



HOUSE OF REPRESENTATIVES

H. No. 5309

BY REPRESENTATIVE ANGARA, PER COMMITTEE REPORT NO. 1590

AN ACT ESTABLISHING THE AURORA SPECIAL ECONOMIC ZONE AND FREEPORT IN THE PROVINCE OF AURORA, CREATING FOR THE PURPOSE THE AURORA SPECIAL ECONOMIC ZONE AND FREEPORT AUTHORITY, APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES

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

1 SECTION 1. *Short Title.* – This Act shall be known as the “Aurora
2 Special Economic Zone Act of 2006”.

3 SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the
4 State to actively encourage, promote, induce and accelerate the sound and
5 balanced industrial, economic and social development of the country in order
6 to provide jobs to the people, especially those in rural areas, increase their
7 productivity and their individual and family income, and thereby improve the
8 level and quality of their living conditions through the establishment, among
9 others, of special economic zones and freeports in suitable and strategic
10 locations in the country and through measures that shall effectively attract
11 legitimate and productive foreign investments.

1 SEC. 3. *Creation of the Aurora Special Economic Zone and Freeport.*

2 – In pursuit of the foregoing declared policy and subject to the concurrence of
3 the concerned local government units (LGUs) of Aurora affected by the zone,
4 there is hereby established a special economic zone and freeport, hereinafter
5 referred to as the Aurora Ecozone. The Aurora Ecozone shall cover the entire
6 area embraced by the municipalities of Baler, Casiguran, Dilasag, Dinalungan,
7 Dipaculao, Dingalan, San Luis and Maria Aurora. The specific metes and
8 bounds of the Aurora Ecozone shall be more particularly defined in a
9 presidential proclamation that shall be issued for this purpose.

10 SEC. 4. *Governing Principles.* – The Aurora Special Economic Zone
11 and Freeport shall be managed and operated by the Aurora Special Economic
12 Zone and Freeport Authority, herein referred to as the ASEZA, created under
13 Section 10 of this Act, under the following principles:

14 (a) Within the framework and limitations of the Constitution and
15 applicable provisions of the Local Government Code, the Aurora Ecozone
16 shall be developed into and operated as the decentralized, self-reliant and self-
17 sustaining industrial, commercial/trading, agro-industrial, tourist, banking,
18 financial and investment center with suitable residential areas.

19 (b) The Aurora Ecozone shall be provided with transportation,
20 telecommunications and other facilities needed to attract legitimate and
21 productive investments, generate linkage industries and employment
22 opportunities for the people of the Province of Aurora and its neighboring
23 towns and cities.

24 (c) The Aurora Ecozone may establish mutually beneficial economic
25 relations with other entities or enterprises within the country or, subject to the
26 administrative guidance of the Department of Foreign Affairs (DFA); the
27 Philippine Economic Zone Administration (PEZA) and/or the Department of
28 Trade and Industry (DTI), with foreign entities or enterprises.

1 (d) Foreign citizens and companies owned by non-Filipinos in
2 whatever proportion may set up enterprises in the Aurora Ecozone, either by
3 themselves or in joint venture with Filipinos in any sector of industry,
4 international trade and commerce within the Aurora Ecozone.

5 (e) The Aurora Ecozone shall be operated and managed as a separate
6 customs territory thereby ensuring the free flow or movement of goods and
7 capital within, into and out of its territory, and shall likewise provide incentives
8 such as tax and duty-free importations of raw materials and capital equipment
9 to registered enterprises located therein. However, exportation or removal of
10 goods from the territory of the Aurora Ecozone to the other parts of the
11 Philippine territory shall be subject to customs duties and taxes under the
12 Tariff and Customs Code of the Philippines, as amended, and the National
13 Internal Revenue Code (NIRC) of 1997, as amended.

14 (f) The areas comprising the Aurora Ecozone may be expanded or
15 reduced when necessary. For this purpose, the ASEZA, in consultation with
16 the LGUs, shall have the power to acquire either by purchase, negotiation or
17 condemnation proceedings, any private land within or adjacent to the Aurora
18 Ecozone for the following purposes: (1) consolidation of lands for Aurora
19 Ecozone development; (2) acquisition of right-of-way to the Aurora Ecozone;
20 and (3) the protection of watershed areas and natural assets valuable to the
21 prosperity of the Aurora Ecozone.

