Republic of the Philippines
House of Representatives
Quezon City

Eighteenth Congress
Second Regular Session

COMMITTEE REPORT NO: 469

Submitted by the Committees on Economic Affairs, Trade and Industry, Appropriations, and Ways and Means

Re: House Bill No. 7576

Recommend its approval in substitution of House Bill Number 901


Mr. Speaker:

The Committees on Economic Affairs, Trade and Industry, Appropriations, and Ways and Means to which was referred House Bill No. 901, introduced by Representative Prospero A. Pichay, Jr., entitled:

"AN ACT ESTABLISHING THE SURIGAO DEL SUR SPECIAL ECONOMIC ZONE AND FREEPORT IN THE MUNICIPALITIES OF CARRASCAL, CANTILAN, MADRID, CARMEN, AND LANUZA, PROVINCE OF SURIGAO DEL SUR AND PROVIDING FUNDS THEREFOR"

have considered the same and recommend the approval of House Bill No. 7576, entitled:

"AN ACT ESTABLISHING THE SURIGAO DEL SUR SPECIAL ECONOMIC ZONE AND FREEPORT IN THE MUNICIPALITIES OF CARRASCAL, CANTILAN, MADRID, CARMEN, AND LANUZA, PROVINCE OF SURIGAO DEL SUR AND APPROPRIATING FUNDS THEREFOR"

in substitution of House Bill No. 901 and with Representatives Prospero A. Pichay, Jr., Sharon S. Garin, Wes Gatchalian, Eric Go Yap, and Joey Sarte Salceda as authors thereof.

Committee Report
Substitute Bill for HB 901
"Surigao del Sur Special Economic Zone and Freeport Act"
Respectfully submitted,

WES GATCHALIAN
Chairperson
Committee on Trade and Industry

SHARON S. GARIN
Chairperson
Committee on Economic Affairs

ERIC GO YAP
Chairperson
Committee on Appropriations

JOEY SARTE SALCEDA
Chairperson
Committee on Ways and Means

THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
QUEZON CITY
Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City  

EIGHTEENTH CONGRESS  
First Regular Session  

HOUSE BILL NO. 7576  
(in substitution of House Bill 901)  

BY REPRESENTATIVES PROSPERO PICHAY JR., SHARON S. GARIN, WES GATCHALIAN, ERIC GO YAP, AND JOEY SARTE SALCEDA  

AN ACT  
ESTABLISHING THE SURIGAO DEL SUR SPECIAL ECONOMIC ZONE AND FREEPORT IN THE MUNICIPALITIES OF CARRASCAL, CANTILAN, MADRID, CARMEN, AND LANUZA, PROVINCE OF SURIGAO DEL SUR AND APPROPRIATING FUNDS THEREFOR  

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

CHAPTER 1  
GENERAL PROVISIONS  

SECTION 1. Short Title. - This Act shall be known as the "Surigao del Sur Special Economic Zone and Freeport Act."  

SEC. 2. Declaration of Policy. - It is declared the policy of the State to encourage, promote, and accelerate the sound and balanced industrial, economic and social development of the country. The establishment of special economic zones shall attract legitimate and productive foreign investments in strategic locations in the country. It shall generate employment and increase productivity and individual, as well as family incomes, thereby enhancing the quality of life of the Filipino people.  

CHAPTER II  
CREATION OF THE ECONOMIC ZONE AND FREEPORT  

SEC. 3. Creation of the Surigao del Sur Special Economic Zone and Freeport - In accordance with the foregoing declared policy and subject to the concurrence of the affected local government units (LGUs) of Surigao del Sur, there is hereby established a Special Economic Zone and Freeport, hereinafter referred to as the
Surigao del Sur Ecozone. The Surigao del Sur Ecozone shall cover specific areas located in the Municipalities of Carrascal, Cantilan, Madrid, Carmen, and Lanuza in the Province of Surigao del Sur. The specific metes and bounds of the Surigao del Sur Ecozone shall be more particularly defined in a presidential proclamation that shall be issued for this purpose: Provided, That the lands embraced therein shall be public lands and contiguous to one another.

