

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

18th Congress
First Regular Session

HOUSE BILL NO. 264



Introduced by Hon. Josephine Y. Ramirez Sato

EXPLANATORY NOTE

This bill seeks to establish the Special Economic and Freeport Zone in the Municipality of Paluan, Occidental Mindoro. The Province of Occidental Mindoro is not only an agricultural haven but an emerging choice area for investors. Dubbed as the "Gateway to the South," thousands of goods and people travel through and from the Visayas and Mindanao thru the province and thus a creation of a Special Economic and Freeport Zone is not only ideal but more importantly evident. It is also gifted with diverse natural resources, progressive infrastructures in transportation, power and an abundant supply of highly technical and skilled manpower and thus continues to be one of the preferred areas for investment.

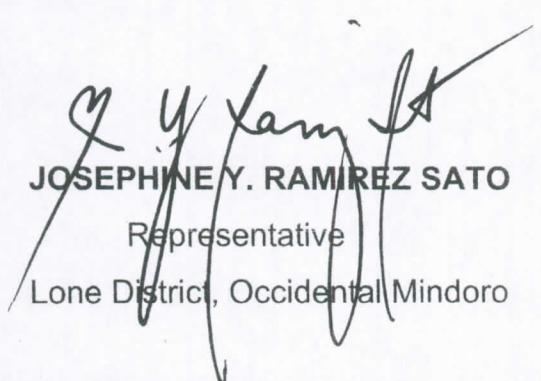
Anchoring on the main objective of promoting the countryside as alternative areas for investments which was the vision in the early 90s when most of the Special Economic Zones were created, the bill envisions to create an Ecozone that will alleviate and improve the economic condition of Occidental Mindoro and the nearby provinces. The residents will be assured of local employment opportunities which will hasten the economic growth not only in the area but in the nearby provinces as well. It was to spur the development, through industrialization of the far flung areas in the provinces. Furthermore, uplift the welfare of the rural folks while decongesting the migration of people to the cities.

The province was shortlisted as one of the sites for ship building and dockyard facility. The Economic and Freeport Zone will be located in Pamutusin Cove covering certain parts Sitio Calaunsan in Barangay Mananao, and Sitio Agdilaw and Sitio Lobo in Barangay Alipaoy of Municipality of Paluan. The cove traditionally serves as anchorage of boats and ships during strong winds and typhoons. Moreover, the cove has been known to be a shipbuilding site for big sailboats. The proposed site is strategic and its proximity to Batangas International Port and Metro Manila offers good market opportunity and high impact economic growth. At the onset, it is expected that the facility can provide direct impact to at least 3000 households and more than 2000 labor force. It is envisioned that the ecozone will be a self-sustaining industrial, commercial and investment center that will encourage economic growth and accelerate employment generation in the province.

The establishment of the Economic zone will operate as a separate customs territory that will provide incentives to ensure free flow and movement of goods and commodities. Likewise, it shall provide tax-based incentives for business operating within its premises. In addition, it shall also provide for non-tax benefits like exchange policies and grant of permanent resident status to investors.

The establishment of a special economic and freeport zone is in line with the government's policy to encourage, promote, induce and accelerate a sound and balanced industrial, economic and social development of the country, therefore, establishment of a Special Economic Zone in the Municipality of Paluan is recommended.

In view thereof, early consideration and approval of this bill is earnestly sought.



JOSEPHINE Y. RAMIREZ SATO

Representative

Lone District, Occidental Mindoro

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HOUSE BILL NO. _____

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**AN ACT ESTABLISHING A
SPECIAL ECONOMIC ZONE AND FREE PORT IN THE MUNICIPALITY OF
PALUAN IN THE PROVINCE OF OCCIDENTAL MINDORO PROVIDING FUNDS
THEREFOR, AND FOR OTHER PURPOSES**

Sec 1. Short Title – This Act shall be known as the **Paluan Special Economic Zone Act.**"

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

Sec 3. The Paluan Special Economic Zone and Free Port – In accordance with the foregoing declared policy, here is hereby established a special economic zone and free port, to be known, as the Paluan Special Economic Zone, hereinafter known as Paluan Ecozone, which shall cover certain parts Sitio Calaunsan in

Barangay Mananao, and Sitio Agdilaw and Sitio Lobo in Barangay Alipaoy of Municipality of Paluan.

