



HOUSE OF REPRESENTATIVES

H. No. 8720

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BY REPRESENTATIVES ROMAN, MACAPAGAL-ARROYO, CALIXTO-RUBIANO, SANDOVAL, DE JESUS, VELOSO, BRAVO (M.V.), ANTONINO, NIETO, TAMBUNTING, SANGCOPAN, CALALANG, OLIVAREZ, PANGANIBAN, VILLARICA, GO (M.), ORTEGA (P.) AND AGGABAO, PER COMMITTEE REPORT NO. 1002

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AN ACT REVITALIZING THE BASES CONVERSION DEVELOPMENT, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 7227, OTHERWISE KNOWN AS THE "BASES CONVERSION AND DEVELOPMENT ACT OF 1992", AS AMENDED

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

1           SECTION 1. Section 12 of Republic Act No. 7227, as amended,  
2 is hereby further amended to read as follows:  
3           "SEC. 12. *Subic Special Economic Zone.* – Subject  
4 to the concurrence by resolution of the *sangguniang*  
5 *panlungsod* of the City of Olongapo and the *sangguniang*  
6 *bayan* of the Municipalities of Subic, Morong and  
7 Hermosa, there is hereby created a Special Economic and  
8 Free-port Zone consisting of the City of Olongapo and the  
9 Municipality of Subic, Province of Zambales, the lands  
10 occupied by the Subic Naval Base and its contiguous

1 extensions as embraced, covered, and defined by the 1947  
2 Military Bases Agreement between the Philippines and  
3 the United States of America as amended, and within the  
4 territorial jurisdiction of the Municipalities of Morong  
5 and Hermosa, Province of Bataan, hereinafter referred to  
6 as the Subic Special Economic Zone whose metes and  
7 bounds shall be delineated in a proclamation to be issued  
8 by the President of the Philippines. Within thirty (30)  
9 days after the approval of this Act, each local government  
10 unit shall submit its resolution of concurrence to join the  
11 Subic Special Economic Zone to the Office of the  
12 President. Thereafter, the President of the Philippines  
13 shall issue a proclamation defining the metes and bounds  
14 of the zone as provided herein.

15 "THE MUNICIPALITIES OF SAN ANTONIO, SAN  
16 MARCELINO AND CASTILLEJOS OF THE PROVINCE OF  
17 ZAMBALES AND THE MUNICIPALITIES OF MORONG,  
18 HERMOSA AND DINALUPIHAN OF THE PROVINCE OF  
19 BATAAN MAY, BY RESOLUTION OF THEIR RESPECTIVE  
20 *SANGGUNANG BAYAN*, CEDE IN WHOLE OR IN PART, FOR A  
21 PERIOD OF NOT LESS THAN FIFTY (50) YEARS, THEIR  
22 ENTIRE MUNICIPAL TERRITORY TO THE SUBIC SPECIAL  
23 ECONOMIC ZONE.

24 "The abovementioned zone shall be subject to the  
25 following policies:

26 "(a) Within the framework and subject to the  
27 mandate and limitations of the Constitution and the

1           pertinent provisions of the Local Government Code, the  
2           Subic Special Economic Zone shall be developed into a  
3           self-sustaining, industrial, commercial, financial and  
4           investment center to generate employment opportunities  
5           in and around the zone and to attract and promote  
6           productive foreign AND DOMESTIC investments;

7           “(b) The Subic Special Economic Zone shall be  
8           operated and managed as a separate customs territory  
9           ensuring free flow or movement of goods and capital  
10          within, into and exported out of the Subic Special  
11          Economic Zone, as well as provide incentives such as tax  
12          and duty-free importations of raw materials, capital and  
13          equipment. However, exportation or removal of goods  
14          from the territory of the Subic Special Economic Zone  
15          to the other parts of the Philippine territory shall be  
16          subject to customs duties and taxes under [the Tariff  
17          and Customs Code of the Philippines, as amended,]  
18          **REPUBLIC ACT NO. 10863, OTHERWISE KNOWN AS THE**  
19          **‘CUSTOMS MODERNIZATION AND TARIFF ACT’,** the  
20          National Internal Revenue Code of 1997, as amended,  
21          and other relevant tax laws of the Philippines;