22 (g) Goods manufactured by the Aurora Ecozone enterprise shall be
23 made available for immediate retail sale in the domestic market, subject to the
24 payment of corresponding taxes on raw materials and other regulations that
25 may be formulated by the ASEZA, together with the PEZA, the Bureau of
26 Customs (BOC) and the DTI. However, in order to protect domestic
27 industries, a Negative List of industries shall be drawn up and regularly

1 updated by the PEZA. Enterprises engaged in industries included in such
2 Negative List shall not be allowed to sell their products locally.

3 (h) Ability of the national government in coordination with the Aurora
4 Ecozone and the LGUs.

5 SEC. 5. *Incentives to Registered Enterprises.* – The ASEZA may
6 administer the following incentives to the registered enterprises located therein
7 to the extent of the activity/project:

8 (A) Income Tax Holiday (ITH) – Registered enterprises shall be
9 entitled to an ITH from the start of their commercial operations to the extent of
10 their activity under the following categories:

11 Category A – registered domestic enterprise located in highly developed
12 areas, as determined by the Board of Investments (BOI), shall be entitled to a
13 four-year ITH.

14 Category B – registered domestic enterprise on the following shall be
15 entitled to a six-year ITH:

16 (1) Located in less developed areas as defined by the BOI; or
17 (2) Producing/rendering new products/services or having strong
18 backward or forward linkages.

19 Category C – registered export enterprise shall be entitled to a six-year
20 ITH: *Provided, however,* That if the export enterprise complies with the
21 following: (1) large capital investments or sizeable employment generation, or
22 (2) use high level of technology, or (3) located outside Metro Manila, it shall
23 be entitled to an eight-year ITH.

24 Registered enterprises embarking on new investments that are listed in
25 the current Investment Priorities Plan (IPP) shall be entitled to incentives
26 provided herein pertaining to the new investments and subject to such terms
27 and conditions as the BOI may determine.

1 Additional investments in the project shall be entitled to the ITH
2 corresponding to such investments as may be determined by the BOI.
3 Additional ITH may be granted for as long as the investment is made on the
4 same project: *Provided*, That the project is listed in the IPP at the same time
5 the additional investment in the project is made: *Provided, further*, That the
6 entitlement period for additional investments shall not exceed three times the
7 period provided under this subsection: *Provided, however*, That the total ITH
8 period for an export enterprise availing of an eight-year ITH shall not exceed
9 twenty (20) years. Any unused incentives shall therefore be deemed forfeited
10 if not used during the incentive period.

11 Enterprises registered with the ASEZA are required to share in the
12 special development fund of the BOI for investment promotion projects of the
13 government equivalent to one percent (1%) of the ITH granted for every
14 application.

15 The Bureau of Internal Revenue (BIR) shall require a registered
16 enterprise availing of the ITH or the Net Operating Loss Carryover (NOLCO)
17 to secure a certificate of eligibility from the ASEZA for validation before
18 submitting its income tax return (ITR).

19 Failure to secure certification and/or to file the ITH or the NOLCO
20 availment for validation by the ASEZA within forty-five (45) days from the
21 last day of each statutory filing date for ITR shall cause the forfeiture of the
22 availment for the taxable period.

23 (B) Net Operating Loss Carryover (NOLCO) – Net operating loss of
24 the business or enterprise during the first three years from the start of
25 commercial operations which have not been previously offset as deduction
26 from gross income shall be carried over as a deduction from gross income for
27 the next five consecutive years immediately following the year of such loss:

1 *Provided, however,* That operating loss resulting from availment of incentives
2 provided in this Code shall not be entitled to the NOLCO.

3 Registered enterprises availing of the ITH as herein provided shall not
4 be entitled to avail of the NOLCO.

5 (C) Imposition of a tax rate of five percent (5%) on Gross Income
6 Earned (GIE) – Except for real property tax on land, no local and national
7 taxes as prescribed under Republic Act No. 8424, also known as “The NIRC of
8 1997, As Amended”, such as income tax, excise tax, franchise taxes, shall be
9 imposed on business establishments operating within the Aurora Ecozone. In
10 lieu thereof, five percent (5%) of the gross income earned shall be paid as
11 follows:

12 (a) Three percent (3%) to the national government; and

13 (b) Two percent (2%) shall be remitted by the business establishments
14 to the treasurer’s office of the municipality or city where the enterprise is
15 located.

16 All persons and service establishments in the Aurora Ecozone shall be
17 subject to national and local taxes under the NIRC of 1997, as amended, and
18 the Local Government Code.

19 (D) Accelerated Depreciation – Accelerated depreciation of plant,
20 machinery and equipment that are reasonably needed and actually used for the
21 production and transport of goods and services may be allowed using a rate not
22 exceeding twice the rate which would have been used had the annual allowance
23 been computed in accordance with the rules and regulations prescribed by the
24 Secretary of Finance and the provisions of the NIRC of 1997, as amended.