SEC. 4. Creation of the Surigao del Sur Special Economic Zone and Freeport Authority. - There is hereby created a body corporate to be known as the "Surigao del Sur Special Economic Zone and Freeport Authority" hereinafter referred to as the SDSEZA, which shall manage and operate the Surigao del Sur 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. 5. Governing Principles. - The Surigao del Sur Special Economic Zone and Freeport shall be managed and operated by the Surigao del Sur Special Economic Zone and Freeport Authority hereinafter referred to as the SDSEZA, created under Section 4 of this Act, under the following principles:

a) Within the framework and limitations of the Constitution and applicable provisions of the Local Government Code, the Surigao del Sur Ecozone shall be developed into and operated as a decentralized, self-reliant and self-sustaining industrial, commercial/trading, agro-industrial, tourist, banking, financial and investment center with suitable residential areas;

b) The Surigao del Sur Ecozone shall be equipped with transportation, telecommunications and other facilities needed to attract legitimate and productive investments, generate linkage industries and employment opportunities for the people of the Municipalities of Carrascal, Cantilan, Madrid, Carmen, and Lanuza and its neighboring towns and cities;

c) The Surigao del Sur 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, 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 Surigao del Sur Ecozone, either by themselves or in a joint venture with Filipinos in any sector of industry, international trade and commerce within the Surigao del Sur Ecozone;

e) The Surigao del Sur Ecozone shall be managed and operated as a separate customs territory thereby ensuring the free flow or movement of goods and capital within, into, and out of its territory, and shall likewise provide incentives such as tax and duty-free importations of raw materials, capital and equipment to registered enterprises located therein. However, exportation or removal of goods from the territory of the Surigao del Sur Ecozone to the other parts of the Philippine territory shall be subject to customs duties and taxes under the Customs and Tariff Code and other relevant tax laws of the Philippines;

f) The areas comprising the Surigao del Sur Ecozone may be expanded or reduced when necessary. For this purpose, the SDSEZA, 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 Surigao del Sur Ecozone for the following purposes: (1) consolidation of lands for zone development; (2) acquisition of right of way to the Surigao del Sur Ecozone; and (3) the protection of watershed areas and natural assets valuable to the prosperity of the Surigao del Sur Ecozone;

g) Goods manufactured by a Surigao del Sur 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 SDSEZA 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 PEZA. Enterprises engaged in industries included in such Negative List shall not be allowed to sell their products locally;

h) The defense of the Surigao del Sur Ecozone and the security of its perimeter fence shall be the responsibility of the national government in coordination with the SDSEZA and the LGUs.
SEC. 6. Capitalization. - The SDSEZA shall have an authorized capital stock of two billion (2,000,000,000) no par shares at 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 Surigao del Sur Special Economic Zone and Freeport. The Board of Directors of the SDSEZA 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 SDSEZA 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 centum (60%) of the total issued and outstanding capital of the SDSEZA.

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

SEC. 7. Principal Office of the SDSEZA. - The SDSEZA shall maintain its principal office in the Municipality of Cantilan, but it may establish branches within the Philippines as may be necessary for the proper conduct of its business.

SEC. 8. Powers and Functions of the SDSEZA. - The SDSEZA shall have the following powers and functions:

a) To operate, administer, manage and develop the Surigao del Sur Ecozone according to the principles and provisions set forth in this Act,

b) To register, regulate and supervise the enterprises in the Surigao del Sur Ecozone in an efficient and decentralized manner, subject to existing laws;

c) To coordinate with LGUs and exercise general supervision over the development plans, activities and operations of the Surigao del Sur Ecozone;

