

CREATING THE EXPORT PROCESSING ZONE AUTHORITY AND REVISING REPUBLIC ACT NO. 5490

PRESIDENTIAL DECREE NO. 66, November 20, 1972

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WHEREAS, pending before Congress prior to the promulgation of Proclamation No. 1081, dated September 21, 1972, was House No. 4317, entitled "An Act to Revise the Charter of the Foreign Trade Zone Authority Created Under Republic Act Numbered Five Thousand Four Hundred and Ninety and For Other Purposes", which I have certified as one of the urgent measures necessitating immediate enactment;

WHEREAS, it is imperative that this measure be immediately made part of the law of the land in order to assure the accelerated development and efficient operation of the export processing zone in Mariveles, Bataan, and such other zones as may be established in the country, and thereby hastening the realization of the objectives of the Government to create a new social and economic order for the national benefit;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, do hereby order and decree the following to be the .Revised Charter of the Foreign Trade Zone Authority Created Under Republic Act No. 5490 and as part of the law of the land:

SECTION 1. Declaration of Policy. — It is hereby declared to be the policy of the Government to encourage and promote foreign commerce as a means of making the Philippines a center of international trade, of strengthening our export trade and foreign exchange position, of hastening industrialization, of reducing domestic unemployment, and of accelerating the development of the country, by establishing export processing zones in strategic locations in the Philippines.

SEC. 2. Creation of an Export Processing Zone Authority. — To carry out the above policy, there is hereby created a body corporate to be known as the Export Processing Zone Authority, hereinafter referred to as Authority, which shall be under the direct .supervision of the Office of the President. The functions of the Authority are hereby declared governmental.

SEC. 3. Principal Office. — The Authority shall maintain its principal office in the Greater Manila Area but it may establish branches and agencies within the Philippines as may be necessary for the proper conduct of its business.

SEC. 4. Purposes and Specific Powers. — The purposes and specific powers of the Authority are as follows:

- To operate, administer and manage the export processing zone established in the Port of Mariveles, Bataan, and such other export processing zones as may be established under this Decree; to construct, acquire, own, lease, operate and maintain infrastructure facilities, factory building, warehouses, dams, reservoir, water distribution, electric light and power system, telecommunications and transportation, or such other facilities and services necessary or useful in the conduct of commerce or in the attainment of the purposes and objectives of this Decree;
- To take water from any public stream, river, creek, lake, spring or waterfall in the Philippines as may be

necessary for the attainment of the purposes of this Decree; to alter, straighten, obstruct or increase the flow of water in streams or in water channels intersecting or connecting therewith or contiguous to its works or any part thereof; and to undertake land reclamation;

- To acquire and hold agricultural lands in excess of the areas permitted to private corporations or associations by the Constitution;

- To determine and regulate the enterprises to be established within an export processing zone in order not to adversely affect the operations of existing domestic industries outside said Zone; to operate such Zone as a public utility wherein all the rates and charges for all services or privileges therein shall be fair and reasonable as determined solely by the Authority, and the Authority shall afford all who may apply for the use of the Zone and its facilities and appurtenances uniform treatment under like conditions subject to such treaties or commercial conventions as are now enforced or may hereafter be made by the Philippines with any foreign government from time to time;

- To grant the use or to rent, lease or let, for a consideration and under such terms, arrangements and conditions it may deem reasonable and proper, any and all port facilities, including stevedoring and port terminal services, or any concession properly incident thereto or in connection with the receipt, delivery, shipment and transfer in transit, weighing, marking, tagging, fumigating, refrigerating, icing, storing and handling of goods, wares and merchandise: Provided, however, That where the port terminal facilities are owned and operated by private persons, the fees and charges to be levied shall not exceed that being collected by the Government for similar services;

- Upon application, to grant such franchise to operate and maintain exclusively within the Zone electric light, heat or power system, transportation, communication, warehousing, ice plant or cold storage; and, under uniform and reasonable rates and regulations made thereunder, permit to persons, firms, corporations or associations the use of the Zone and its facilities, or the privilege to erect such buildings and other structures within the Zone as will meet their particular requirements: Provided, That such franchise or permission shall not constitute a vested right as against the Government, nor interfere with or complicate the revocation of the grant: Provided, further, That such franchise or permit shall not be granted on terms that conflict with the public use of the Zone, as set forth in this Decree;