25 (E) Capital Equipment Incentives – (1) Importations of capital
26 equipment, spare parts, tools and dye, or those required for pollution
27 abatement and control, cleaner production and waste reduction including
28 consignment thereof by registered enterprises upon the effectivity of this law,

1 shall be exempted to the extent of one hundred percent (100%) of the taxes and
2 customs duties: *Provided*, That the importation thereof shall be used
3 exclusively by the registered enterprise in its registered activity: *Provided*,
4 *further*, That the importation of machinery and equipment and accompanying
5 parts shall comply with the following conditions:

6 (a) They are not manufactured domestically in sufficient quantity, of
7 comparable quality and at reasonable prices;

8 (b) They are reasonably needed and will be used exclusively by the
9 registered enterprise in the manufacture of its products, unless prior approval
10 of the ASEZA is secured for the part-time utilization of said equipment in a
11 nonregistered activity to maximize usage thereof or the proportionate taxes and
12 duties are paid on a specific equipment and machinery being permanently used
13 for nonregistered activities; and

14 (c) Approval of the ASEZA was obtained by the registered enterprise
15 for the importation of such machinery, equipment and spare parts.

16 Approval of the ASEZA must be secured before any sale, transfer or
17 disposition of the imported capital equipment, machinery or spare parts is
18 made: *Provided*, That if such sale, transfer or disposition is made within the
19 first five years from the date of importation, any of the following conditions
20 must be present:

21 (i) The same is made to another enterprise enjoying tax and duty
22 exemption on imported capital equipment;

23 (ii) The same is made to another enterprise, upon payment of any taxes
24 and duties on the net book value of the capital equipment to be sold;

25 (iii) The exportation of the capital equipment, machinery, spare parts or
26 source documents or those required for pollution abatement and control; and

27 (iv) Proven technical obsolescence of the said equipment, machinery or
28 spare parts.

1 When the aforementioned sale, transfer or disposition is made under any
2 of the conditions provided for in the foregoing paragraphs other than paragraph
3 (ii) herein, the registered firm shall not pay the taxes and duties waived on such
4 items: *Provided, further*, That if the registered enterprises sell, transfer or
5 dispose the aforementioned imported items without prior approval within five
6 years from the date of importation, the registered enterprise and the vendee,
7 transferee or assignee shall be solidarily liable to pay twice the amount of the
8 tax and duty exemption given it: *Provided, finally*, That even if the sale,
9 transfer or disposition of the capital equipment, machinery or spare parts is
10 approved after five years from the date of importation, the registered
11 enterprises are still liable to pay the taxes and duties based on the net book
12 value of the capital equipment, machinery or spare parts if any of the
13 registration terms and conditions has been violated. Otherwise, they shall no
14 longer be subject to the payment of the taxes and duties waived thereon.

15 (2) The purchase of machinery, capital equipment, raw materials,
16 supplies, parts and semi-finished products to be used in the fabrication of
17 machinery and capital equipment by a registered export-oriented enterprise
18 from a domestic manufacturer shall be subject to zero percent (0%) value-
19 added tax.

20 The registered export-oriented enterprise shall be granted a tax credit
21 equivalent to the amount of duties that would have been waived on the
22 machinery, capital equipment, raw materials, supplies, parts and semi-finished
23 products used in the fabrication of machinery and capital equipment, had these
24 items been imported, upon its submission to the Department of Finance (DOF)
25 of the bill of materials evidencing the transaction value of such and other
26 pertinent documents, for verification and proper endorsement.

27 The availment by a registered export enterprise of the incentive stated
28 under the immediately preceding two paragraphs shall be subject to the

1 following conditions: (a) that said capital equipment, machinery and spare
2 parts will be used exclusively by the registered enterprise in its registered
3 activity; (b) that the capital equipment or machinery where the raw materials,
4 supplies, parts and semi-finished products were used would have qualified for
5 tax and duty-free importation; and (c) that the approval of the ASEZA is
6 obtained by the registered enterprise. If the registered enterprise sells,
7 transfers or disposes of these machineries, capital equipment and spare parts,
8 the provision in the preceding paragraphs for such disposition shall apply.

9 This incentive shall be deemed waived if the application for tax credit
10 under this subsection was not filed within one year from the date of delivery.

11 (F) The importation of source documents by information technology-
12 registered enterprises shall be eligible for tax and duty-free importation.

