

II. No. 14297

Republic of the Philippines
Congress of the Philippines
Metro Manila

Third Regular Session

Begun and held in Metro Manila, on Monday, the twenty-fifth
day of July, nineteen hundred and ninety-four.

[REPUBLIC ACT NO. 7922]

AN ACT ESTABLISHING A SPECIAL ECONOMIC ZONE AND FREE
PORT IN THE MUNICIPALITY OF SANTA ANA AND THE
NEIGHBORING ISLANDS IN THE MUNICIPALITY OF APARRI,
PROVINCE OF CAGAYAN, PROVIDING FUNDS THEREFOR, AND
FOR OTHER PURPOSES

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

SECTION 1. *Short Title.* - This Act shall be known as the "Cagayan
Special Economic Zone Act of 1995."

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 Cagayan Special Economic Zone and Free Port.* - In accordance with the foregoing declared policy, there is hereby established a special economic zone and free port, to be known as the Cagayan Special Economic zone, hereinafter known as the Zone, which shall cover the entire area embraced by the Municipality of Santa Ana and the islands of Fuga, Barit, and Mabbag in the Municipality of Aparri, Province of Cagayan.

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

(a) Under the framework and limitations of the Constitution and the applicable provisions of the Local Government Code, the Zone shall be developed into and operated as a self-sustaining industrial, commercial, financial, investment, and tourism/recreational center and free port with suitable opportunities in and around the Zone, and to effectively encourage and attract legitimate and productive foreign investments therein;

(b) Business establishments operating within the Zone shall be entitled to the existing fiscal incentives as provided for under Presidential Decree No. 66, the law creating the Export Processing Zone Authority (EPZA), or those provided under Book VI of Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987;

(c) Any provision of existing law, rules or regulations to the contrary notwithstanding, no taxes, local and national, shall be imposed on business establishments operating within the Zone. In lieu of paying taxes, said business establishments shall pay and remit to the national government five *per centum* (5%) of their gross income, to be divided as follows:

(1) Two *per centum* (2%) shall accrue to the general fund of the national government;

(2) One *per centum* (1%) to the Province of Cagayan;

(3) One-half *per centum* (½%) to be shared by the municipalities affected by the declaration of the Zone in the proportion to their income from business activities within the Zone; and

(4) One and one-half *per centum* (1 ½%) to the Cagayan Economic Zone Authority which shall be created under this Act;

(d) 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;

(e) Any foreign investor who establishes a business enterprise within the Zone and who maintains capital investment of not less than One hundred fifty thousand United States dollars (US\$150,000.00) 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 Zone. The responsibility and authority to grant such permanent resident status is hereby delegated to the Cagayan 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 the freedom of ingress and egress to and from the Zone without need of any special authorization from the Bureau of Immigration.

Likewise, the Cagayan 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 resident status and working visas by the Cagayan Economic Zone Authority shall be reported to the Bureau of Immigration 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; and

(f) Except as otherwise provided herein, the local government units totally or partially embraced within the Zone shall retain and maintain their basic autonomy and identity. The Municipality of Santa Ana and the Municipality of Aparri shall operate and function in accordance with Republic Act No. 7160, otherwise known as the Local Government Code of 1991, insofar as the areas within their respective jurisdiction covered in this Act are concerned.

SEC. 5. Creation of the Cagayan Economic Zone Authority. - A body corporate to be known as the Cagayan Economic Zone Authority, hereinafter referred to as the CEZA, is hereby created to manage and operate, in accordance with the provisions of this Act, the Cagayan Special Economic Zone and Free Port. This corporate franchise shall expire in fifty (50) years counted from the first day of the fifth (5th) calendar year after the effectivity of this Act, unless otherwise extended by Congress.

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

(a) To adopt, alter, 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 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; and to exercise to power of eminent domain for public use and public purpose;

(b) 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 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;

(c) 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 CEZA may promulgate from time to time in conformity with the provisions of this Act and the limitations provided in the Constitution;

(d) 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 Boards, 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;

(e) 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 infrastructure required or needed in the Zone, 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 others, tourism-related activities, including games, amusements, recreational and sports facilities such as horse racing, dog racing, gambling casinos, golf courses, and others, under priorities and standards set by the CEZA;

(g) To 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 by a permanent total log ban. For this purpose, the rules and regulations of the Department of Environment and Natural Resources and other government

agencies involved in the above functions shall be implemented by the CEZA;

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

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

(j) To form, establish, organize and maintain subsidiary corporations, as its business and operations may require, whether under the laws of the Philippines or not;

(k) 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 herein provided; and

(l) 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, objective and policies of this Act.