d) To regulate and undertake the establishment, construction, operation and maintenance of public utilities, other services, and infrastructure in the Surigao del Sur Ecozone such as light and power, shipping, barging, stevedoring, cargo handling, hauling, warehousing, storage of cargo, port services or concessions, piers, wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads, telecommunications, transport, bridges, terminals, conveyors, water supply and
storage, sewerage, drainage, airport operations in coordination with the Civil
Aviation Authority of the Philippines and such other services or concessions or
infrastructure necessary or incidental to the accomplishment of the objectives of
this Act;

e) To construct, acquire, own, lease, operate and maintain on its own or through
contracts, franchise, licenses, bulk purchase from the private sector or permits
under any of the schemes allowed in Republic Act No. 6957, otherwise known as
the Build-Operate-Transfer Law, as amended, or joint venture, adequate facilities
and infrastructure required or needed for the operation and development of the
Surgiao del Sur Ecozone, in coordination with appropriate national and local
government authorities and in conformity with applicable laws thereon;

f) To approve plans, programs and projects of the Surgiao del Sur Ecozone, to be
submitted to the Regional Development Council for inclusion and inputs to the
overall regional development plan;

g) To operate on its own, either directly or through licenses to others, tourism-related
activities, including games, amusements, recreational and sports facilities;

h) To raise or borrow, within the limitation provided by law, and subject to the
approval or opinion of the Monetary Board of the Bangko Sentral Ng Pilipinas
(BSP), as the case may be, adequate and necessary funds from local or foreign
sources, to finance its projects and programs under this Act and for this purpose,
to issue bonds, promissory notes and other forms 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;

i) To protect, preserve, maintain and develop the forests, beaches, coral and coral
reefs, and maintain ecological balance within the Surgiao del Sur Ecozone.
Notwithstanding the authority of the SDSEZA to create rules for such purpose, the
rules and regulations of the Department of Environment and Natural Resources
(DENR) and other government agencies involved in the above functions shall be
implemented by the SDSEZA;

j) To create, operate and/or contract to operate such functional units or offices of the
SDSEZA as it may deem necessary;
k) To adopt, alter and use a corporate seal; contract, lease, buy, acquire, own or otherwise dispose of personal and/or real property of whatever nature; sue and be sued; and otherwise carry out its functions and duties as provided for in this Act;

l) To issue certificates of origin for products manufactured or processed in the Surigao del Sur Ecozone in accordance with prevailing rules of origin and the pertinent regulations of the PEZA, the DTI and/or the Department of Finance (DOF);

m) To establish one-stop shops for the issuance of all necessary permits, clearances, licenses, and other similar certifications to conduct such activities intended to improve the ease of doing business within the Surigao del Sur Ecozone, in coordination with government agencies having jurisdiction over activities therein: Provided, That all government agencies are directed to provide and extend utmost and full cooperation to the Surigao del Sur Ecozone in the establishment of such one-stop shops;

n) To provide internal security to the Surigao del Sur Ecozone in coordination with the National government and affected LGU. For this purpose, the SDSEZA shall provide and establish its own internal security and firefighting forces or hire others to provide the same. Military forces to be assigned by the National Government for national defense purposes shall not interfere in the internal affairs of the Surigao del Sur Ecozone and expenditures for these military forces shall be borne by the National Government;

o) To 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 the SDSEZA. - The powers of the SDSEZA shall be vested in and exercised by a Board of Directors, hereinafter referred to as the Board, which shall be composed of the following:

a) The Chairperson, who shall at the same time be the administrator of the SDSEZA;
b) Four (4) members consisting of:

1) The Governor or a representative from the Provincial Government of Surigao del Sur;
2) One of the mayors of the municipalities covered by the ecozone;
3) One (1) representative from the investors’ group;
4) One (1) representative from among the workers stationed in the Surigao del Sur Ecozone.

The Vice-Chairperson shall be selected from among the members of the Board.

The representative from the Provincial Government and the mayors of the municipalities covered by the ecozone shall serve as *ex-officio* members of the Board, whose terms in the Board correspond to their terms as elected officials.

The Chairperson 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 six (6) years, unless sooner separated from service due to death, voluntary resignation or removal for cause. In case of death, resignation or removal for cause, their replacements shall serve only the unexpired portion of the respective terms.