13 (G) Raw Materials Incentives – Every registered export-oriented
14 enterprise shall enjoy a tax credit equivalent to the internal revenue taxes and
15 customs duties paid on the supplies, raw materials and semi-manufactured
16 products provided the same are not sufficient in quantity, quality or are not
17 competitively priced which are used in the manufacture, processing or
18 production of its export products forming part thereof, exported directly and
19 indirectly by the registered export-oriented enterprise, based on the actual
20 taxes and duties paid for such materials/supplies/semi-manufactured products
21 by the registered enterprise.

22 This incentive shall be deemed waived if the application for tax credit
23 under this subsection was not filed within one year from the date of exportation
24 of the final product.

25 (H) Incentives on Breeding Stocks and Genetic Materials – Importation
26 of breeding stocks and genetic materials within ten (10) years from the date of
27 registration of commercial operation of the enterprise shall be exempt from all

1 taxes and duties: *Provided*, That such breeding stocks and genetic materials
2 are reasonably needed in the registered activity and approved by the ASEZA.

3 The availment of the incentives by the registered enterprise shall be
4 subject to the following: (1) that said breeding stocks and genetic materials
5 would have been qualified for tax and duty-free importation under the
6 preceding paragraph; (2) that the breeding stocks and genetic materials are
7 reasonably needed in the registered activity; (3) that approval of the ASEZA
8 has been obtained by the registered enterprise; and (4) that the purchase is
9 made within ten (10) years from the date of registration of commercial
10 operation of the registered enterprise.

11 This incentive shall be deemed waived if application for tax credit under
12 this subsection is not filed within one year from the date of delivery.

13 (I) Exemption from Wharfage Dues – The provisions of law to the
14 contrary notwithstanding, exports by a registered enterprise shall be exempted
15 from wharfage dues.

16 (J) Deferred Imposition of the Minimum Corporate Income Tax – The
17 Minimum Corporate Income Tax (MCIT) of two percent (2%) of the gross
18 income as of the end of the taxable year shall be imposed when the MCIT is
19 greater than the income tax computed under the NIRC of 1997, as amended,
20 for the taxable year: *Provided, however*, That said MCIT shall be imposed
21 only after the enterprise's entitlement period to the income tax-based
22 incentives.

23 (K) (1) Tax Treatment of Merchandise in the Aurora Ecozone --

24 (a) Except as otherwise provided in this Act, foreign and domestic
25 merchandise, raw materials, supplies, articles, equipment, machineries, spare
26 parts and wares of every description, except those prohibited by law, brought
27 into the zone to be sold, stored, broken up, repacked, assembled, installed,
28 sorted, cleaned, graded or otherwise processed, manufactured, mixed with

1 foreign or domestic merchandise whether directly or indirectly related in such
2 activity, shall not be subject to customs and internal revenue laws and
3 regulations nor to local tax ordinances, any provision of law to the contrary
4 notwithstanding.

5 (b) Merchandise purchased by a registered Aurora Ecozone enterprise,
6 from the customs territory and subsequently brought into the export processing
7 zone, shall be considered as export sales and exportation thereof shall be
8 entitled to the benefits allowed by law for such transaction.

9 (c) Domestic merchandise sent from the Aurora Ecozone to the
10 customs territory shall, whether or not combined with or made part of other
11 articles likewise of local origin or manufactured in the Philippines while in the
12 export processing zone, be subject to internal revenue laws of the Philippines
13 as domestic goods sold, transferred or disposed of for local consumption.

14 (d) Merchandise sent from the Aurora Ecozone to the customs territory
15 shall, whether or not combined with or made part of other articles while in the
16 zone, be subject to rules and regulations governing imported merchandise.
17 The duties and taxes shall be based on the value of said imported materials
18 (except when the final product is tax exempt).

19 (e) Domestic merchandise on which all internal revenue taxes have
20 been paid, if subject thereto, and foreign merchandise previously imported and
21 on which taxes have been paid, or which have been admitted free of duty and
22 tax, may be taken into the Aurora Ecozone from the customs territory of the
23 Philippines and be brought back thereto free of quotas, duty or tax.

24 (f) Subject to such regulations respecting identity and safeguarding of
25 the revenue as the ASEZA may deem necessary, when the identity of an article
26 entered into the Aurora Ecozone under the immediately preceding paragraph
27 has been lost, such article when removed from the zone and taken to the
28 customs territory shall be treated as foreign merchandise entering the country

1 for the first time, under the provisions of the Tariff and Customs Code of the
2 Philippines, as amended.

