economies of Asia, will now finally be channeled to the Philippines.

The location of the proposed special economic zone is strategic and therefore ideal. Located in the northern part of Luzon, Ilocos Norte settles in a wide plain between the foothills of the Central Cordillera ranges on the east and the China Sea on the west. The provincial coastline, an extension of the beaches of Pangasinan, La Union, and Ilocos Sur, is dotted with numerous coves and tide-rivers.

Physiographically, Ilocos Norte has distinct zones each with a characteristic admixture of natural resource landscape with corresponding opportunities and limitations for different production, growth, and development activities.

On top of these, there are already existing facilities in the province that are sure come-ons to would be foreign investors. To name just a few: the Laoag International Airport, which has regular Taipei to Laoag flights, and vice versa, and Hongkong to Laoag flights and vice-versa; the Paoay International Golf Course, and the Fort Ilocandia Hotel.

Passage of this bill is therefore earnestly requested.

HON. FERDINAND R. MARCOS, JR.

HOUSE OF REPRESENTATIVES
H.B. No. 666

Introduced by Rep. Ferdinand R. Marcos, Jr.

AN ACT
ESTABLISHING A SPECIAL ECONOMIC AND FREE PORT ZONE IN THE
PROVINCE OF ILOCOS NORTE, CREATING THE ILOCOS NORTE ECONOMIC
ZONE AUTHORITY, PROVIDING FUNDS THEREFOR, AND FOR OTHER PURPOSES

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

SECTION 1. Short Title. - This Act shall be known as
the "Ilocos Norte Special Economic Zone Act of 1992".

Sec. 2. Declaration of Policy. - It is hereby declared
the policy of the government to actively encourage, induce,
accelerate and support a sound and balanced industrial, economic
and social development of the country in order to provide jobs to
the people especially in the countryside, increase their
productivity and their individual or family income, and thereby
improve the level and quality of their living condition through
the establishment of special economic zones and free ports, among
others, in suitable and strategic locations in the country and
through measures that shall effectively attract legitimate and
productive foreign investments.

Sec. 3. The Ilocos Norte Special Economic and *Free
Port Zone. - There is hereby established a special economic zone
and free port, to be known as the Ilocos Norte Special Economic
Zone, hereinafter known as the Zone, which shall cover the entire
province of Ilocos Norte.

Sec. 4. Governing Policies and Principles. - The
Ilocos Norte Special Economic Zone shall be managed and operated
under the following policies and principles:

a). Within the framework and subject to the
mandate and limitations of the Constitution and the pertinent
provisions of the Local Government Code, the Zone shall be
developed into and operated as a self-sustaining industrial,
commercial, financial and investment center and free port in order
to create employment opportunities in the Zone, and to
effectively encourage, attract and promote legitimate and
productive foreign investments therein.

b). The Ilocos Norte Special Economic Zone shall efficiently managed and operated as a separate customs territory ensuring free flow, entry and movement of goods, capital, machinery, tools, transport facilities, communication devices, equipment, supplies, raw materials, and other articles into and within, and their exportation or re-exportation out of the Zone without any delay and to allow tax and duty-free entry or importations into the Zone of the foregoing and such other articles needed or to be used therein: Provided, however, that the removal from the Zone of any such goods, machinery, tools, transport facilities, communication devices, equipment, supplies, raw materials and other articles which have entered the Zone without paying the corresponding internal revenue taxes and customs duties thereon, including the removal of goods in whatever stage of production, whether imported into or produced in the Zone, to any other part of the Philippines, shall be subject to the payment of customs duties and applicable internal revenue taxes under the Tariff and Customs Code and relevant internal revenue laws of the Philippines before such machinery, tools, transport facilities, communication devices, equipment, supplies, raw materials, imported or manufactured goods or articles leave the Zone. For this purpose, customs exit points in convenient locations within the Zones shall be established.

c). Any provision of existing laws, rules and regulations to the contrary notwithstanding, no national or local taxes whatsoever shall be imposed and collected within the Zone on any machinery, tools, transport facilities, communication devices, equipment, supplies, raw materials and other articles brought into the Zone, nor on any industrial plants, factories, buildings, structures, facilities, and business enterprises constructed or established therein, as the case may be, nor on any goods or articles in whatever stage of production, whether imported into or produced in the Zone.