- To fix, assess and collect storage charges and fees, including rentals for the lease, use or occupancy of lands, buildings, structure, warehouses, facilities and other properties owned and administered by the Authority; and to fix and collect the fees and charges for the issuance of permits, licenses and the rendering of services not enumerated herein, the provisions of law to the contrary notwithstanding;

- For the due and effective exercise of the powers conferred by law and to the extent requisite therefor, to exercise exclusive jurisdiction and sole police authority over all areas owned or administered by the Authority. For this purpose, the Authority shall have supervision and control over the bringing in or taking out of the Zone, including the movement therein, of all cargoes, wares, articles, machineries, equipment, supplies or merchandise of every type and description;

- When essential to the proper administration of its corporate affairs or when necessary for the proper transaction of its business or for carrying out the purposes of this Decree, to contract indebtedness and issue bonds, subject to the conditions set forth in Section 19 hereof;

- To create and operate and/or contract to operate such agencies, functional units, offices and departments of the Authority as it may deem necessary or useful for the furtherance of any of the purposes of this Decree;

- To adopt, alter and use a corporate seal which shall be judicially noticed; make contracts, lease, own or otherwise dispose of personal and real property; sue and be sued; and otherwise do and perform any and all things that may be necessary or proper to carry out the purposes of the Authority.

SEC. 5. Capitalization. — The capital of the Authority shall consist of (1) its existing assets and such other properties as may be contributed to the Authority by the Government to form part of capital, (2) all capitalized surplus, and (3) cash contribution by the Government in the amount of two hundred million pesos, which is hereby appropriated out of any fund, in the National Treasury not otherwise appropriated, be they collection from any or all taxes accruing to the general fund or proceeds from loans, the issue of bonds, treasury bills or notes, or derived from any other sources of income, by or of the National Government, which amount shall be programmed and released by the Budget Commission in accordance with the schedule of development and expenditure to be prepared and submitted by the Authority: Provided, however, That any budgetary outlay allocated and released in favor of the Export Processing Zone Authority and/or Foreign Trade Zone Authority shall be correspondingly credited to the authorized capitalization herein provided.

SEC. 6. Board of Commissioners: — The corporate powers of the Authority shall be vested in and exercised by the Board of Commissioners, hereinafter referred to as the Board, to be composed of seven members to wit: the Deputy Governor of the Central Bank of the Philippines, the Vice-Chairman of the Board of Investments, the Undersecretary of Finance and the Undersecretary of the Department of Trade and Tourism, who shall be ex officio members, and the remaining members shall be appointed by the President with the consent of the Commission on Appointments. The President shall designate from among the members of the Board its Chairman, who shall at the same time be the Administrator of the Authority.

SEC. 7. Qualifications and Disqualifications of Commissioners. — No person shall be appointed as member of the Board unless he is a citizen of the Philippines, of good moral character and unquestionable integrity and responsibility and of recognized competence in any of the fields of finance, economics, law, taxation, commerce, industry, engineering, management or the like.

No member of the Board shall directly or indirectly engage in partisan political activities or practice any profession or business dealing with or related to the exercise of the Authority's functions and powers; and be financially interested, directly or indirectly, in any contract entered into by the Authority.

SEC. 8. Tenure of Office. — Except for the ex officio members, the tenure of office of the other members shall be six years: Provided, That the term of office of the first appointees shall be fixed as follows: the Chairman shall be for six years; one member shall be for four years, and the last member shall be for two years: Provided, finally, That no vacancy shall be filled except for the unexpired portion of any term.

The Chairman and the members of the Board may be suspended or removed for cause by the President of the Philippines.

SEC. 9. Meetings and Quorum. — The Board shall meet regularly once a month and as often as the exigencies of the service demand. The presence of at least four members shall constitute a quorum and the vote of four members shall be necessary for the adoption of any rule, resolution or decision or any other act of the Board.

SEC. 10. Compensation of Chairman and Members of the Board. — The Chairman, who is also the Administrator of the Authority, shall receive an annual salary of fifty thousand pesos and a monthly commutable allowance of one thousand pesos. The members of the Board shall receive a per diem of not to exceed two hundred pesos for each board meeting actually attended by them: Provided, That such per diems shall not exceed one thousand pesos during any month for each member: Provided, further, That no other allowances or any form of compensation

shall be paid them, except actual expenses in traveling to and from their residences to attend board meetings.

