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HOUSE OF REPRESENTATIVES

House Bill No. 3342

HOUSE OF REPRESENTATIVES

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Introduced by
BEN P. EVARDONE
Representative, Lone District, Eastern Samar

EXPLANATORY NOTE

Typhoon Yolanda proved to be the world's deadliest and strongest typhoon. Its first landfall in Guiuan, Salcedo and Mercedes towns in Eastern Samar left thousands of our constituents homeless, and economically 'broke'. Yet, despite its ferocity, Yolanda failed to take away the actual wealth of our people—natural endowments especially from the seas.

Located at the southernmost tip of Eastern Samar, facing the Pacific Ocean, and bounded to the South by Surigao Strait and the Leyte Gulf to the West, the towns of Salcedo, Mercedes and Guiuan are known fishing communities. They are so rich in fishery and aquatic resources that the area has been considered the best fishing belt in the region.

The coastal waters of these towns, especially in Guiuan, offer almost all species of marine life: euchuema, abalone, ornamental fish, lobster and the Golden Cowry. They also offer delicacies, shellcraft products as well as fresh and processed marine products.

Before typhoon Yolanda struck, most of the agricultural lands are dominantly planted with coconut trees. Other major crops include vegetables, root crops, palay, corn, banana and other fruit trees, coffee and pineapple.

These towns boast of white sand beaches, not to mention its challenging waves kissing the shores every now and then, playing host to both foreign and local surfing enthusiasts.

At the cliffside margin of Guiuan's Calicoan island lie hidden the dozens of caves waiting to satiate the appetite of spelunkers. On its northern tip are wetlands like the Everglades, teeming with fish, shrimp, and crabs. The surrounding waters support several marine based industries such as fish, seaweed, and pearl farming.

Our history books have made Guiuan widely known for two significant events 423 years apart. In 1521, Ferdinand Magellan first set foot on Philippine soil in Homonhon island on his way to discover the Philippines for the Western World. In 1944, the American Forces landed on the island of Suluan where they fought their first battle in the Philippine territory three days before

Gen. Mac Arthur stormed the beaches of Leyte. During the Second World War, Guiuan served as one of the Alliance's bases. What's left of the American occupation nowadays are just concrete slabs which once served as the foundations of a vast supply depot, and an air strip which now serves as the town's own airport.

However, despite these natural wonders and the rich history and culture and the abundance of marine wealth, these towns are highly dependent on its internal revenue allocations (IRA).

Hence, through this bill, the establishment of a Special Economic and Tourism Zone and Freeport in the Lone District of Eastern Samar, particularly in the towns of Salcedo, Mercedes and Guiuan, including the islands of Homonhon, Manicani, Suluan and Calicoan is proposed once again.

The author believes that now is the best time to realize such ecozone project if the government is to fast-track the economic recovery of the country from the devastation of Typhoon Yolanda.

On this score, the passage of this bill is urgently sought.


BEN P. EVARDONE

HOUSE OF REPRESENTATIVES

House Bill No. 3342

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Representative, Lone District, Eastern Samar

AN ACT

CREATING A SPECIAL ECONOMIC AND TOURISM ZONE AND FREE PORT IN THE MUNICIPALITIES OF SALCEDO, MERCEDES AND GUIUAN, INCLUDING THE ISLANDS OF CALICOAN, HOMONHON, SULUAN AND MANICANI, IN THE PROVINCE OF EASTERN SAMAR, CREATING FOR THIS PURPOSE THE EASTERN SAMAR SPECIAL ECONOMIC AND TOURISM ZONE AUTHORITY, APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES

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

Section 1. Short Title. — This Act shall be known as the "Eastern Samar Special Economic and Tourism Zone Act of 2014 (ESSETZA)."

Section 2. Declaration of Policy. — It is hereby declared the policy of the State to encourage and promote the attainment of a sound and balanced industrial, economic and social development in the country through the promotion of private enterprises. Towards this end, the State shall endeavor to establish special economic zones in suitable and selected areas in the country where enterprises will be given incentives to create an environment conducive to business. This shall be the means to attract local and foreign investors, general employment opportunities, encourage the regional dispersal of industries and promote tourism.

1 **Section 3. Creation of the Eastern Samar Special Economic and Tourism Zone.** — In
2 accordance with the foregoing policy, there is hereby established a special economic and tourism
3 zone in the Municipalities of Salcedo, Mercedes and Guiuan, including the islands of Calicoan,
4 Homonhon, Suluan and Manicani, in the Province of Eastern Samar to be known as the Eastern
5 Samar Special Economic and Tourism Zone, hereinafter referred to as the ESSETZONE. The
6 specific metes and bounds of the ESSETZONE shall be more particularly defined in a presidential
7 proclamation that shall be issued for this purpose.