SEC. 7. Board of Directors of CEZA. - The powers of the Cagayan Economic Zone Authority shall be vested in and exercised by a Board of Directs, 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 mayors of the Municipality of Aparri and the Municipality of Santa Ana, Province of Cagayan, as *ex officio* voting members;

(c) Two (2) representatives of labor from among the workers in the Cagayan Special Economic Zone;

(d) Four (4) representatives from the business and investment sectors in the Zone, two (2) of whom must come from the investors in the Municipality of Santa Ana and the other two (2) must come from the investors in the islands of Fuga, Barit and Mabbag in the Municipality of Aparri; and

(e) Two (2) representatives of the private sector coming from the residents of the municipalities of Santa Ana and Aparri.

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* of 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 (₱ 10,000.00) for every Board meeting.

SEC. 8. *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 Cagayan Economic Zone 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 CEZA shall be responsible to the Board and the President of the Philippines for

the efficient management and operation of the Cagayan Special Economic Zone.

SEC. 9. *Compensation.* - The Cagayan 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 (₱ 10.00) 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 CEZA 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 Cagayan Economic Zone Authority. The Board of Directors of CEZA, 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 CEZA 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 CEZA.

SEC. 10. *Supervision.* - The Cagayan Special Economic Zone shall be under the direct control and supervision of the Office of the President of the Philippines for purposes 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. 11. *Relationship with the Municipalities of Santa Ana and Aparri.* - In case of any conflict between the Cagayan Economic Zone Authority and the municipalities of Santa Ana and Aparri on matters affecting the Cagayan Special Economic Zone other than in defense and security matters, the decision of CEZA shall prevail.

SEC. 12. *Legal Counsel.* - The Cagayan Economic Zone Authority and the corporations in which CEZA owns a majority of the issued capital stock 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 CEZA 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 Cagayan Economic Zone Authority and its subsidiaries, and assign such number of personnel as may be necessary to assist said representative in the performance of his or her duties. The salaries and emoluments of the assigned auditor and personnel of the commission on Audit shall be in accordance with the revised compensation and position classification system. 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 Cagayan Economic Zone Authority.

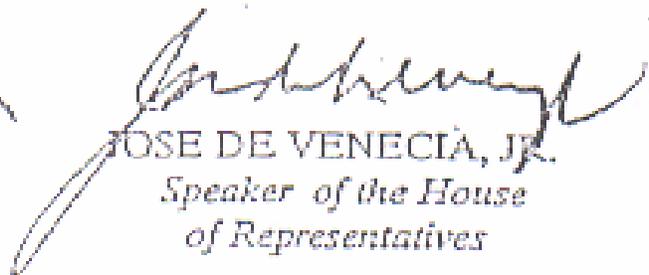
SEC. 14. *Separability Clause.* - If any provision of this Act shall be held unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

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

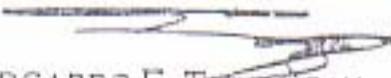
SEC. 16. *Effectivity Clause.* - This Act Shall take effect upon its publication in at least one (1) newspaper of general circulation.

Approved,

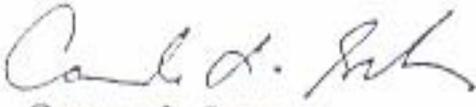

EDGARDO J. ANGARA
President of the Senate


JOSE DE VENECIA, JR.
*Speaker of the House
of Representatives*

This Act which originated in the House of Representatives was finally passed by the House of Representatives and the Senate on December 19, 1994 and February 20, 1995, respectively.



EDGARDO E. TURANGAN
Secretary of the Senate



CAMILO L. SABIO
*Secretary General
House of Representatives*

Approved: FEB 24 1995



FIDEL V. RAMOS
President of the Philippines