SEC. 11. Powers and Duties of the Board. — The Board shall have the following powers and duties:

- To promulgate policies and to prescribe such rules and regulations as may be necessary to implement the intent and provisions of this Decree, which rules and regulations shall take effect thirty (30) days following their publication in two (2) newspapers of general circulation in the Philippines;
- To recommend the establishment of other export processing zones as it may deem advisable, and to recommend to the President the issuance of a proclamation to fix and delimit the site of the zone or zones, which shall at all times remain to be owned by the Authority. The site of the zone or zones, as proclaimed by the President, shall be surveyed by the Bureau of Lands and conveyed thereafter in absolute ownership to the Authority by the President of the Philippines for the nominal sum of one peso for each parcel of land. Upon receipt of said deed of conveyance, the proper Register of Deeds shall register the same and issue the corresponding original certificate of title to the Authority;
- To approve the annual budget and such supplemental budgets which may be submitted to it by the Chairman;
- Upon the recommendation of the Administrator, to organize, reorganize and determine the Authority's staffing pattern; to fix their salaries and to define their powers and duties;
- Notwithstanding the provisions of law, rules and regulations to the contrary, to enter by itself into any contract or agreement as may be necessary for the proper, efficient and stable administration of the Authority and for the attainment of the purposes and objectives of this Decree;
- To recommend to the President the application of compulsory arbitration in the settlement of any labor dispute affecting any industry or business located inside the Zone. If in the opinion of the President the labor dispute would seriously impair Zone operation, he shall forthwith certify said labor dispute to the National Labor Relations Commission or the Court of Industrial Relations for immediate compulsory arbitration;
- To recommend to the Commissioner of Immigration the entry into the Philippines of foreign nationals for employment as authorized under Section 16 of this Decree;
- To render annual reports to the President and such special reports as may be requested; and
- Generally, to exercise all the powers necessary or incidental to attain the purposes of this Decree.

SEC. 12. Administrator and Deputy Administrators; Powers and Duties. — The Chairman, who is also the Administrator of the Authority, shall be assisted by two Deputy Administrators to be chosen and may be removed by the Board upon the recommendation of the Chairman. The Administrator and the Deputy Administrators shall be required to work full time in the Authority. Such deputies shall perform the duties, functions and responsibilities as may be assigned to them by the Administrator. The annual salary of each deputy shall be thirty thousand pesos with a monthly commutable allowance of five hundred pesos.

The Chairman-Administrator shall have the following powers and duties:

- To direct and manage the affairs of the Authority in accordance with the policies of the Board;
- To assist registered Zone enterprises and prospective investors to have their papers processed with dispatch by all government offices, agencies, instrumentalities and financial and banking institutions;
- To prepare the agenda for the meeting of the Board and submit for its consideration and approval the policies and measures which he deems necessary and proper to carry out the provisions of this Decree;

- 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;
- To submit an annual budget and necessary supplemental budgets to the Board for its approval;
- To establish the internal organization of the Authority under such conditions that the Board may prescribe: Provided, That any major reorganization shall be subject to the approval of the Board; and
- To perform such other duties as may be assigned to him by the Board.

SEC. 13. Non-applicability of the Civil Service Law, and the Regulation of the Wage and Position Classification Office. — All officials and employees of the Authority shall be selected and appointed on the basis of merit and fitness based on a comprehensive and progressive merit system to be established by the Authority immediately upon its organization and consistent with Civil Service rules and regulations. The recruitment, transfer, promotion, and dismissal of all personnel of the Authority, including temporary workers, shall be governed by such merit system.

Likewise, all personnel of the Authority shall be exempt from the regulations of the Wage and Position Classification Office.

SEC. 14. Appointment by Board. — Department heads and similar rank shall be appointed by the Board, upon the recommendation of the Administrator.

SEC. 15. Appointment by Administrator. — Employees and officials below the rank of department heads shall be appointed to positions in the approved budget by the Administrator upon written recommendation of the department head concerned using as guide the standards set forth in the Authority's merit system: Provided, That the Administrator shall submit a quarterly report to the Board regarding personnel recruitment, placement and training.

SEC. 16. Foreign Enterprises. — The provisions of law to the contrary notwithstanding, the Authority may authorize an alien or an association, partnership, corporation or any other form of business organization formed, organized, chartered or existing under any law other than those of the Philippines, or which is not a Philippine national, or the working capital of which is fully owned or controlled by aliens to do business or engage in an industry inside the Zone.