8
9 **Section 4. Governing Principles.** — The Eastern Samar Special Economic and Tourism
10 Zone shall be managed and operated under the following principles:

- 11
- 12 (a) Within the framework and limitations of the Constitution and the applicable provisions of
13 the Local Government Code, the ESSETZONE shall be developed into a decentralized,
14 self-reliant and self-sustaining industrial, commercial, financial, investment and tourism
15 center and free port with suitable retirement and residential areas. The ESSETZONE shall
16 be provided with transportation, telecommunications, and other facilities needed to attract
17 legitimate and productive foreign investments, generate linkage industries and
18 employment opportunities for the people, and promote tourism in the municipalities
19 comprising the ESSETZONE and its neighboring towns and cities.
- 20
- 21 (b) The ESSETZONE may establish mutually beneficial economic relations with other
22 entities within the country, subject to the administrative guidance of the Department of
23 Foreign Affairs, and/or Department of Trade and Industry, and/or Department of Tourism
24 with foreign entities or enterprises.
- 25
- 26 (c) Foreign citizens and companies owned by non -Filipinos in whatever proportion may set
27 up enterprises in the ESSETZONE, either by themselves or in joint venture with Filipinos
28 in any sector of industry, international trade and commerce within the ESSETZONE.
- 29
- 30 (d) The ESSETZONE shall be managed and operated as a separate customs territory to ensure
31 and facilitate the free flow, entry and movement of machinery and other goods. It shall be
32 vested with the authority to issue certificates of origin for products manufactured or

1 and unmarried children below twenty-one (21) years of age, a permanent resident status
2 within the ESSETZONE.

3
4 Such foreign investor and his or her spouse, dependents and unmarried children
5 below the age of twenty-one (21) years, shall have freedom of ingress and egress to and
6 from the ESSETZONE without any need of any special authorization from the Bureau of
7 Immigration.

8
9 The Eastern Samar Special Economic and Tourism Zone Authority shall issue
10 working visas renewable every two (2) years to foreign executives and foreign technicians
11 with highly specialized skills which no Filipino possesses, as certified by the Department
12 of Labor and Employment.

13
14 The names of the foreigners granted permanent resident status and working visas
15 by the Eastern Samar Special Economic and Tourism Zone Authority shall be reported to
16 the Bureau of Immigration within thirty (30) days from such grant.

17
18 The foregoing is without prejudice to a foreigner acquiring permanent resident
19 status in the Philippines in accordance with applicable immigration, retirement, and other
20 related laws.

- 21
22 (i) The provisions of any law to the contrary notwithstanding, any foreigner, partnership,
23 corporation, or any other business association not created and existing under the laws of
24 the Republic of the Philippines, engaged in the business of retailing goods and
25 merchandise, shall be permitted to engage in the business in such retail trade within the
26 ESSETZONE after securing license for that purpose from the Eastern Samar Special
27 Economic and Tourism Zone Authority: *Provided*, That only foreign nationals engaged in
28 medium- and large-scale retail trade may be permitted to engage in such business within
29 the ESSETZONE. The determination of the medium- and large-scale retail trade operation
30 shall be the responsibility of the ESSETZONE Authority.

- 1 (j) Existing banking laws and Bangko Sentral ng Pilipinas (BSP) rules and regulations shall
2 apply on foreign exchange and other current account transactions (trade and non-trade),
3 local and foreign borrowings, foreign investments, establishment and operation of local
4 and foreign banks, foreign currency deposit units, offshore banking units and other
5 financial institutions under the supervision of the BSP.
6

7 **Section 5. Creation of the Eastern Samar Special Economic and Tourism Zone**

8 **Authority.** — Subject to the concurrence of the local government units that will be affected by
9 the creation of the ESSETZONE, there is hereby created a body corporate to be known as the
10 Eastern Samar Special Economic and Tourism Zone Authority, hereinafter referred to as the
11 ESSETZONE Authority, which shall manage and operate the ESSETZONE, in accordance with
12 this Act. It shall be organized within one hundred eighty (180) days after the effectivity of this
13 Act.
14

15 **Section 6. Principal Office.** — The ESSETZONE Authority shall maintain its principal
16 office within the ESSETZONE, but it may establish branches and agencies within the Philippines
17 and abroad as may be necessary for the proper conduct of its business.
18

19 **Section 7. Powers and Functions of the ESSETZONE Authority.** — The ESSETZONE
20 Authority shall have the following functions:
21