In lieu of such taxes, business enterprises established within the Zone shall pay and remit to the National Government three percentum (3%) of their gross income derived from their production or business activities within the Zone, of which half a percentum (.5%) shall accrue to the Province of Ilocos Norte and the balance thereof to remain with the National Government.

In case of conflict between national and local laws with respect to tax exemption privileges in the Zone, the same shall be resolved in favor of the latter.

d). Local and foreign banks and other financial institutions shall be allowed to operate within the Zone and their operations therein shall be supervised and regulated by the Central Bank of the Philippines: Provided, That, no exchange control shall be instituted within the Zone: Provided, further, That, free market transactions in foreign exchange, gold and the like shall be allowed and maintained therein: Provide, finally, That, local commercial banks and offshore banking units of foreign banks shall be allowed within the Zone to accept and open foreign currency deposits with the least regulations by the Central Bank.

e). Any foreign investor who establishes a business enterprise within the Zone and who maintains capital investment of not less than Two Hundred Fifty Thousand United States Dollar (U.S. \$ 250,000.00) shall be granted, along with

his or her spouse, dependents, and unmarried children below the age of 21 years of age, a permanent resident status within the Zone. The responsibility and authority to grant said status is hereby delegated to the Ilocos Norte Special Economic Zone Authority referred to in Section 5 of this Act.

Such foreign investor and his or her spouse, dependents, and unmarried children below the age of twenty one (21) years shall have freedom of ingress or egress to and from the Zone without any need of any special authorization from the Bureau of Immigration and Deportation: Provided, That, the Ilocos Norte 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 foreigners granted permanent residence status and working visas by the Ilocos Norte Economic Zone shall be reported to the Bureau of Immigration and Deportation within thirty (30) days from such grant.

f). Except as herein otherwise provided, the local government units embraced within the Zone shall retain and maintain its basic autonomy and identity: Provided, That, the city of Laoag shall be governed by its charter and the municipalities shall operate and function in accordance with Republic Act No. 7160, otherwise known as the Local Government Code of 1991.

SEC. 5. Creation of the Ilocos Norte Economic Zone Authority. - There is hereby created a body corporate to be known as the "Ilocos Norte Economic Zone Authority", hereinafter the Authority, to manage and operate in accordance with the provisions of this Act the Ilocos Norte Special Economic Zone and Free Port for a period of fifty (50) years which period shall begin to run on the first day of the third (3) calendar year subsequent to the effectivity of this Act.

SEC. 6. Powers and Functions of the Ilocos Norte Economic Zone Authority. - The Ilocos Norte Economic Zone Authority shall have the following powers and functions:

a). To formulate and implement a comprehensive and detailed Master Socio-Economic Development Plan adopting, modifying and revising but not limiting itself to the Ilocos Norte Development Planning Project prepared by Office of the Governor of Ilocos Norte in cooperation with the National Economic and Development Authority in 1984, and consistent with ecological and rational standards, for a rational, balanced and productive utilization of the land and water areas covered within the Zone;

b). To approve, accept, accredit and allow any local or foreign business enterprise or investment in the Zone subject only to such rules and regulations as the Authority may promulgate from time to time in conformity with the provisions of this Act and the limitations provided in the Constitution;

c). To encourage and promote by way of appropriate incentives the active participation of the private sector in transforming the Zone into an integrated, planned and balanced agro-industrial society;

d). To manage and operate, through private sector companies, developmental projects outside the jurisdiction of subsidiary companies and Special Economic Zones declared by Presidential Proclamations and established under this Act;