3 (g) Articles produced or manufactured in the Aurora Ecozone and
4 exported therefrom shall, on subsequent importation into the customs territory,
5 be subject to the import laws applicable to like articles manufactured in a
6 foreign country.

7 (h) Unless the contrary is shown, merchandise taken out of the Aurora
8 Ecozone shall be considered for tax purposes to have been sent to customs
9 territory.

10 (2) Tax Treatment of Merchandise in the Aurora Ecozone – The
11 Aurora Ecozone and Freeport shall be operated and managed as a separate
12 customs territory ensuring free flow or movement of goods within, into and
13 exported out of the free trade/freeport zone. Importations of raw materials and
14 capital equipment are tax and duty-free. However, exportations or removal of
15 goods from the free trade/freeport zone to the other parts of the Philippine
16 territory shall be subject to customs and internal revenue regulations.

17 (3) Tax Treatment of Services in the Aurora Ecozone. – (a) Sale of
18 service by an entity from the customs territory to a registered ecozone or free
19 trade enterprise, or by a registered ecozone or freeport enterprise to another
20 ecozone or freeport enterprise shall be treated as indirect export, and hence,
21 entitled to the benefits allowed by law for such transaction.

22 (b) Sale or service by a registered ecozone or freeport enterprise to the
23 customs territory shall be subject to applicable internal revenue laws and
24 regulations.

25 (L) Registered export-oriented enterprises shall have access to the
26 utilization of the bonded warehousing system in accordance with the rules and
27 regulations of the BOC.

1 (M) Employment of Foreign Nationals – Subject to the provisions of
2 Section 29 of Commonwealth Act No. 613, as amended, a registered enterprise
3 may employ foreign nationals in supervisory or technical positions for a period
4 not exceeding ten (10) years from its registration: *Provided*, That when the
5 majority of the capital stock of a registered enterprise is owned by foreign
6 investors, the positions of the president, treasurer and general manager or their
7 equivalents may be retained by foreign nationals beyond the period set forth
8 herein and such officer is the owner or a stockholder owning at least ten
9 percent (10%) of the outstanding capital stock of the registered enterprise and
10 he remains the owner or maintains his stockholdings therein.

11 Foreign nationals under employment contract within the purview of this
12 incentive, their spouses and unmarried children under twenty-one (21) years of
13 age, who are not excluded by Section 29 of Commonwealth Act No. 613, as
14 amended, shall be permitted to enter and reside in the Philippines during the
15 period of employment of such foreign nationals. They shall be issued a
16 multiple-entry visa, valid for a period of three years, and shall be allowed to
17 enter and leave the Philippines without further documentary requirements other
18 than valid passports or other travel documents in the nature of passports. The
19 validity of the multiple-entry visa shall be extendible yearly.

20 The said foreign nationals admitted under this provision, as well as their
21 respective spouses and dependents shall be exempt from: (1) obtaining alien
22 certificates of registration and emigration clearance certificates; and (2)
23 securing the Alien Employment Permit (AEP) and all types of clearances,
24 permits, licenses or their equivalents required by any government department
25 or agency.

26 *SEC. 6. Incentive to Investors.* – Any foreign national covered under
27 subsection (M) of Section 5 of this Act, who invests an amount of

1 US\$150,000.00, either in cash and/or equipment, in a registered enterprise
2 shall be entitled to an investor's visa: *Provided, That,*

3 (A) He is at least eighteen (18) years of age;

4 (B) He has not been convicted of a crime involving moral turpitude;

5 (C) He is not afflicted with any loathsome, dangerous or contagious
6 disease; and

7 (D) He has not been institutionalized for any mental disorder or
8 disability: *Provided, further,* That in securing the investor's visa, the alien-
9 applicant shall be entitled to the same privileges provided for under Section
10 5M, hereof.

11 As a holder of investor's visa, an alien shall be entitled to reside in the
12 Philippines while his investment subsists. For this purpose, he should submit
13 an annual report, in the form duly prescribed for the purpose, to prove that he
14 has maintained his investment in the country. Should said alien withdraw his
15 investments from the Philippines, then the investor's visa issued to him shall
16 automatically expire.

17 *SEC. 7. Administration, Implementation and Monitoring of Incentives.*

18 – The ASEZA shall be responsible for the administration and implementation
19 of the incentives granted to its respective registered enterprises: *Provided,*
20 That any incentive administration policy adopted by the BOI for registered
21 enterprises shall be uniformly applied by the ASEZA.