Subject to the provisions of Section twenty-nine of Commonwealth Act Numbered Six hundred thirteen, as amended, a zone enterprise whether domestic or foreign may within five years from registration, employ foreign nationals in supervisory, technical or advisory positions not in excess of five per centum of its total personnel in each such category: Provided, That in no case shall each employment exceed five years. The employment of foreign nationals after five years from registration, or within such five years but in excess of the proportion herein provided, shall be governed by Section twenty of Commonwealth Act Numbered Six hundred thirteen, as amended: Provided, furthermore, That when the majority of the capital stock of the enterprise is owned by foreign investors, the positions of president, treasurer and general manager, or their equivalents, may be retained by foreign nationals. In exceptional cases, the Board may allow employment of foreign nationals in other positions that cannot be filled by Philippine nationals, but subject to the limitations as herein provided.

Foreign nationals under employment contract within the purview of this Decree, their spouses and unmarried children under twenty-one years of age, who are not excluded by Section twenty-nine of Commonwealth Act Numbered Six hundred thirteen, shall be permitted to enter and reside in the Philippines during the period of employment of such foreign nationals.

SEC. 17. Tax Treatment of Merchandise in the Zone. —

- Except as otherwise provided in this Decree, foreign and domestic merchandise, raw materials, supplies, articles, equipment, machineries, spare parts and wares of every description, except those prohibited by law, brought into the Zone to be sold, stored, broken up, repacked, assembled, installed, sorted, cleaned, graded, or otherwise processed, manipulated, manufactured, mixed with foreign or domestic merchandise or used whether directly or indirectly in such activity, shall not be subject to customs and internal revenue laws and regulations nor to local tax ordinances, the provisions of law to the contrary notwithstanding.
- Merchandise purchased by a registered zone enterprise from the customs territory, if paid for in United States dollar or in any convertible foreign currency and subsequently brought into the zone, shall be considered as exported, and the exporter thereof shall be entitled to the benefits allowed by law for such transaction.
- Domestic merchandise sent from the zone to the customs territory shall, whether or not combined with or made part of other articles likewise the growth, product or manufacture of the Philippines while in the zone, be subject to internal revenue laws of the Philippines as domestic goods sold, transferred or disposed of for local consumption.
- Merchandise sent from the zone to the customs territory shall, whether or not combined with or made part of other articles while in the zone, be subject to laws and regulations governing imported merchandise. The duties and taxes shall be assessed on the value of imported materials (except when the final product is exempt) and the internal revenue taxes on the value added.
- Domestic merchandise on which all internal revenue taxes have been paid, if subject thereto, and foreign merchandise previously imported on which duty or tax has been paid, or which have been admitted free of duty and tax, may be taken into the zone from the customs territory of the Philippines and be brought back thereto free of quotas, duty or tax.
- Subject to such regulations respecting identity and the safeguarding of the revenue as the Authority may deem necessary when the identity of an article entered into the zone has been lost, such article when removed from the zone and taken to the customs territory shall be treated as foreign merchandise entering the country for the first time, under the provisions of the Tariff and Customs Code.
- Articles produced or manufactured in the zone and exported therefrom shall, on subsequent importation into the customs territory, be subject to the import laws applicable to like articles manufactured in a foreign country.
- Unless the contrary is shown, merchandise taken out of the zone shall be considered for tax purposes to have been sent to customs territory.

SEC. 18. Additional Incentives. — A zone registered enterprise shall also enjoy the following incentive benefits:

- Net-Operating Loss Carry Over. — A net-operating loss incurred in any of the first five years of operation inside the zone may be carried over as a deduction from taxable income derived in such zone during the five years immediately following the year of such loss. The entire amount of the loss and any portion of such loss which exceeds the taxable income of such first year shall be deducted in like manner from the taxable income of the next remaining four years. The net-operating loss shall be computed in accordance with the provisions of the National Internal Revenue Code, any provision of this Decree to the contrary notwithstanding, except that income not taxable either in whole or in part under this Decree or other laws shall be included in gross income
- Accelerated Depreciation. — Fixed assets may be (1) depreciated to the extent of not more than twice the normal rate of depreciation or depreciated at the normal rate of depreciation if the expected life is ten years or less; or (2)

depreciated over any number of years between five years and expected life if the latter is more than ten years; and the depreciation thereon allowed as a deduction from taxable income: Provided, That the taxpayer notifies the Bureau of Internal Revenue at the beginning of the depreciation period which depreciation rate allowed by this subsection will be used by it.