22          “(c) The provision of existing laws, rules and  
23          regulations to the contrary notwithstanding, no national  
24          and local taxes **OF ANY KIND OR NATURE** shall be imposed  
25          within the Subic Special Economic Zone. In lieu of said  
26          taxes, a five percent (5%) tax on gross income earned shall  
27          be paid by [all business enterprises within the Subic

1 Special Economic Zone and shall be remitted as follows:  
2 three percent (3%) to the National Government, and  
3 two percent (2%) to the Subic Bay Metropolitan  
4 Authority (SBMA) for distribution to the local government  
5 units affected by the declaration of and contiguous to  
6 the zone, namely: the City of Olongapo and the  
7 municipalities of Subic, San Antonio, San Marcelino and  
8 Castillejos of the Province of Zambales; and the  
9 municipalities of Morong, Hermosa and Dinalupihan of  
10 the Province of Bataan, on the basis of population (50%),  
11 land area (25%), and equal sharing (25%).] ALL  
12 REGISTERED BUSINESS ENTERPRISES WITHIN THE SUBIC  
13 SPECIAL ECONOMIC ZONE AND SHALL BE REMITTED AS  
14 FOLLOWS: ONE PERCENT (1%) TO THE NATIONAL  
15 GOVERNMENT; ONE AND A HALF PERCENT (1.5%) TO  
16 THE SUBIC BAY METROPOLITAN AUTHORITY (SBMA)  
17 REFERRED TO IN SECTION 13 OF THIS ACT; TWO  
18 PERCENT (2%) TO THE SBMA FOR DISTRIBUTION TO THE  
19 LOCAL GOVERNMENT UNITS COVERED BY THE SUBIC  
20 SPECIAL ECONOMIC ZONE, NAMELY: THE CITY OF  
21 OLONGAPO AND THE MUNICIPALITIES OF SUBIC, SAN  
22 ANTONIO, SAN MARCELINO AND CASTILLEJOS OF THE  
23 PROVINCE OF ZAMBALES; AND THE MUNICIPALITIES OF  
24 MORONG, HERMOSA AND DINALUPIHAN OF THE  
25 PROVINCE OF BATAAN, ON THE BASIS OF POPULATION  
26 FORTY PERCENT (40%), LAND AREA FORTY PERCENT  
27 (40%), AND EQUAL SHARING TWENTY PERCENT (20%);

1 AND HALF PERCENT (0.5%) TO THE TREASURER'S OFFICE  
2 OF THE CITY OR MUNICIPALITY WHERE THE ENTERPRISE  
3 OR INVESTMENT IS LOCATED.

4 "UPON THE DETERMINATION AND APPROVAL BY  
5 SBMA BOARD OF DIRECTORS, NEWLY REGISTERED  
6 BUSINESS ENTERPRISES MAY AVAIL OF AN EXEMPTION  
7 FROM THE FIVE PERCENT (5%) TAX ON GROSS INCOME  
8 EARNED FOR A PERIOD NOT EXCEEDING EIGHT (8) YEARS.

9 "UPON THE DETERMINATION AND APPROVAL BY THE  
10 SBMA BOARD OF DIRECTORS, EXISTING REGISTERED  
11 ENTERPRISES ALREADY PAYING THE FIVE PERCENT (5%)  
12 TAX ON GROSS INCOME EARNED MAY AVAIL OF THE NET  
13 OPERATING LOSS CARRYOVER FOR A PERIOD NOT  
14 EXCEEDING EIGHT (8) YEARS.