The Chairperson of the Board must be a Filipino citizen, of good moral character, of proven probity and integrity, and a degree-holder in any of the following fields: economics, business, public administration, law, management or their equivalent, and with at least ten (10) years relevant working experience preferably in the field of management or public administration.

The members of the Board, except the *ex-officio* members, shall each receive *per diem* at rates to be determined by the Department of Budget and Management (DBM) in accordance with existing rules and regulations: *Provided, however, That the total *per diem* collected each month shall not exceed the equivalent *per diem* 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 (P10,000.00) for every Board meeting.*
SEC. 10. Organization and Personnel. – The Board of Directors of the SDSEZA shall provide for its organization and staff. The Board shall appoint and fix the remuneration and other emoluments of its officers and employees in accordance with existing laws on compensation and position classification. The Board shall have exclusive and final authority to promote, transfer, assign, reassign, or remove officers of the SDSEZA, any provision of existing law to the contrary notwithstanding. The Chairperson-Administrator shall execute the decisions of the Board.

The officers and employees of the SDSEZA, including all members of the Board, shall not engage directly or indirectly in partisan activities nor take part in any election, except to vote.

No officer or employee of the SDSEZA, subject to civil service laws and regulations, shall be removed or suspended except for cause, as provided by law.

SEC. 11. Powers and Duties of the Chairperson-Administrator. – The Chairperson-Administrator shall have the following powers and duties:

a) To direct and manage the affairs of the SDSEZA in accordance with the policies of the Board;

b) To establish the internal organization of the SDSEZA under such conditions that the Board may prescribe;

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

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

e) To submit to the Board for its approval, policies, systems, procedures, rules and regulations that are essential to the operation of the Surigao del Sur Ecozone;

f) To recommend to the Board the remuneration and other emoluments of its officers and employees in accordance with existing laws on compensation and position classification;

g) To create a mechanism in coordination with relevant agencies for the promotion of
industrial peace, the protection of the environment, and the advancement of the quality of life in the Surigao del Sur Ecozone; and

h) To perform such other duties as may be assigned by the Board or which are necessary or incidental to the office.

SEC. 12. Legal Counsel. - The SDSEZA shall have its own internal legal counsel under the supervision of the government corporate counsel. When the exigencies of its businesses and operations demand it, the SDSEZA may engage the services of an outside counsel either on a case to case or on a fixed retainer basis.

CHAPTER III
INCENTIVES TO ECOZONE ENTERPRISES/INVESTORS

SEC. 13. Investors Visa. - Any foreign national who invests an amount of two hundred thousand US dollars (US$200,000.00), either in cash and/or equipment, in a registered enterprise shall be entitled to an investor’s visa: Provided, That the foreign national has the following qualifications:

a) Must be at least eighteen (18) years of age;
b) Must not have been convicted by final judgment of a crime involving moral turpitude;
c) Must not be afflicted with any loathsome, dangerous or contagious disease;
d) Must not have been institutionalized for any mental disorder or disability; and
e) Must establish by verifiable and credible evidence one’s financial capability and capacity.

A foreign national may reside in the Philippines while the investment subsists. To prove this, the foreign national should submit an annual report in the form duly prescribed for the purpose. Should said investments be withdrawn from the Philippines, the investor’s visa issued to said foreign national shall automatically expire and/or be withdrawn.

The authority to issue visas and work permits shall remain with the Bureau of Immigration (BI) and the Department of Labor and Employment (DOLE), respectively: Provided, That the BI and the DOLE shall implement measures to expedite the processing of such visas and permits for workers in the Surigao del Sur Ecozone and coordinate with the SDSEZA for the purpose of improving ease of doing business.
SEC. 14. Fiscal Incentives. - Registered enterprises of the Suriagao Del Sur Special Economic Zone and Freeport may be entitled to existing pertinent fiscal incentives granted under Executive Order No. 226, as amended, otherwise known as the Omnibus Investments Code of 1987 and to such other fiscal incentives as may be provided by law.