- Exemption from Export Tax. — The provisions of law to the contrary notwithstanding, foreign merchandise transhipped through the zone or any article which has been processed, manufactured or manipulated in said zone and exported therefrom, shall be exempt from any export tax, imposts or fee, including the stabilization tax imposed by Republic Act Numbered Sixty-one hundred twenty-five.

- Foreign Exchange Assistance. — The Central Bank of the Philippines or any or its authorized agent banks shall extend to zone registered enterprises, priority in the allocation of foreign exchange and in the availment of the assistance and resources of the Central Bank in a manner that would encourage and accelerate investment in the zone.

- Financial Assistance. — Notwithstanding any provisions of law to the contrary, zone registered enterprises shall be entitled to at least the same privileges accorded to enterprises approved by and registered with the Board of Investments under Republic Act Numbered Four thousand eight hundred sixty, as amended by Republic Act Numbered Six thousand one hundred forty-two, or under any existing, law, executive order, rule or regulation or which may hereafter be enacted or promulgated, insofar as obtaining financial assistance by way of loans, credits, guarantees or other forms of financial accommodations from government financial institutions, whether directly or indirectly through the medium of private banking or non-banking financial institutions: Provided, That the proceeds derived from or through such financial assistance shall be used in undertaking projects approved by the Authority: Provided, further, That in order to facilitate the payment of the foreign loans, credits and indebtedness contracted by zone registered enterprises for such projects approved by the Authority, the Central Bank shall, under such rules and regulations as it may promulgate upon recommendation of the Authority, allow the deduction of such portion of the foreign exchange earnings of said enterprises sufficient to meet the foreign exchange requirements for servicing foreign indebtedness incurred by them.

- Exemption from Local Taxes and Licenses. — Notwithstanding the provisions of law to the contrary, any business enterprise engaged in the production, processing, packaging, or manipulation of export products shall, to the extent of their construction, operation or production inside the zone, be exempt From the payment of any and all local government imposts, fees, licenses or taxes, except real estate taxes imposed under Commonwealth Act Numbered Four Hundred seventy and Republic Act Numbered Fifty-four hundred forty-seven: Provided, That said business enterprise shall pay in the municipality where the zone is located real estate taxes on all its real properties located therein.

SEC. 19. Power to Issue Bonds or Incur Indebtedness. — Whenever the Board may deem it advisable and necessary for the Authority to contract loans, credits and other indebtedness, or to issue bonds, notes, debentures, securities and other instruments of indebtedness for the development and/or operation of the Zone, it shall by resolution so manifest and declare stating the purpose for which the indebtedness is to be applied and citing the project study devised for the purpose. In order for such resolution to be valid, it shall be passed by the affirmative vote of at least four members of such Board and approved by the President of the Philippines upon the recommendation of the Secretary of Finance, after consultation with the National Economic Development Authority and the Monetary Board of the Central Bank.

The total principal domestic indebtedness of the Authority payable in Philippine currency shall not at any one time exceed three hundred million pesos, while the total principal indebtedness of the Authority payable in

foreign currency shall not at any one time exceed one hundred million United States dollars or the equivalent thereof in other foreign currencies qualified to form part of the international reserves of the Central Bank: Provided, That such foreign indebtedness may be contracted from foreign governments or any public or private international banking and financial institution or fund sources. The bonds and other instruments of indebtedness which the Authority is authorized to issue under this section and any income derived therefrom shall, except those contracted with private international banking and financial institution, be exempt from the payment of all taxes of whatever kind and nature including withholding taxes imposed by the Republic of the Philippines, its agencies, instrumentalities or political subdivisions, which fact may be expressed on the ace thereof, and shall be eligible as collateral in any transaction with the national or any local government, its agencies and instrumentalities, including government-owned or controlled corporations and government banking and financial institutions, in which collateral is required. Any or all loans or instruments of indebtedness which the Authority is authorized to contract or issue under this section shall be unconditionally guaranteed both as to principal and interest by the Government of the Republic of the Philippines whenever the President of the Philippines, by himself or through his duly authorized representative, may deem such guarantee by the Government of the Republic of the Philippines to be advisable and necessary, in which case, the President of the Philippines or his duly authorized representative is hereby authorized to execute and deliver said guarantee of the Government of the Republic of the Philippines.