e). To authorize or undertake on its own and regulate the establishment, operation and maintenance of public utilities, services, and infrastructures in the Zones such as, but not limited to, shipping, barging, stevedoring, cargo handling, hauling, warehousing, storage of cargo, port services or concessions, piers, wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads, bridges, terminals, conveyors, water supply and storage, sewerage, drainage, airport operations in coordination with the Civil Aeronautics Board, and such other services or concessions or infrastructures necessary or incidental to the Accomplishment of the objectives of this Act;

f). To construct, acquire, own, lease, operate and maintain on its own or through others by virtue of contracts, franchises, licenses, or permits under the build-operate-transfer scheme or under a joint venture with the private sector any or all of the public utilities and infrastructures required or needed in the Zone in coordination with appropriate national and local government authorities and in accordance with applicable laws thereon;

g). To operate on its own, either directly or through a subsidiary entity, or license to other tourism-related activities, including games and amusements, under priorities and standards set by the Authority but such power shall not include horse racing, dog racing and gambling casinos which shall remain under the licensing power of the Philippine Amusement and Gaming Corporation;

h). To form, establish, organize and maintain subsidiary corporations, as its business and operations may require, whether under the laws of the Philippines or the laws of any other country;

i). To serve as the holding company of subsidiary corporations created pursuant to the provision of this Act and to invest in the Zone declared herein;

j). Within the limitation provided by law, to raise or borrow adequate and necessary funds from local or foreign sources to finance the projects and programs under this Act; Provided, That, for the foregoing purpose, the Authority may issue bonds, promissory notes, and other forms of securities, and to secure the same by guarantee, pledge, mortgage, deed of trust, or an assignment of all or part its property or assets;

k). To establish a working mechanism in coordination with the city of Laoag and all the municipalities in Ilocos Norte to effect meaningful consultation regarding the Authority's plans, programs, and projects within the Zone;

l). To plan, program and undertake the socio-economic and cultural readjustment, relocation, retraining and re-employment of individuals, families and/or communities whose ways of lives are directly or indirectly affected, influenced or disturbed culturally, economically and environmentally by the plans, programs and projects of the Authority;

m). To reclaim or undertake reclamation projects as it may deem necessary in areas adjacent or contiguous to the Zone either by itself or in collaboration with the Public Estates Authority;

n). To exercise the right of eminent domain;

o). To receive donations, grants, bequests and assistance of any and all kinds from local or foreign governments or entities;

p). To adopt, alter and use a corporate seal; to contract, lease, buy, sell, acquire, own and dispose movable and immovable as well as personal and real property of whatever nature, including but not limited to shares of stock or participations in private corporations or in limited partnerships, or in joint ventures with limited liability, bonds, precious metals in bullions, ingots, and easily convertible foreign exchange; to sue and be sued in order to carry out its duties, responsibilities, privileges, powers and functions as granted and provided for in this Act;

q). To protect, preserve, maintain and develop virgin forests, beaches, coral and coral reefs within the Zone: Provided, That, the virgin forest within the Zone shall be proclaimed as a national park and shall be covered by a permanent total log ban: Provided, further, That, for said purpose the rules and regulations of the Department of Environment and Natural Resources and other government agencies involved in similar functions shall be implemented by the Authority;

r). To adopt, implement and enforce reasonable measures and standards to control pollution within the Zone;

s). To provide security for the Zone in coordination with the national or local government or their agencies: Provided, That, the Authority shall provide, establish and maintain its own security and firefighting capability;

t). To promulgate rules and regulations, consistent with the provisions of this Act, as may be necessary to implement and accomplish the objectives, purposes and policies provided herein;

u). To perform such other powers as may be essential, necessary or incidental to the powers expressly conferred upon it.

SEC. 7. Board of Directors of the Ilocos Norte Economic Zone Authority.- The powers of the Ilocos Norte Economic Zone Authority shall be vested in and exercised by a Board of Directors, hereinafter the Board, which shall be composed of nine (9) members, to wit:

1). The Secretary of the Department of Trade and Industry who shall serve as the ex-officio Chairman of the Board of Directors and two (2) other representatives of the National Government coming from the Department of Transportation and Communications and the Philippine Ports Authority;

2). A representative from the Philippine Chamber of Commerce and Industry;

3). Duly authorized representatives of the two (2) Congressional District Representatives of Ilocos Norte;

4). A representative of labor from among the workers in the Ilocos Norte Economic Zone;

5). Two (2) representatives of the investors in the Ilocos Norte Economic Zone.