SEC. 15. Administration, Implementation and Monitoring of Incentives. – In the interest of enhancing transparency in the management and accounting of tax incentives in the Suriagao del Sur Ecozone, and ensuring the proper administration, management, enforcement, implementation and monitoring of tax incentives, the SDSEZA shall comply with the provisions of Republic Act No. 10708, otherwise known as the "Tax Incentives Management and Transparency Act (TIMTA) and its implementing rules and regulations.

The BOC shall set up and establish a customs-controlled area outside the gate of the Suriagao del Sur Ecozone to facilitate payment of taxes on goods entering the Philippine customs territory: Provided, That notwithstanding the limitations on this Act, the SDSEZA and BOC may coordinate and jointly implement measures on border protection.

SEC. 16. Banking Rules and Regulations. – Banks and financial institutions to be established in the Suriagao del Sur Ecozone shall be under the supervision of the BSP and subject to existing banking laws, rules and regulations.

SEC. 17. Remittances. - In the case of foreign investments, a duly registered entity or enterprise within the Suriagao del Sur Ecozone shall have the right to remit earnings from the investment in the currency in which the investment was originally made and at the exchange rate prevailing at the time of remittance, subject to the provisions of Republic Act No. 7653, otherwise known as "The New Central Bank Act" as amended.

CHAPTER IV
NATIONAL GOVERNMENT AND OTHER ENTITIES

SEC. 18. Supervision and Control. - For purposes of policy direction and coordination, the SDSEZA shall be under the direct supervision and control of the Office of the President of the Philippines.
SEC. 19. Development Goals of the Surigao del Sur Ecozone. - The SDSEZA shall determine the development goals for the Surigao del Sur Ecozone within the framework of national development plans, policies and goals. The Chairperson-Administrator shall, upon approval by the Board, submit the Surigao del Sur Ecozone plans, programs and projects to the Regional Development Council for inclusion and inputs to the overall regional development plan.

SEC. 20. Relationship with Local Government Units. – Except as herein provided, the LGUs comprising the Surigao del Sur Ecozone shall retain their basic autonomy and identity. The Municipalities of Carrascal, Cantillian, Madrid, Carmen and Lanuza, Province of Surigao del Sur, shall operate and function in accordance with the framework of the Constitution, Local Government Code of 1991, and this Act.

In case of any conflict among the SDSEZA and the LGUs and the National Government on matters affecting the Surigao del Sur Ecozone, other than national defense and security matters, the decision of the SDSEZA shall prevail.

SEC. 21. Audit. - The Commission on Audit shall appoint a full-time auditor in the SDSEZA or may assign such number of personnel as may be necessary in the performance of their functions.

CHAPTER V
MISCELLANEOUS

SEC. 22. Interpretation/Construction. - The powers, authorities and functions that are vested in the SDSEZA are intended to establish national self-sufficiency and self-reliance in the advancement of and protection of the national integrity, enhancement of national security, decentralization of governmental functions and authority, and promote an efficient and effective working relationship among the SDSEZA, the National Government and the LGUs. Any interpretation of this Act shall consider such intentions. In the event of conflict of interpretation and provided the intentions cannot be harmonized, the provisions of this Act shall be construed in favor of an interpretation that would tend to protect national security.

SEC. 23. Applicability Clause. – Insofar as these are consistent with the provisions of this Act, the provisions of Sections 30 to 41 of Republic Act No. 7916 otherwise known as “The Special Economic Zone Act of 1995” shall likewise apply to the Surigao del Sur Ecozone.
SEC. 24. Implementing Rules and Regulations. – The DTI, DOF and the National Economic Development Authority (NEDA) shall formulate the implementing rules and regulations of this Act within ninety (90) days after its approval.

SEC. 25. 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. 26. Repealing Clause. - All laws, executive orders or issuances or any part thereof, which are inconsistent herewith, are hereby repealed or amended accordingly.

SEC. 27. Effectivity. - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,