

REPUBLIC ACT NO. 7903

AN ACT CREATING A SPECIAL ECONOMIC ZONE AND FREE PORT IN THE CITY OF ZAMBOANGA CREATING FOR THIS PURPOSE THE ZAMBOANGA CITY SPECIAL ECONOMIC ZONE AUTHORITY, APPROPRIATING 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 Zamboanga City Special Economic Zone Act of 1995.

SEC. 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, generate employment opportunities, and encourage the regional dispersal of industries.

SEC. 3. *Creation of the Zamboanga City Special Economic Zone.* – In accordance with the foregoing policy and subject to the concurrence of the city government of Zamboanga affected by the zone, there is hereby established a special economic zone in the City of Zamboanga to be known as the Zamboanga City Special Economic Zone, hereinafter referred to as the ZAMBOECOZONE. The specific metes and bounds of the ZAMBOECOZONE shall be more particularly defined in a presidential proclamation that shall be issued for this purpose.

SEC. 4. *Governing Principles.* – The Zamboanga City Special Economic Zone shall be managed and operated under the following principles:

(a) Within the framework and limitations of the Constitution and the applicable provisions of the Local Government Code, the ZAMBOECOZONE shall be developed into a decentralized, self-reliant and self-sustaining agro-industrial, commercial, financial, investment and tourist center and free port with suitable retirement and residential areas. The ZAMBOECOZONE shall be provided with transportation, telecommunications, and other facilities needed to attract legitimate and productive foreign investments, generate linkage industries and employment opportunities for the people of Zamboanga City and its neighboring towns and cities.

(b) The ZAMBOECOZONE may establish mutually beneficial economic relations with other entities within the country, subject to the administrative guidance of the Department of Foreign Affairs and/or the Department of Trade and Industry with foreign entities or enterprises.

(c) Foreign citizens and companies owned by non-Filipinos in whatever proportion may set up enterprises in the ZAMBOECOZONE, either by themselves or in joint venture with Filipinos in any sector of industry, international trade and commerce within the ZAMBOECOZONE.

(d) The ZAMBOECOZONE shall be managed and operated as a separate customs territory to ensure and facilitate the free flow, entry and movement of machinery and other goods. It shall be vested with the authority to issue certificates of origin for products manufactured or processed in the ZAMBOECOZONE in accordance with prevailing rules of origin, and the pertinent regulations of the duly recognized national bodies tasked to oversee all other ECOZONES in the country.

(e) Business establishments within the ZAMBOECOZONE shall be entitled to the existing fiscal incentives as provided for under Presidential Decree No. 66, the law creating the Export Processing Zone Authority, or those provided under Book VI of Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987, and such incentives, benefits or privileges presently enjoyed by business establishments operating within the Subic special economic zone pursuant to Republic Act No. 7227.

(f) Any provisions of existing laws, rules or regulations to the contrary notwithstanding, no taxes, local and national, shall be imposed on business establishments operating within the ZAMBOECOZONE. In lieu of paying taxes, said business establishments shall pay and remit to the national government two percent (2%) of their gross income. In addition, they shall remit to the city government of Zamboanga three percent (3%) of their gross income, to be allocated as follows:

(1) Two percent (2%) to the City of Zamboanga; and

(2) One percent (1%) to the barangay special development fund, which is hereby created, for the development and improvement of the barangays within the City of Zamboanga.

(g) Except as otherwise provided herein, the local government unit/s embraced within the ZAMBOECOZONE shall retain and maintain their basic autonomy and identity. Zamboanga City shall operate and function in accordance with Republic Act No. 7160, otherwise known as the Local Government Code of 1991.

(h) Any foreign investor who establishes a business enterprise within the ZAMBOECOZONE and who maintains capital investment of not less than One hundred fifty thousand United States dollars (US\$150,000) shall be granted, along with his or her spouse, dependents, and unmarried children below twenty-one (21) years of age, a permanent resident status within the ZAMBOECOZONE.

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 and egress to and from the ZAMBOECOZONE without any need of any special authorization from the Bureau of Immigration and Deportation.

Likewise, the Zamboanga City 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 the foreigners granted permanent resident status and working visas by the Zamboanga City Special Economic Zone Authority shall be reported to the Bureau of Immigration and Deportation within thirty (30) days from such grant.

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

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

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

SEC. 5. *Creation of the Zamboanga City Special Economic Zone Authority.* – Subject to the concurrence of the local government units that will be affected by the creation of the ZAMBOECOZONE, there is hereby created a body corporate to be known as the Zamboanga City Special Economic Zone Authority, hereinafter referred to as the ZAMBOECOZONE Authority, which shall manage and operate the ZAMBOECOZONE, in accordance with this Act. It shall be organized within one hundred eighty (180) days after the effectivity of this Act.

SEC. 6. *Principal Office.* – The ZAMBOECOZONE Authority shall maintain its principal office in the City of Zamboanga, but it may establish branches and agencies within the Philippines and abroad as may be necessary for the proper conduct of its business.