The Central Bank of the Philippines or any of its authorized agent banks shall extend to the Authority priority in the allocation of foreign exchange and in the availment of the assistance and resources of the Central Bank in a manner that shall facilitate the contracting or issuance by the Authority of the loans or instruments of indebtedness which the Authority is authorized to contract or issue under this section or the repayment thereof. In any case, where the Authority is required to surrender or sell to the Central Bank foreign currencies qualified to form part of its international reserves, the Authority is hereby given the right to repurchase any or all of said foreign currencies as is necessary to meet all items of debt service arising out of any and all loans and instruments of indebtedness payable in foreign currency contracted or issued by it pursuant to this section at the same rate or rates at which said foreign currencies were respectively sold to the latter, subject to the payment of foreign exchange premium or fees as the Central Bank may deem reasonable.

In the negotiation, contracting and issuance of any loan, credit and evidence of indebtedness under, this section, the President of the Philippines may, if deemed by him upon recommendation of the Authority, to be necessary or justified and when made a condition by the foreign creditor to the issuance of such loans, credits, or instruments or indebtedness, agree to waive the application of any law granting preference or imposing restrictions on international competitive bidding, such as, but not limited to, Act Numbered Forty-two hundred thirty-nine, Commonwealth Act Numbered One hundred thirty-eight, Commonwealth Act Numbered Five Hundred forty-one, Republic Act Numbered Nine Hundred twelve, Republic Act Numbered Fifty-one hundred eighty-three: Provided, however, That in every case where competitive bidding is agreed upon in the purchase of machineries, equipment, materials and supplies financed out of proceeds of such loans, credits and instruments of indebtedness, preference may be granted in favor of such machineries, equipment, materials and supplies produced, processed or manufactured in the Philippines at such rate and in such manner as may be agreed upon from time to time with the entity or institution providing financing for the project.

SEC. 20. Sinking Fund. — The Authority is hereby authorized to pay out of its appropriations, operating income, proceeds from its borrowings or issuance of bonds and other instruments of indebtedness, and from all other sources of funds, the amounts necessary to meet its maturing obligations on the loans, credits or indebtedness contracted by the Authority or on the bonds, notes, or other instruments of indebtedness issued by it. For this purpose, a sinking fund may be established out of said sources of funds of the Authority in the Central Bank of the

Philippines in such manner that the total thereof at each due date of the bonds and other instruments of indebtedness and the loans, credits or indebtedness contracted by the Authority shall be equal to the aggregate maturing obligations or amortization as of that date. Said fund shall be under the custody of the Central Bank of the Philippines under a special account, which shall invest the same in such manner as the Monetary Board may approve, charging all expenses of such investments to said sinking fund and crediting the same with interest on investments and other income belonging to it. A standing appropriation is hereby made out of any general fund in the National Treasury not otherwise appropriated, of such sum as may be necessary to meet all obligations of the Government of the Republic of the Philippines under all guarantees which may be executed by it pursuant to this Decree, in case such sinking fund shall be insufficient to fully pay the indebtedness of the Authority guaranteed by the Government of the Republic of the Philippines or the Authority fails to fully pay the same by some other means.

SEC. 21. Non-profit Character of the Authority; Exemption from Taxes. — The Authority shall be non-profit and shall devote and use all its returns from its capital investment, as well as excess revenues from its operations, for the development, improvement and maintenance and other related expenditures of the Authority to pay its indebtedness and obligations and in furtherance and effective implementation of the policy enunciated in Section 1 of this Decree. In consonance therewith, the 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, to the Republic of the Philippines, its provinces, cities, municipalities and other government agencies and instrumentalities;
- From all income taxes, franchise taxes, realty taxes and all other kinds of taxes and licenses to be paid to the National Government, its provinces, cities, municipalities and other government agencies and instrumentalities; and
- From all tariff and customs duties, and advance sales tax, on import of capital goods required for its operations.

The foregoing exemptions may however be entirely or partially lifted by the President of the Philippines upon recommendation of the Secretary of Finance, not earlier than five years from the approval of this Decree, 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 Authority and its projected capital and operating expenditures.

SEC. 22. Road Networks in the Zone. — The road network within the export processing zone are hereby declared to be national roads and shall be eligible for allocation of monies coming from the Highway Special Fund to be used in the construction, repair or maintenance of such roads therein, the provisions of law, executive orders, rules and regulations to the contrary notwithstanding.