Sec 4. Governing Principles. - The Paluan Ecozone shall be managed and operated by the Paluan Special Economic Zone Authority, hereinafter referred to as the PSEZA created under Section 5 of this Act, under the following principles:

- (a) Within the framework and limitations of the Constitution and the applicable provisions of the Local Government Code, as amended, the Paluan Ecozone shall be developed into and operated as a decentralized, self-reliant and self-sustaining industrial, commercial / trading, agro-industrial, tourism, banking, financial and investment center with suitable residential areas;
- (b) The Paluan Ecozone shall be provided with transportation, telecommunications and other facilities needed to attract legitimate and productive investments, generate linkage industries and employment opportunities for the people of the Province of Occidental Mindoro and its neighboring towns and cities;
- (c) The Paluan Ecozone may establish mutually beneficial economic relations with other entities or enterprises within the country or, subject to the administrative guidance of the Department of Foreign Affairs (DFA), the Philippine Economic Zone Authority (PEZA) and/or the Department of Trade and Industry (DTI), with foreign entities or enterprises;
- (d) Foreign citizens and companies owned by non-Filipinos in whatever proportion may set up enterprises in the Paluan Ecozone, either by themselves or in joint venture with Filipinos in any sector of industry, international trade and commerce within the Paluan Ecozone;
- (e) The Paluan Ecozone shall be managed and operated as a separate customs territory ensuring free flow or movement of goods and capital within into and out of its territory;
- (f) The Paluan Ecozone may provide incentives such as tax and duty-free importations of raw materials, capital equipment to registered enterprises located therein. However, exportation or removal of goods from the territory of the Paluan Ecozone to the other parts of the Philippine territory

shall be subject to customs duties and taxes under the Tariff and Customs Code of the Philippines, as amended, and the National Internal Revenue Code (NIRC) of 1997, as amended;

- (g) The areas comprising the Paluan Ecozone may be expanded or reduced when necessary. For this purpose, the PSEZA, in consultation with the LGUs, shall have the power to acquire either by purchase, negotiation or condemnation proceedings, any private land within or adjacent to the Paluan Ecozone for the following purposes: (1) consolidation of lands for the Paluan Ecozone development; (2) acquisition of right-of-way to the Paluan Ecozone; and (3) the protection of watershed areas and natural assets valuable to the prosperity of the Paluan Ecozone;
- (h) Goods manufactured by Paluan Ecozone enterprise shall be made available for immediate retail sale in the domestic market, subject to the payment of corresponding taxes on raw materials and other regulations that may be formulated by the PSEZA, together with the PEZA, the Bureau of Customs (BoC) and the DTI. However, in order to protect domestic industries, a negative list of industries shall be drawn up and regularly updated by the PEZA and the Board of Investments (BOI). Enterprises engaged in industries included in such negative list shall not be allowed to sell their products locally; and

The defense of the Paluan Ecozone and the security of its perimeter fence shall be the responsibility of the national government in coordination with the Paluan Ecozone and the LGUs concerned. For this purpose, a special defense team shall be organized to define its power, duties and responsibilities.

Sec 5. Creation of Paluan Special Economic Zone and Freeport Authority –
There is hereby created a body corporate to be known as the Paluan Special Economic Zone and Freeport Authority, hereinafter referred to as the PSEZA which shall manage and operate Paluan Ecozone in accordance with the provisions of this Act. This corporate franchise shall expire in fifty (50) years counted from the first year after the effectivity of this Act, unless otherwise extended by Congress. It shall be organized within one hundred eighty (180) days after the effectivity of this Act,

Sec 6. Capitalization - The PSEZA shall have an authorized capital stock of two billion (2,000,000,000) no-par value shares with a minimum issue of Ten Pesos (P10.00) each, the majority shares of which shall be subscribed and paid for by the national government and the LGUs embracing the PSEZA Ecozone. The Board of Directors of the PSEZA may, with the written concurrence of the Secretary of Finance, sell shares, representing not more than forty per centum (40%) of the capital stock of the PSEZA to the general public under such policy as the Board and the Secretary of Finance may determine. The national government and the LGUs shall, in no case, own less than sixty per cent (60%) of the total issued and outstanding capital of the PSEZA.

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

Sec 7. Principal Office of the Paluan Special Economic Zone and Freeport Authority – The PSEZA shall maintain its principal office at Paluan, Occidental Mindoro, but it may establish branches in the Philippines as may be necessary for the proper conduct of its business.

Sec 8. Powers and Functions of the PSEZA – The PSEZA shall have the following functions:

- (a) Recommend to the President of the Philippines the issuance of a proclamation to fix and delimit the site of the Paluan Ecozone;
- (b) Operate, administer, manage and develop the Paluan Ecozone according to the principles and provisions set forth in this Act;
- (c) Register, regulate and supervise the enterprises in the Paluan Ecozone in an efficient and decentralized manner, subject to existing laws.
- (d) To adopt, alter or 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 participation 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 ad be sued in order to carry out its duties, responsibilities, privileges, powers and functions as granted and provided for in this Act; and to exercise the power of eminent domain for public use and public purpose;