15 "In case of conflict between national and local laws  
16 with respect to tax exemption privileges in the Subic  
17 Special Economic Zone, the same shall be resolved in  
18 favor of the latter;

19 "(d) No exchange control policy shall be applied and  
20 free markets for foreign exchange, gold, securities and  
21 futures shall be allowed and maintained in the Subic  
22 Special Economic Zone;

23 "(e) The Central Bank, through the Monetary  
24 Board, shall supervise and regulate the operations of  
25 banks and other financial institutions within the Subic  
26 Special Economic Zone;

27 "(f) Banking and finance shall be liberalized with  
28 the establishment of foreign currency depository units of

1 local commercial banks and offshore banking units of  
2 foreign banks with minimum Central Bank regulation;

3 “(g) Any investor within the Subic Special  
4 Economic Zone whose continuing investment shall not be  
5 less than Two hundred fifty thousand dollars (\$250,000),  
6 [his/her] THE INVESTOR’S spouse and dependent children  
7 under twenty-one (21) years of age, shall be granted  
8 permanent resident status within the Subic Special  
9 Economic Zone. They shall have freedom of ingress and  
10 egress to and from the Subic Special Economic Zone  
11 without any need of special authorization from the  
12 Bureau of Immigration [and Deportation]. The [Subic  
13 Bay Metropolitan Authority referred to in Section 13 of  
14 this Act] SBMA may also issue working visas renewable  
15 every two (2) years to foreign executives and other aliens  
16 possessing highly-technical skills which no Filipino within  
17 the Subic Special Economic Zone possesses, as certified by  
18 the Department of Labor and Employment. The names of  
19 aliens granted permanent residence status and working  
20 visas by the [Subic Bay Metropolitan Authority] SBMA  
21 shall be reported to the Bureau of Immigration [and  
22 Deportation] within thirty (30) days after issuance  
23 thereof;

24 “(h) The defense of the zone and the security of its  
25 perimeters shall be the responsibility of the National  
26 Government in coordination with the [Subic Bay

1 Metropolitan Authority] SBMA. [The Subic Bay  
2 Metropolitan Authority shall provide and establish its  
3 own internal security and firefighting forces; and] IN THE  
4 EVENT THAT AN ASSISTANCE OF THE MILITARY IS  
5 NECESSARY, THE EXPENSES SHALL BE BORNE BY THE  
6 NATIONAL GOVERNMENT. THE MILITARY SHALL NOT  
7 INTERFERE IN THE INTERNAL AFFAIRS OF SBMA EXCEPT  
8 TO PROVIDE THE NECESSARY SECURITY AND DEFENSE.

9 "THE SBMA SHALL PROVIDE AND ESTABLISH ITS  
10 OWN LAW ENFORCEMENT DEPARTMENT WHICH SHALL  
11 EXERCISE THE FOLLOWING POLICE AUTHORITY WITHIN  
12 THE SUBIC BAY FREEPORT ZONE:

13 "(1) MAINTAIN PEACE AND ORDER, ENSURE PUBLIC  
14 SAFETY AND IMPLEMENT ALL LAWS, AND RULES AND  
15 REGULATIONS OF THE SBMA;

16 "(2) REGULATE THE INGRESS AND EGRESS TO,  
17 FROM AND WITHIN THE SUBIC BAY FREEPORT ZONE;

18 "(3) EXERCISE THE GENERAL POWERS TO CONDUCT  
19 SEARCH AND SEIZURE WITHIN THE SUBIC BAY FREEPORT  
20 ZONE IN ACCORDANCE WITH THE CONSTITUTION AND  
21 PERTINENT LAWS; AND

22 "(4) EFFECT THE ARREST OF CRIMINAL OFFENDERS,  
23 INVESTIGATE AND PREVENT CRIMES OCCURRING WITHIN  
24 THE SUBIC BAY FREEPORT ZONE AND ASSIST IN THE  
25 PROSECUTION THEREOF.

26 "THE SBMA SHALL ALSO PROVIDE AND  
27 ESTABLISH ITS OWN FIREFIGHTING FORCE WHICH SHALL

1 HAVE THE SAME FUNCTIONS AS THE BUREAU OF FIRE  
2 PROTECTION WITHIN THE SUBIC BAY FREEPORT ZONE;

3 "(i) Except as herein provided, the local government  
4 units comprising the Subic Special Economic Zone shall  
5 retain their basic autonomy and identity. The cities shall  
6 be governed by their respective charters and the  
7 municipalities shall operate and function in accordance  
8 with Republic Act No. 7160, otherwise known as the Local  
9 Government Code of 1991."