SEC. 23. Eminent Domain. — For the acquisition of rights of way, or of any property for the establishment of export processing zones, or of low-cost housing projects for the employees working in such zones, or for the protection of watershed areas, or for the construction of dams, reservoirs, wharves, piers, docks, quays, warehouses and other terminal facilities, structures and approaches thereto, the Authority shall have the right and power to acquire the same by purchase, by negotiation, or by condemnation proceedings. Should the Authority elect to exercise the right of eminent domain, condemnation proceedings shall be maintained by and in the name of the Authority and it may proceed in the manner provided for by law.

SEC. 24. Title to Real Property. — The public lands fixed and delimited as the site of the foreign trade zone under Proclamation No. 629, series of 1969, Proclamation Nos. 899 and 939, both series of 1971, of the President of the

Philippines shall be surveyed by the Bureau of Lands and conveyed thereafter in absolute ownership to the Authority by the President of the Philippines for the nominal sum of one peso for each parcel of land being conveyed under this section. Upon receipt of said deed of conveyance the proper Register of Deeds shall register the same and issue the corresponding original certificate of title to the Authority. Likewise, the public land fixed and delimited as the site of a low-cost housing project for workers in the Zone under Proclamation No. 740, series of 1970, as amended by Proclamation No. 900, series of 1971, of the President of the Philippines, shall be surveyed by the Bureau of Lands and conveyed in absolute ownership by the President of the Philippines to the Authority, the Government Service Insurance System and/or Social Security System and in the manner hereinafter provided. Upon receipt of the deed of conveyance, the proper Register of Deeds shall forthwith register the same and issue the corresponding original certificate of title thereof.

The public land mentioned herein shall be disposed of as follows: sixty hectares to the Authority upon payment to the Government the nominal sum of one peso, and the balance to the Government Service Insurance System and/or Social Security System, in consideration for the development of a portion thereof by the GSIS and/or SSS as may be necessary to accommodate the construction of standard housing units, and/or condominium houses, which the GSIS and/or SSS shall sell and convey, together with the title or interest over the land as it may appear upon conveyance thereof to the bona fide residents of Barrio Nassco and Barrio Camaya, both in the Municipality of Mariveles, Bataan, as certified by the Authority: Provided, That the price at which said housing units may be sold to the aforementioned bona fide residents of Barrio Nassco and Barrio Camaya shall not include the site development cost thereof: Provided, further, that the GSIS and/or SSS shall undertake the complete development of the residual area, including the area allotted to the Authority, into modern communities, always taking into account the policy of low-cost housing as herein enunciated: Provided, furthermore, That the land and/or housing units constructed therein shall be sold to the regular workers in the Zone who shall have worked therein continuously for a period of at least five years, as certified by the Authority: Provided, moreover, That where there are no persons qualified to own said land and/or housing units, the GSIS and/or SSS may hold on to said properties for as long as they are not sold or disposed of, notwithstanding the provisions of law to the contrary: Provided, finally, That the Authority shall, in coordination with the GSIS and/or SSS, administer, manage and operate the housing project, and shall issue such rules and regulations as may be necessary For the proper management and operation thereof, including the utilization and disposition of the land and/or housing units.

SEC. 25. Relocation of Residents of Barrio Nassco in the Municipality of Mariveles. — The residents of Barrio Nassco and Barrio Camaya in the Municipality of Mariveles, which is within the export processing zone, shall be relocated in the low-cost housing area mentioned in Section twenty-four hereof: Provided, That only those residential houses and buildings located within Barrio Nassco, which are constructed as of April 15, 1972, shall be entitled to compensation based on their fair market value at such time, less recoverable value, if any.

SEC. 26. Supplies and Services other than Personnel. — All purchases of supplies or contracts for services, except for personal services, entered into by the Authority, shall be done through competitive public bidding: Provided, That bidding shall not be required when (1) an emergency, as certified by the Chairman, requires immediate delivery of the supplies or performance of the services, and (2) the aggregate amount involved in any one purchase of supplies or procurement of services does not exceed ten thousand pesos, in which case, such purchase or procurement may be made in the usual, course of business: Provided, further, That the Authority's emergency purchase of supplies and services shall not exceed the amount of fifty thousand pesos for any one month: Provided, finally, That in comparing bids and in making awards, the Authority shall consider such factors as the cost and relative quality and adaptability of supplies or services: the bidder's financial responsibility, skill, experience, integrity, and ability to furnish repairs and maintenance services; the time of delivery or performance offered; and the bidder's compliance with the specifications desired.