22 The following are the duties and responsibilities of the ASEZA in the
23 administration of incentives:

24 (A) To adopt consistent procedures of administering incentives in
25 accordance with the guidelines established by the BOI;

26 (B) To adopt and implement systems and procedures affecting trade
27 and customs policies in accordance with the requirements established by the
28 DOF and the BOI;

1 (C) To submit data and information to the DOF and the BOI as required
2 by any of these agencies to ascertain consistency of investment policies and
3 incentives, including their implementation as provided in paragraph (A) herein,
4 and to ensure proper implementation of systems and procedures affecting trade
5 and customs policies as provided in paragraph (B) herein; and

6 (D) To perform all other duties and responsibilities as may be required
7 by the President of the Philippines.

8 For proper monitoring, the BOI shall create a single database of all
9 incentives provided by all incentives-granting agencies, including the ASEZA,
10 and all information thereto. Double entry accounting shall be done by the BOI
11 in recording all incentives granted by the government for transparency
12 purposes.

13 SEC. 8. *Extension of Period of Availment.* – The availment period of
14 the incentives provided herein may be extended by the ASEZA, in the event
15 that the registered enterprise suffers operational *force majeure* or any event
16 equivalent thereto, impairing its viability.

17 SEC. 9. *Duration of Incentives.* – Enterprises registered with the
18 ASEZA may enjoy the ITH or the NOLCO granted by the latter prior to the
19 availment of the five percent (5%) GIE.

20 Fiscal incentives under this Act shall be terminated after a cumulative
21 period of twenty (20) years from the date of registration or start of commercial
22 operation, whichever is applicable, except that it could be extended with regard
23 to industries deemed indispensable to national development.

24 The industries exempted from this provision shall be recommended by
25 the BOI, with the concurrence of the secretaries of the DOF and the DTI.

26 SEC. 10. *Creation of the Aurora Special Economic Zone and Freeport*
27 *Authority.* – There is hereby created a body corporate to be known as the
28 Aurora Special Economic Zone and Freeport Authority, hereinafter referred to

1 as the ASEZA, which shall manage and operate, in accordance with the
2 provisions of this Act, the Aurora Economic Zone and Freeport. This
3 corporate franchise shall expire in fifty (50) years counted from the first day of
4 the fifth (5th) calendar year after the effectivity of this Act, unless otherwise
5 extended by Congress. It shall be organized within one hundred eighty (180)
6 days after the effectivity of this Act.

7 SEC. 11. *Principal Office of the ASEZA.* – The ASEZA shall maintain
8 its principal office in the Municipality of Baler, but it may establish branches
9 within the Philippines as may be necessary for the proper conduct of its
10 business.

11 SEC. 12. *Power and Functions of the ASEZA.* – The ASEZA shall have
12 the following powers and functions:

13 (A) To operate, administer, manage and develop the Aurora Ecozone
14 according to the principles and provisions set forth in this Act;

15 (B) To recommend to the President of the Philippines the issuance of a
16 proclamation to fix and delimit the site of the Aurora Ecozone;

17 (C) To register, regulate and supervise the enterprises in the Aurora
18 Ecozone in an efficient and decentralized manner, subject to existing laws;

19 (D) To coordinate with the LGUs and exercise general supervision over
20 the development plans, activities and operations of the Aurora Ecozone;

21 (E) To regulate and undertake the establishment, operation and
22 maintenance of utilities, other services and infrastructure in the Aurora
23 Ecozone such as, but not limited to, heat, light and power, water supply,
24 telecommunications, transport, toll roads and bridges, port services, etc. and to
25 fix just, reasonable and competitive rates, fares, charges and prices thereof;

26 (F) To construct, acquire, own, lease, operate and maintain on its own
27 or through contracts, franchises, licenses, bulk purchases from the private
28 sector or permits under any of the schemes allowed in Republic Act No. 6957

1 (Build-Operate-Transfer Law, as amended by Republic Act No. 7718), or joint
2 venture, adequate facilities and infrastructure required or needed for the
3 operation and development of the Aurora Ecozone, in coordination with
4 appropriate national and local government authorities and in conformity with
5 applicable laws thereon;

6 (G) To operate on its own, either directly or through a license to other
7 tourism-related activities, including games, amusements, recreational and
8 sports facilities;

9 (H) Subject to the approval of the President of the Philippines and the
10 Monetary Board of the Bangko Sentral ng Pilipinas (BSP), upon the
11 recommendation of the DOF, to raise or borrow adequate and necessary funds
12 from local or foreign sources to finance its projects and programs under this
13 Act, and for that purpose, to issue bonds, promissory notes and other forms of
14 securities, and to secure the same by a guarantee, pledge, mortgage, deed of
15 trust or an assignment of all or part of its property or assets;