10 SEC. 2. Section 13 of Republic Act No. 7227, as  
11 amended, is hereby further amended to read as follows:

12 "SEC. 13. *The Subic Bay Metropolitan Authority.* -

13 "(a) *Creation of the Subic Bay Metropolitan*  
14 *Authority.* - A body corporate to be known as the Subic  
15 Bay Metropolitan Authority (**SBMA**) is hereby created as  
16 an operating and implementing arm of the Conversion  
17 Authority.

18 "(b) *Powers and Functions of the [Subic Bay*  
19 *Metropolitan Authority] SBMA.* - [The Subic Bay  
20 Metropolitan Authority, otherwise known as the Subic  
21 Authority, shall have the following powers and functions:]

22 EXCEPT AS OTHERWISE PROVIDED HEREIN, THE SBMA  
23 SHALL HAVE AUTHORITY AND JURISDICTION OVER ALL  
24 ECONOMIC ACTIVITIES WITHIN THE SUBIC SPECIAL  
25 ECONOMIC ZONE. IT SHALL EXERCISE THE FOLLOWING  
26 POWERS AND FUNCTIONS:

1           “(1) To operate, administer, manage and develop  
2           the ship repair and ship building facility, container port,  
3           oil storage and refueling facility and Cubi Air Base within  
4           the Subic Special Economic and Free-port Zone as a  
5           free market in accordance with the policies set forth in  
6           Section 12 of this Act;

7           “(2) TO INSPECT AND REGISTER, UNDER THE  
8           FLAG OF THE REPUBLIC OF THE PHILIPPINES, LEISURE  
9           SHIPS AND PLEASURE YACHTS OF ANY SHIP OWNER,  
10          WHETHER A NATURAL OR JURIDICAL PERSON, AND  
11          IRRESPECTIVE OF NATIONALITY OR DOMICILE. FOR  
12          THIS PURPOSE, THE SBMA SHALL ADMINISTER AND  
13          MAINTAIN AN OPEN REGISTER OF LEISURE SHIPS AND  
14          PLEASURE YACHTS SUBJECT ONLY TO SUCH RULES  
15          AND REGULATIONS TO BE PROMULGATED BY THE  
16          SBMA IN CONSULTATION WITH THE DEPARTMENT  
17          OF TRANSPORTATION WITHOUT PREJUDICE TO THE  
18          REQUIREMENTS OF THE CONSTITUTION;

19          “[(2)](3) To accept any local or foreign investment,  
20          business or enterprise AND ADMINISTER AND IMPLEMENT  
21          INCENTIVES GRANTED TO ITS REGISTERED BUSINESS  
22          ENTERPRISES, subject only to such rules and regulations  
23          to be promulgated by the [Subic Authority] SBMA [in  
24          conformity with the policies of the Conversion Authority]  
25          without prejudice to the nationalization requirements  
26          provided for in the Constitution;

1           “~~[(3)]~~(4) To undertake [and regulate the  
2 establishment, operation and maintenance of utilities,  
3 other services and infrastructure in the Subic Special  
4 Economic Zone including shipping and related business,  
5 stevedoring and port terminal services or concessions,  
6 incidental thereto and airport operations in coordination  
7 with the Civil Aeronautics Board, and to fix just and  
8 reasonable rates, fares, charges and other prices  
9 therefor;] ON ITS OWN OR THROUGH CONTRACT,  
10 FRANCHISE, LICENSE, OR PERMIT, TO FIX AND IMPOSE  
11 JUST AND REASONABLE RATES, FARES, CHARGES  
12 AND OTHER PRICES FOR THE ESTABLISHMENT,  
13 OPERATION AND MAINTENANCE OF UTILITIES, FACILITIES,  
14 INFRASTRUCTURE, SERVICES, BUSINESSES, ACTIVITIES  
15 AND CONCESSIONS IN THE SUBIC SPECIAL ECONOMIC  
16 ZONE PERTAINING TO THE FOLLOWING:

17           “(i) ELECTRONIC, WEB AND CLOUD DATA  
18 OPERATORS AND PROVIDERS AND TELECOMMUNICATIONS:  
19 *PROVIDED*, THAT THE NATIONAL TELECOMMUNICATIONS  
20 COMMISSION SHALL CONTINUE TO EXERCISE ITS  
21 POWER TO REGULATE AND SUPERVISE THE QUALITY,  
22 SAFETY, RELIABILITY, SECURITY, COMPATIBILITY AND  
23 INTER-OPERABILITY OF PUBLIC TELECOMMUNICATIONS,  
24 RADIO STATIONS FOR BOTH PRIVATE AND PUBLIC USE,  
25 RADIO SPECTRUM, RADIO AND TELEVISION BROADCAST  
26 STATIONS, CABLE TELEVISIONS AND PAY TELEVISIONS  
27 WITHIN THE SUBIC SPECIAL ECONOMIC ZONE;

1           “(ii) SHIPPING AND MARITIME BUSINESS AND  
2           ACTIVITIES, INCLUDING STEVEDORING AND PORT  
3           TERMINAL SERVICES OR CONCESSIONS: *PROVIDED*, THAT  
4           THE MARITIME INDUSTRY AUTHORITY SHALL CONTINUE  
5           TO EXERCISE ITS POWER TO REGULATE AND SUPERVISE  
6           THE SHIPBUILDING AND SHIP REPAIR OF ANY MERCHANT  
7           MARINE VESSEL OPERATED OR TO BE OPERATED IN THE  
8           DOMESTIC TRADE AND THE DOMESTIC SHIPPING  
9           INDUSTRY WITHIN THE SUBIC SPECIAL ECONOMIC ZONE;

10           “(iii) AIRPORT OPERATIONS: *PROVIDED*, THAT  
11           THE CIVIL AVIATION AUTHORITY OF THE PHILIPPINES  
12           SHALL CONTINUE TO EXERCISE ITS POWER TO REGULATE  
13           AND SUPERVISE THE SAFETY, QUALITY, RELIABILITY AND  
14           AFFORDABILITY OF AIR TRANSPORT SERVICES FOR THE  
15           RIDING PUBLIC WITHIN THE SUBIC SPECIAL ECONOMIC  
16           ZONE;

17           “(iv) ALL OTHER FACILITIES, INFRASTRUCTURE,  
18           SERVICES, BUSINESSES, ACTIVITIES AND CONCESSIONS  
19           INSIDE THE SUBIC SPECIAL ECONOMIC ZONE;

20           “[(4)] (5) To construct, acquire, own, lease, operate  
21           and maintain on its own or through contract, franchise,  
22           license permits bulk purchase from the private sector and  
23           build-operate-transfer scheme or joint-venture the  
24           required utilities and infrastructure in coordination with  
25           local government units and appropriate government  
26           agencies concerned and in conformity with existing  
27           applicable laws therefor;

1           “[(5)] (6) To adopt, alter and use a corporate seal; to  
2 contract, lease, sell, dispose, acquire and own properties;  
3 to sue and be sued in order to carry out its duties and  
4 functions as provided for in this Act and to exercise the  
5 power of eminent domain for public use and public  
6 purpose;

7           “[(6)] (7) Within the limitation provided by law, to  
8 raise and/or borrow the necessary funds from local and  
9 international financial institutions and to issue bonds,  
10 promissory notes and other securities for that purpose  
11 and to secure the same guarantee, pledge, mortgage, deed  
12 of trust, or assignment of its properties held by the [Subic  
13 Authority] SBMA for the purpose of financing its projects  
14 and programs within the framework and limitations of  
15 this Act.