SEC. 27. Auditing. — The Auditor General shall be ex officio auditor in charge of the auditing office of the Authority. He shall appoint a representative who shall be the auditor thereof. The Auditor General shall, upon recommendation of the Authority, appoint or remove personnel of said auditing office in accordance with law. The operating expenses of this office and the salaries and traveling expenses of the officials and employees thereof shall be fixed by the Board and paid by the Authority. Such representative shall render a semestral report on the financial condition and operations of the Authority to the Auditor General and the Board. The Auditor General shall submit to the President and the Congress an annual report covering the financial condition and operations of the Authority.

These auditing reports shall contain a statement of the resources and liabilities including earnings and expenses, reserves and profits, as well as losses, bad debts and such other facts which, under the auditing rules and regulations, are considered necessary to accurately describe the financial condition and operations of the Authority: Provided, That before such reports are made, the Authority shall be given reasonable opportunity to examine the reports and make exceptions to any criticisms of the Auditor of the Authority or the Auditor General, as the case may be, to point out, explain or answer any inaccuracies therein, if any, and to file a statement which shall be appended by the Auditor of the Authority and the Auditor General in their respective reports.

SEC. 28. Penalties. — Any person violating any provision of this Decree or any of the rules and regulations promulgated under Sections four and eleven hereof, shall suffer the penalty of imprisonment of not less than five years nor more than ten years and a fine of not less than five thousand pesos nor more than ten thousand pesos and in addition, such violations shall ipso facto constitute a valid ground for the revocation of all privileges, permits and authorization granted to such person under this Decree: Provided, however, That if the offender is a corporation, firm, partnership or association, the penalty shall be imposed upon the guilty officer or officers, as the case may be, of the corporation, firm or association, and if such guilty officer or officers be an alien or aliens, in addition to the penalties herein prescribed, he or they shall be deported without further proceedings on the part of the Deportation Board.

Any officer or employee of the Government who, by himself or through his agent, acting under his discretion and authority, shall connive, abet, or tolerate the violation of the provisions of this Decree or any rules and regulations promulgated under Section four and eleven hereof or who fails to report within thirty days any violation thereof to the Authority shall suffer the penalties prescribed in the preceding paragraph including perpetual disqualification to hold public office.

The foregoing penalties shall be without prejudice to the assessment and collection of such taxes and duties as may be due on the foreign-made articles or merchandise which have been landed in the Zone and have not been reshipped to a foreign port at the time of the revocation of the authority of the offender to operate within the Zone, In the event such taxes and duties shall not, for any reason, be paid upon demand by the collector of the district Wherein the Zone is located, the foreign-made articles or merchandise of the offender remaining within such Zone at the time of revocation of its authority to operate therein, including its physical plants, machinery and equipment therein, shall, after due notice and hearing, be forfeited in favor of the Government and may be disposed of by the Government in the manner and for such purposes as it may so desire.

SEC. 29. Transitory Provisions. — The properties, monies, assets, rights, choses in action, obligations, liabilities, records and contracts of the Foreign Trade Zone Authority under Republic Act Numbered fifty-four hundred ninety shall continue to be vested in and assumed by the Export Processing Zone Authority, as a government corporation, pursuant to this Decree.

Likewise, all personnel of the Foreign Trade Zone Authority who are occupying permanent positions shall be

absorbed by the Export Processing Zone Authority and shall remain in their respective positions without demotion in rank nor reduction in salary: Provided, That employees who shall be separated from the service shall be given by the Authority at least one month gratuity for every year of service but in no case more than twenty-four months salary, in addition to all benefits to which they may be entitled under existing laws and regulations,

SEC. 30. Repealing Clause. — The provisions of Republic Act Numbered Fifty-four hundred ninety and all other acts, executive orders, proclamations, administrative orders, rules and regulations or parts thereof which are inconsistent with the provisions of this Decree are either repealed or modified accordingly.

SEC. 31. Separability Clause. — The provisions of this Decree are hereby declared to be separable, and in the event any one or more of such provisions are held unconstitutional, the validity of other provisions shall not be affected.

SEC. 32. Effectivity. — This Decree shall take effect upon its approval.

Done in the City of Manila, this 20th day of November, in the year of Our Lord, nineteen hundred and seventy-two.

(Sgd.) FERDINAND E. MARCOS
President
Republic of the Philippines

By the President:

(Sgd.) ALEJANDRO MELCHOR
Executive Secretary

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