Except the government representatives who shall be appointed by the President, the other representatives in the Board shall be designated and/or appointed by their respective sector or office. The term of office of the members of the Board shall be three (3) years, unless sooner removed for cause or dies or resigns voluntarily. In case of death, resignation, or removal for cause, the replacement shall serve only the unexpired portion of the term.

Except for the representatives of the investors, no person shall be a member of the Board of Directors unless he is a Filipino citizen, of good moral character, and of recognized competence in some relevant fields in business, banking, shipping, management, port operations, engineering or law.

Members of the Board shall receive a reasonable per diem which shall be fixed by the President of the Philippines once every three (3) years for every board meeting: Provided, however, That the total per diem collected each month shall not exceed the equivalent per diems 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 Five Thousand Pesos (P5,000.00) for every board meeting.

SEC. 8. Administrator and Chief Executive Officer. - The Board of Directors shall appoint a full-time professional and competent administrator and chief executive officer for the Ilocos Norte Economic Zone Authority whose compensation shall be determined by the said word, subject to the approval of the Secretary of Budget. The administrator as Chief Executive Officer of the Authority shall be responsible to the Board and the President of the Philippines for the official management and operation of the Ilocos Norte Special Economic Zone.

SEC. 9. Capitalization. - The Ilocos Norte Economic Zone Authority shall have an authorized capital stock of three billion (3,000,000,000) no par value shares with a minimum issue value of Ten pesos (P10.00) each. The National Government shall initially subscribe and fully pay six hundred million (600,000,000) shares of such capital stock within Three hundred sixty five (365) days after the effectivity of this Act. The Board of Directors of the Authority may, from time to time and

with the written concurrence of the Secretary of Finance, increase the issue value of the shares representing the capital stock of the Authority. The Board of Directors of the Authority also with written concurrence of the Secretary of Finance, may sell shares representing not more than Forty percentum (40%) of the capital stock of the Authority to the general public under such annual dividend policy as the Board and the Secretary of Finance may determine. The National Government shall in no case own less than sixty percentum (60%) of the total issued and outstanding capital stock of the Authority.

SEC. 10. Supervision. - The Ilocos Norte Special Economic Zone shall be under the supervision of the Office of the President of the Philippines for purposes of policy direction and coordination.

SEC. 11. Relationship with the Province of Ilocos Norte. - In case of conflict between the Ilocos Norte Economic Zone Authority and the Province of Ilocos Norte and its component local government units on matters affecting the Ilocos Norte Economic Zone other than in defense and security matters, the decision of the Authority shall prevail.

SEC. 12. Legal Counsel. - The Government Corporate Counsel shall be the ex-officio legal counsel of the Ilocos Norte Economic Zone Authority and of corporations in which the Authority owns a majority of the issued capital stock. When the exigencies of its businesses and operations demand it, the Authority may engage the services of an outside counsel either on a case to case basis or on a fixed retainer.

SEC. 13. Auditor. - The Commission on Audit shall appoint a representative who shall be a full time auditor of the Ilocos Norte Economic Zone Authority and its subsidiaries, and assign such number of personnel as may be on her duties. The salaries and emoluments of the assigned auditor or personnel of the Commission on Audit shall be determined and approved by the Board of Directors of the Authority. The Commission on Audit shall render an annual report to the President of the Philippines and to Congress on the business activities, transactions and operations of the Authority.

SEC. 14. 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.

SEC. 15. Repealing Clause. - All laws, executive orders or issuances, or any parts thereof which are inconsistent herewith are hereby repealed or amended accordingly.

SEC. 16. Effectivity Clause. - This Act shall take effect upon its publication in at least one (1) newspaper of general circulation.

Approved,