- (e) Within the limitation provided by law, to raise or borrow adequate and necessary funds from local or foreign sources to finance its projects and programs under this Act, and for the purpose to issue bonds, promissory notes, and other form of securities and to secure the same by a guarantee, pledge, mortgage, deed of trust, or an assignment of all or part of its property or assets;
- (f) 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 PSEZA may promulgate from time to time in conformity with the provisions of this Act and the limitations provided in the Constitution;
- (g) To authorize or undertake, on its own or through others, and regulate the establishment, operation and maintenance of public utilities, services, and infrastructure in the Zone such as 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 infrastructure necessary or incidental to the accomplishment of the objectives of this Act: Provided, however, That the private investors in the Zone shall be given priority in the awarding of contracts, franchises, licenses, or permits for the establishment, operation, and maintenance of utilities, services and infrastructure in the Zone;
- (h) To construct, acquire, own lease, operate and maintain on its own or through others by virtue of contracts, franchise, licenses, or permits under any of the schemes allowed in Republic Act No. 6957 (the Build-Operate-Transfer Law, as amended), or joint venture, adequate facilities and infrastructures required or needed for the operation and development of the Occidental Mindoro Ecozone, in coordination with

appropriate national and local government authorities and in conformity with applicable laws thereon;

- (i) Operate on its own, either directly or through a subsidiary entity, or concession or license to other, tourism-related activities and sports facilities, such as golf courses and others, under priorities and standards set by PSEZA;
- (j) Protect, preserve, maintain and develop the virgin forests, beaches, coral and coral reefs within the Zone. The virgin forest within the Zone will be proclaimed as a national park and will be covered permanent total log ban. For his purpose, the rules and regulations of the Department of Environment and Natural Resources and other government agencies in the above functions shall be implemented by the PSEZA.
- (k) To adopt, implement and enforce reasonable measures and standards to control pollution within the Zone;
- (l) To provide security for the Zone in coordination with the national and local governments. For this purpose, PSEZA may establish and maintain its own security force and firefighting capability or hire others to provide the same;
- (m) Coordinate with LGUs and exercise general supervision over the development plans, activities and operations of the Paluan Ecozone;
- (n) To form, establish, organize and maintain subsidiary corporations, as its business and operations may require whether under the laws of the Philippines or not;
- (o) Exercise such powers as may be essential, necessary or incidental to the powers granted to it hereunder, as well as those that shall enable it to carry out, implement and accomplish the purposes, objectives and policies of this Act; and
- (p) To issue rules and regulations consistent with the provisions of this Act as may be necessary to accomplish and implement the purposes, objectives and policies provided herein.

Sec 9. Board of Directors of PSEZA – The powers of the Paluan Special Economic Zone and Freeport Authority shall be vested in and exercised by a Board

of Directors, hereinafter referred to as the Board, which shall be composed of fifteen (15) members, to wit:

- (a) The Secretary of Trade and Industry who shall serve as an ex officio chairman of the Board of Directors and four (4) other representatives of the national government;
- (b) The Mayor of Paluan, and the Province of Occidental Mindoro, as ex officio voting members;
- (c) Two (2) representatives of labor from among the workers in the Paluan Special Economic Zone;
- (d) Four (4) representatives from the business and investment sectors in the Zone
- (e) Two (2) representatives of the private sector coming from the residents of the municipality of Paluan.

The chairman and the members of the Board, except the ex officio members, shall be appointed by the President of the Philippines to serve for a term of 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 business and investment sectors, no person shall be appointed by the President of the Philippines as a member of the Board unless he is a Filipino citizen, of good moral character and of recognized competence in some relevant fields in business, banking, shipping, business or labor management, port operations, engineering, or law.

Members of the Board shall receive a reasonable per diem which shall not be less than the amount equivalent to the representation and transportation allowances of the members of the Board and/or as may be determined by the Department of Budget and Management: 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 Ten thousand pesos (P10,000) for every Board meeting.

Sec 10. Administrative and chief Executive Officer – The President of the Philippines shall appoint a full-time professional and competent administrator and chief executive officer for the Paluan Special Economic Zone and Freeport Authority whose compensation shall be determined by its Board of Directors and shall be in accordance with the revised compensation and position classification system. The administrator as chief executive officer of PSEZA shall be responsible to the Board and the president of the Philippines for the efficient management and operation of the Paluan Special Economic Zone.

Sec 11. Supervision – The Paluan Special Economic Zone shall be under the direct control and supervision of the Office of the President of the Philippines for the purpose of policy direction and coordination in the meantime that the agency tasked with the coordination of special economic zones is not yet in place.

Sec. 12. Separability Clause - In case any provision of this Act is found to be unconstitutional upon final declaration by the appropriate Court, the other provisions not so declared unconstitutional or unaffected by the declaration shall remain valid and effective and shall continue to be implemented by relevant government agencies.

Sec 13. Repealing Clause – All laws, executive orders or issuances, or any parts thereof which are inconsistent wherewith are hereby repealed or amended accordingly.

Sec. 14. Effectivity Clause – this Act shall take effect fifteen (15) days after its publication in a newspaper of general circulation in the Philippines.

Approved,