16 (I) To provide security for the Aurora Ecozone in coordination with
17 the national and local governments. Military forces sent by the national
18 government for the purpose of defense shall not interfere in the internal affairs
19 of the Aurora Ecozone and expenditures for these military forces shall be
20 borne by the national government. For this purpose, the ASEZA may establish
21 and maintain its security forces and firefighting capability or hire others to
22 provide the same;

23 (J) To protect, preserve, maintain and develop the virgin forests,
24 beaches, corals and coral reefs and maintain ecological balance within the
25 Aurora Ecozone;

26 (K) To create, operate and/or contract to operate such functional units
27 or offices of the ASEZA as it may deem necessary;

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

4 (M) To issue certificates of origin for products manufactured or
5 processed in the Aurora Ecozone in accordance with the prevailing rules of
6 origin, and the pertinent regulations of the PEZA, the DTI and/or the DOF;

7 (N) To issue working visas renewable every two years to foreign
8 executives and foreign technicians with highly specialized skills which no
9 Filipino possesses, as certified by the Department of Labor and Employment
10 (DOLE);

11 (O) To report to the Bureau of Immigration (BI) the names of the
12 foreigners who have been granted permanent resident status and working visas
13 within thirty (30) days after issuance of such grant;

14 (P) To exercise such powers as may be essential, necessary or
15 incidental to the powers granted to it hereunder, as well as those that shall
16 enable it to carry out, implement and accomplish the purposes, objectives and
17 policies of this Act; and

18 (Q) To issue rules and regulations consistent with the provisions of this
19 Act as may be necessary to accomplish and implement the purposes, objectives
20 and policies provided herein.

21 SEC. 13. *Banking Rules and Regulations.* – Existing laws and
22 rules/regulations of the BSP shall apply to banks and financial institutions to
23 be established in the Aurora Ecozone, such as those governing foreign
24 exchange and other current account transactions (trade and nontrade), local and
25 foreign borrowings, foreign investments, establishment and operation of local
26 and foreign banks, foreign currency deposit units, offshore banking units and
27 other financial institutions under the supervision of the BSP.

1 SEC. 14. *Remittance of Earnings.* – In the case of foreign investments,
2 a registered enterprise in the ASEZA shall have the right to remit earnings
3 from the investment in the currency in which the investment was originally
4 made and at the exchange rate prevailing at the time of remittance, subject to
5 the provisions of Section 74 of Republic Act No. 265, as amended.

6 SEC. 15. *Board of Directors of the ASEZA.* – The powers of the
7 ASEZA shall be vested in and exercised by a Board of Directors, hereinafter
8 referred to as the Board, which shall be composed of the following:

9 (A) The chairman who shall, at the same time be the administrator of
10 the ASEZA;

11 (B) A vice chairman who shall come from among the members of the
12 Board;

13 (C) Members consisting of:

14 (1) The governor of the Province of Aurora;

15 (2) The congressional representative of the district covering the site of
16 the Aurora Ecozone;

17 (3) The mayors of the municipalities of Baler, Casiguran, Dilasag,
18 Dinalungan, Dipaculao, Dingalan, San Luis and Maria Aurora, Province of
19 Aurora;

20 (4) One representative from the domestic investors;

21 (5) One representative from the foreign investors; and

22 (6) Two representatives from the workers working in the Aurora
23 Ecozone.

24 The governor, the congressional representative and the mayors of the
25 Province of Aurora shall serve as *ex officio* members of the Board, whose term
26 in the Board corresponds to their term as elected officials.

27 The chairman and the members of the Board, except the *ex officio*
28 members, shall be appointed by the President of the Philippines to serve for a

1 term of six years, unless sooner separated from service due to death, voluntary
2 resignation or removal for cause. In case of death, resignation or removal for
3 cause, the replacement shall serve only the unexpired portion of the term.

4 Except for the representatives of the business and labor sectors, no
5 person shall be appointed by the President of the Philippines as a member of
6 the Board unless he is a Filipino citizen, of good moral character, of proven
7 probity and integrity, and a degree holder in any of the following fields:
8 economics, business, public administration, law, management or their
9 equivalent, and with at least ten (10) years relevant working experience
10 preferably in the field of management or public administration.

11 The members of the Board shall each receive *per diem* at a rate to be
12 determined by the DBM in accordance with existing rules and regulations:
13 *Provided, however,* That the total *per diem* collected each month shall not
14 exceed the equivalent *per diem* for four meetings. Unless and until the
15 President of the Philippines has fixed a higher *per diem* for the members of the
16 Board, such *per diem* shall not be more than Ten thousand pesos (P10,000.00)
17 for every Board meeting.