- 22 (a) To operate, administer, and manage the ESSETZONE according to the principles
23 and provisions set forth in this Act;
24
25 (b) To recommend to the President the issuance of a proclamation to fix and delimit
26 the site of the ESSETZONE;
27
28 (c) To register, regulate and supervise the enterprises in the ESSETZONE in an
29 efficient and decentralized manner;
30

- 1 **(d)** To regulate and undertake the establishment, operation and maintenance of utilities,
2 other services and infrastructure in the ESSETZONE such as heat, light and power,
3 water supply, telecommunications, transport, toll roads and bridges, port services,
4 among others, and to fix reasonable and competitive rates, fares, charges and prices
5 therefor;
- 6
- 7 **(e)** To construct, acquire, own, lease, operate and maintain on its own or through others
8 by virtue of contracts, franchises, licenses, or permits under any of the schemes
9 allowed in Republic Act No. 6957 (the build-operate-transfer law) as amended, or
10 in joint venture with the private sector, any or all of the public utilities and
11 infrastructure required or needed in the ESSETZONE in coordination with
12 appropriate national and local government authorities and in conformity with
13 applicable laws thereon;
- 14
- 15 **(f)** To operate on its own, either directly or through a subsidy entity, or license to other
16 tourism related activities, including games, amusements and recreational and sports
17 facilities;
- 18
- 19 **(g)** Within the limitation provided by law, to raise or borrow adequate and necessary
20 funds from local or foreign sources to finance its projects and programs under this
21 Act, and for that purpose to issue bonds, promissory notes, and other forms of
22 securities, and to secure the same by a guarantee, pledge, mortgage, deed of trust,
23 or an assignment of all part of its property or assets;
- 24
- 25 **(h)** To provide security for the ESSETZONE in coordination with national and local
26 governments. For this purpose, the ESSETZONE Authority may establish and
27 maintain its own security force and firefighting capability or hire others to provide
28 the same;
- 29
- 30 **(i)** To protect, preserve, maintain and develop the virgin forests, beaches, coral and
31 functional units or offices within the ESSETZONE;
- 32

- 1 (j) To create, operate and/or contract to operate such agencies and functional units or
2 offices of the ESSETZONE Authority as it may deem necessary;
3
- 4 (k) To adopt, alter and use a corporate seal; make contracts, leases, own or otherwise
5 dispose of personal or real property; sue and be sued; and otherwise carry out its
6 functions and duties as provided for in this Act; and
7
- 8 (l) To issue rules and regulations consistent with the provisions of this Act as may be
9 necessary to implement and accomplish the purposes, objectives, and policies
10 provided therein.
11

12 **Section 8. Non-profit Character of the ESSETZONE Authority.** — The ESSETZONE
13 Authority shall be non-profit and shall devote the use of its returns from capital investments, as
14 well as excess revenues from its operations, for the development, improvement, and maintenance
15 and other related expenditures of the ESSETZONE Authority to pay its indebtedness and
16 obligations and in furtherance and effective implementation of the policy provided in this Act. In
17 consonance with this, the ESSETZONE Authority is hereby declared exempt from the payment of
18 all taxes, duties, fees, imposts, charges, costs and service fees in any court or administrative
19 proceedings in which it may be a party.
20

21 The foregoing exemptions may however be entirely or partially lifted by the President of
22 the Philippines upon the recommendation of the Secretary of Finance, not earlier than five (5)
23 years from the effectivity of this Act, if the President shall find the Authority to be self-sustaining
24 and financially capable by then to pay such taxes, customs duties, fees and other charges after
25 providing for debt service requirements of the ESSETZONE Authority and of its projected capital
26 and operating expenditures.
27

28 **Section 9. Board of Directors of the ESSETZONE Authority.** — The powers of the
29 ESSETZONE Authority shall be vested in and exercised by a Board of Directors, hereinafter
30 referred to as the Board, which shall be composed of the following:
31

1 (a) A chairman who shall, at the same time, be the administrator of the ESSETZONE
2 Authority;

3 (b) A vice-chairman who shall come from the national agency tasked to coordinate and
4 monitor special economic zones and the like in the country;

5 (c) Ten (10) members consisting of:

6 (1) The congressional representative of Eastern Samar;

7 (2) The mayors of the municipalities of Salcedo, Mercedes and Guiuan;

8 (3) One (1) representative each from the Sangguniang Bayan of the Municipalities of
9 Salcedo, Mercedes and Guiuan;

10 (4) One (1) representative from domestic investors in the ESSETZONE;

11 (5) One (1) representative from foreign investors in the ESSETZONE; and

12 (6) One (1) representative from the labor sector chosen from the workers in the
13 ESSETZONE.