SEC. 7. *Powers and Functions of the ZAMBOECOZONE Authority.* – The ZAMBOECOZONE Authority shall have the following functions:

(a) To operate, administer, and manage the ZAMBOECOZONE according to the principles and provisions set forth in this Act;

(b) To recommend to the President the issuance of a proclamation to fix and delimit the site of the ZAMBOECOZONE;

(c) To register, regulate and supervise the enterprises in the ZAMBOECOZONE in an efficient and decentralized manner;

(d) To regulate and undertake the establishment, operation and maintenance of utilities, other services and infrastructure in the ZAMBOECOZONE such as heat, light and power, water supply, telecommunications, transport, toll roads and bridges, port services, etc., and to fix just, reasonable and competitive rates, fares, charges and prices therefor;

(e) To construct, acquire, own, lease, operate and maintain on its own or through others by virtue of contracts, franchises, licenses, or permits under any of the schemes allowed in Republic Act No. 6957 (the build-operate-transfer law), or in joint venture with the private sector, any or all of the public utilities and infrastructure required or needed in the ZAMBOECOZONE in coordination with appropriate national and local government authorities and in conformity with applicable laws thereon;

(f) To operate on its own, either directly or through a subsidiary entity, or license to other tourism related activities, including games, amusements and recreational and sports facilities;

(g) 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 that 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;

(h) To provide security for the ZAMBOECOZONE in coordination with the national and local governments. For this purpose, the ZAMBOECOZONE Authority may establish and maintain its own security force and firefighting capability or hire others to provide the same;

(i) To protect, preserve, maintain and develop the virgin forests, beaches, coral and coral reefs within the ZAMBOECOZONE;

(j) To create, operate and/or contract to operate such agencies and functional units or offices of the ZAMBOECOZONE Authority as it may deem necessary;

(k) To adopt, alter and use a corporate seal; make contracts, leases, own or otherwise dispose of personal or real property; sue and be sued; and otherwise carry out its functions and duties as provided for in this Act; and

(l) To issue rules and regulations consistent with the provisions of this Act as may be necessary to implement and accomplish the purposes, objectives, and policies provided therein.

SEC. 8. *Non-profit Character of the ZAMBOECOZONE Authority.* – The ZAMBOECOZONE Authority shall be non-profit and shall devote the use of its returns from capital investments, as well as excess revenues from its operations, for the development, improvement, and maintenance and other related expenditures of the ZAMBOECOZONE Authority to pay its indebtedness and obligations and in furtherance and effective implementation of the policy provided in this Act. In consonance with this, the ZAMBOECOZONE Authority is hereby declared

exempt from the payment of all taxes, duties, fees, imposts, charges, costs and service fees in any court or administrative proceedings in which it may be a party.

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

SEC. 9. Board of Directors of the ZAMBOECOZONE Authority. – The powers of the ZAMBOECOZONE Authority 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) A chairman who shall, at the same time, be the administrator of the ZAMBOECOZONE Authority;

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

(c) Six (6) members consisting of:

(1) The city's congressional representative;

(2) The mayor of the City of Zamboanga;

(3) One (1) representative of the city council;

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

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

(6) One (1) representative from the labor sector chosen from the workers in the ZAMBOECOZONE.

The city's congressional representative, the mayor of the City of Zamboanga and the representative of the city council shall serve as *ex officio* voting members of the Board.

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 six (6) 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 member of the Board unless he is a Filipino citizen, of good moral character and of recognized competence in some relevant fields of business, banking, shipping, business or labor 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 six (6) 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 Ten thousand pesos (P10,000) for every Board meeting.

SEC. 10. *Powers and Duties of the Chairman-Administrator.* – The chairman-administrator shall have the following powers and duties:

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

(b) To establish the internal organization of the Authority 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; and

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

SEC. 11. *Promotion of Industrial Peace.* – One representative each from the Department of Labor and Employment (DOLE), labor sector, cultural minorities, business and industry sectors shall formulate a mechanism under a social pact for the enhancement and preservation of industrial peace in the City of Zamboanga within thirty (30) days after the effectivity of this Act.

SEC. 12. *Capitalization.* – The Zamboanga City Special Economic Zone Authority shall have an authorized capital stock of two billion (2,000,000,000) no par shares with a minimum issue value of Ten pesos (P10) each. The national government shall initially subscribe and fully pay three hundred million (300,000,000) shares of such capital stock. The initial amount necessary to subscribe and pay for the shares of stock shall be included in the General Appropriations Act of the year following its enactment into law and thereafter. The Board of Directors of the ZAMBOECOZONE 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 ZAMBOECOZONE Authority. The Board of Directors of the ZAMBOECOZONE Authority, with the written concurrence of the Secretary of Finance, may sell shares representing not more than forty *per centum* (40%) of the capital stock of the ZAMBOECOZONE Authority to the general public with 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 *per centum* (60%) of the total issued and outstanding capital stock of the ZAMBOECOZONE Authority.

SEC. 13. *Supervision and Coordination of Development Plans.* – For purposes of policy direction and coordination, the ZAMBOECOZONE Authority shall be under the direct control and supervision of the Office of the President, in the meantime that the agency tasked with the coordination of special economic zones is not yet in place.

SEC. 14. *Relationship with the Local Government Units.* – In case of any conflict between the ZAMBOECOZONE Authority and the City of Zamboanga on matters affecting the ZAMBOECOZONE other than defense and security matters, the decision of the ZAMBOECOZONE Authority shall prevail.

SEC. 15. *Auditing.* – The Commission on Audit shall appoint a representative who shall be a full time auditor of the ZAMBOECOZONE Authority and assign such number of personnel as may be necessary to assist said representative in the performance of his/her duties. The salaries and emoluments of the assigned auditor and personnel shall be in accordance with pertinent laws, rules and regulations.

SEC. 16. *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. 17. *Repealing Clause.* – All laws, executive orders or issuances, or any parts thereof which are inconsistent herewith, are hereby repealed or amended accordingly.

SEC. 18. *Effectivity Clause.* – This Act shall take effect upon its publication in at least one (1) newspaper of general circulation.

Approved, February 23, 1995.