18 SEC. 16. *Powers and Duties of the Chairman-Administrator.* – The
19 chairman-administrator shall have the following powers and duties:

20 (A) To direct and manage the affairs of the ASEZA in accordance with
21 the policies of the Board;

22 (B) To establish the internal organization of the ASEZA under such
23 conditions that the Board may prescribe;

24 (C) To submit an annual budget and necessary supplemental budget to
25 the Board for its approval;

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

1 (E) To submit to the Board for its approval, policies, systems,
2 procedures, rules and regulations that are essential to the operation of the
3 Aurora Ecozone;

4 (F) To create a mechanism in coordination with relevant agencies for
5 the promotion of industrial peace, the protection of the environment and the
6 advancement of the quality of life in the Aurora Ecozone; and

7 (G) To perform such other duties as may be assigned to him by the
8 Board or which are necessary or incidental to his office.

9 SEC. 17. *Organization and Personnel.* – The Board of Directors of the
10 ASEZA shall provide for an organization and staff of its officers and
11 employees. Upon the recommendation of the chairman-administrator, the
12 Board shall appoint and fix the remuneration and other emoluments of its
13 officers and employees in accordance with existing laws on compensation and
14 position classification: *Provided*, That the Board shall have exclusive and final
15 authority to promote, transfer, assign or reassign officers of the ASEZA, any
16 provision of existing law to the contrary notwithstanding: *Provided, further*,
17 That the chairman-administrator may carry out the removal of such officers
18 and employees.

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

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

25 SEC. 18. *Ipsa Facto Clause.* – Sections 30 to 41 of Republic Act No.
26 7916, shall *ipso facto* apply to the ASEZA.

27 SEC. 19. *Capitalization.* – The ASEZA shall have an authorized capital
28 stock of two billion (2,000,000,000) no par shares with a minimum issue of

1 Ten pesos (P10.00) each, the majority shares of which shall be subscribed and
2 paid for by the national government and the LGUs embracing the ASEZA.
3 The Board of Directors of the ASEZA may, with the written concurrence of the
4 Secretary of Finance, sell shares, representing not more than forty *percentum*
5 (40%) of the capital stock of the ASEZA to the general public under such
6 policy as the Board and the Secretary of Finance may determine. The national
7 government and the LGUs shall in no case own less than sixty *percentum*
8 (60%) of the total issued and outstanding capital of the ASEZA.

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

13 SEC. 20. *Relationship with the Regional Development Council.* – The
14 ASEZA shall determine the development goals for the Aurora Ecozone within
15 the framework of national development plans, policies and goals. The
16 administrator shall, upon approval by the Board, submit the Aurora Ecozone
17 plans, programs and projects to the Regional Development Council for
18 inclusion and inputs to the overall regional development plan.

19 SEC. 21. *Relationship with LGUs.* – Except as herein provided, the
20 LGUs comprising the ASEZA shall retain their basic autonomy and identity.
21 The municipalities of Baler, Casiguran, Dilasag, Dinalungan, Dipaculao,
22 Dingalan, San Luis and Maria Aurora shall operate and function in accordance
23 with the Local Government Code of 1991. In case of any conflict between the
24 ASEZA and the Province of Aurora on matters affecting the Aurora Ecozone
25 other than defense and security matters, the decision of the ASEZA shall
26 prevail.

27 SEC. 22. *Interpretation/Construction.* – The powers, authorities and
28 functions that are vested in the ASEZA are intended to decentralize

1 governmental functions and authority, and promote an efficient and effective
2 working relationship among the Aurora Ecozone, the national government and
3 the LGUs.

4 SEC. 23. *Auditing.* – The Commission on Audit shall appoint a
5 representative who shall be a full-time auditor of the ASEZA and assign such
6 number of personnel as may be necessary to assist said representative in the
7 performance of his/her duties. The salaries and emoluments of the assigned
8 auditor and personnel shall be in accordance with pertinent laws, rules and
9 regulations.

10 SEC. 20. *Separability Clause.* – If any provision of this Act shall be
11 held unconstitutional or invalid, the other provisions not otherwise affected
12 shall remain in full force and effect.

13 SEC. 21. *Repealing Clause.* – All laws, executive orders and issuances,
14 or any part thereof, which are inconsistent herewith are hereby repealed or
15 amended accordingly.

16 SEC. 22. *Effectivity Clause.* – This Act shall take effect upon its
17 publication in at least one newspaper of general circulation.

Approved,

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