14
15 The congressional representative, and the mayors of the Municipalities of Salcedo,
16 Mercedes and Guiuan, and the representatives of the respective municipal councils shall serve as
17 ex officio voting members of the Board.

18
19 The chairman and the members of the Board, except the ex officio members, shall be
20 appointed by the President of the Philippines to serve for a term of six (6) years, unless sooner
21 removed for cause or dies or resigns voluntarily. In case of death, resignation or removal for cause,
22 the replacement shall serve only the unexpired portion of the term.

23
24 Except for the representatives of the business and investment sectors no person shall be
25 appointed by the President of the Philippines as member of the Board unless he is a Filipino citizen,
26 of good moral character and of recognized competence in some relevant fields of business,
27 banking, shipping, business or labor management, port operations, engineering or law.

28
29 Members of the Board shall receive a reasonable per diem which shall be fixed by the
30 President of the Philippines once every six (6) years for every Board meeting: Provided, however,
31 That the total per diem collected each month shall not exceed the equivalent per diems for four (4)
32 meetings. Unless and until the President of the Philippines has fixed a higher per diem for the

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

3
4 **Section 10. Powers and Duties of the Chairman-Administrator.** — The chairman-
5 administrator shall have the following powers and duties:

6
7 (a) To direct and manage the affairs of the Authority in accordance with the policies of the
8 Board;

9
10 (b) To establish the internal organization of the Authority under such conditions that the
11 Board may prescribe;

12
13 (c) To submit an annual budget and necessary supplemental budget to the Board for its
14 approval;

15
16 (d) To submit within thirty (30) days after the close of each fiscal year an annual report to
17 the Board and such other reports as may be required; and

18
19 (e) To perform such other duties as may be assigned to him by the Board.

20
21 **Section 11. Promotion of Industrial Peace.** — One representative each from the
22 Department of Labor and Employment (DOLE), labor sector, business and industry sectors shall
23 formulate a mechanism under a social pact for the enhancement and preservation of industrial
24 peace in the ESSETZONE within thirty (30) days after the effectivity of this Act.

25
26 **Section 12. Capitalization.** — The Eastern Samar Special Economic and Tourism Zone
27 Authority shall have an authorized capital stock of two billion (2,000,000,000) no par shares with
28 a minimum issue value of Ten pesos (P10.00) each. The national government shall initially
29 subscribe and fully pay three hundred million (300,000,000) shares of such capital stock. The
30 initial amount necessary to subscribe and pay for the shares of stock shall be included in the
31 General Appropriations Act of the year following its enactment into law and thereafter. The Board
32 of Directors of the ESSETZONE Authority may, from time to time and with the written

1 concurrence of the Secretary of Finance, increase the issue value of the shares representing the
2 capital stock of the ESSETZONE Authority. The Board of Directors of the ESSETZONE
3 Authority, with the written concurrence of the Secretary of Finance, may sell shares representing
4 not more than forty per centum (40%) of the capital stock of the ESSETZONE Authority to the
5 general public with such annual dividend policy as the Board and the Secretary of Finance may
6 determine. The national government shall in no case own less than sixty per centum (60%) of the
7 total issued and outstanding capital stock of the ESSETZONE Authority.

8
9 **Section 13. Supervision and Coordination of Development Plans.** — For purposes of
10 policy direction and coordination, the ESSETZONE Authority shall be under the direct control
11 and supervision of the Office of the President, in the meantime that the agency tasked with the
12 coordination of special economic zones is not yet in place.

13
14 **Section 14. Relationship with the Local Government Units.** — In case of any conflict
15 between the ESSETZONE Authority and the municipalities concerned on matters affecting the
16 ESSETZONE other than defense and security matters, the decision of the ESSETZONE Authority
17 shall prevail.

18
19 **Section 15. Auditing.** — The Commission on Audit shall appoint a representative who
20 shall be a full time auditor of the ESSETZONE Authority and assign such number of personnel as
21 may be necessary to assist said representative in the performance of his/her duties. The salaries
22 and emoluments of the assigned auditor and personnel shall be in accordance with pertinent laws,
23 rules and regulations.

24
25 **Section 16. Separability Clause.** — If any provision of this Act shall be held
26 unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force
27 and effect.

28
29 **Section 17. Repealing Clause.** — All laws, executive orders or issuance, or any parts
30 thereof which are inconsistent herewith, are hereby repealed or amended accordingly.

1 **Section 18. Effectivity Clause.** — This Act shall take effect upon its publication in at least
2 two (2) newspapers of general circulation.

3

4 **Approved,**

5