16           “[(7)] (8) To operate directly or indirectly or  
17 ISSUE licenseS TO OPERATE tourism-related  
18 INFRASTRUCTURE AND activities, [subject to priorities  
19 and standards set by the Subic Authority] including  
20 games, [and] amusements, [except] RECREATIONAL AND  
21 SPORTS FACILITIES SUCH AS horse racing, dog racing,  
22 [and] casino [gambling which shall continue to be  
23 licensed by the Philippine Amusement and Gaming  
24 Corporation (PAGCOR) upon recommendation of the  
25 Conversion Authority;] AND ONLINE GAMING, GOLF  
26 COURSES, DUTY FREE STORES, AND OTHERS, WITHIN THE

1 SUBIC SPECIAL ECONOMIC ZONE AND UNDER PRIORITIES  
2 AND STANDARDS SET BY THE SBMA [to maintain and  
3 preserve the forested areas as a national park];

4 “[(8)] (9) To [authorize the establishment of  
5 appropriate educational and medical institutions]  
6 UNDERTAKE AND REGULATE THROUGH FRANCHISE,  
7 LICENSE OR PERMIT, AND SET OR FIX JUST, REASONABLE  
8 AND COMPETITIVE RATES, FARES, AND CHARGES FOR THE  
9 ESTABLISHMENT, OPERATION AND MAINTENANCE OF  
10 OTHER SERVICES, INCLUDING EDUCATIONAL AND  
11 MEDICAL INSTITUTIONS AND INFRASTRUCTURE SUCH AS  
12 WATER SUPPLY AND DISTRIBUTION, LAND  
13 TRANSPORTATION, TOLL ROADS AND BRIDGES WITHIN  
14 THE SUBIC SPECIAL ECONOMIC ZONE SUBJECT TO  
15 COMPLIANCE WITH THE REQUIREMENTS OF THE  
16 DEPARTMENT OF EDUCATION, COMMISSION ON HIGHER  
17 EDUCATION AND THE DEPARTMENT OF HEALTH; AND TO  
18 ESTABLISH AND CONDUCT FORMAL AND INFORMAL  
19 TRAINING OR EDUCATIONAL COURSES: *PROVIDED*, THAT  
20 FORMAL COURSES SHALL BE SUBJECT TO ACCREDITATION  
21 OR APPROVAL BY THE APPROPRIATE GOVERNMENT  
22 AGENCY FOR RECOGNITION OF CREDITS[.];

23 “[(9)] (10) To protect, PRESERVE, maintain and  
24 develop the virgin forests within the baselands which will  
25 be proclaimed AND MAINTAINED as a national park and  
26 subject to a permanent total log ban, and for this purpose,  
27 the rules and regulations of the Department of

1 Environment and Natural Resources and other  
2 government agencies directly involved in the above  
3 functions shall be implemented by the [Subic Authority]  
4 SBMA;

5 “[(10)] (11) To adopt and implement measures  
6 and standards for environmental pollution control of all  
7 areas within its territory, including, [but not limited] to  
8 all bodies of water and to enforce the same. For which  
9 purpose the [Subic Authority] SBMA shall create an  
10 Ecology Center [, and] THAT SHALL ISSUE THE  
11 ENVIRONMENTAL COMPLIANCE CERTIFICATE FOR ALL  
12 NON-ENVIRONMENTALLY CRITICAL ACTIVITIES AND  
13 PROJECTS, TREE CUTTING PERMIT, DISCHARGE PERMIT  
14 AND PERMIT TO OPERATE AIR POLLUTION SOURCE AND  
15 INSTALLATION IN THE SUBIC SPECIAL ECONOMIC ZONE;

16 “(12) TO RECLAIM LANDS IN THE SUBIC SPECIAL  
17 ECONOMIC ZONE, NOT LIMITED TO FORESHORE AND  
18 SUBMERGED AREAS, BY DREDGING, FILLING OR OTHER  
19 MEANS IN COMPLIANCE WITH ALL ENVIRONMENTAL LAWS  
20 AND GUIDELINES, AND TO ACQUIRE, DEVELOP, IMPROVE,  
21 ADMINISTER, DEAL-IN, SUBDIVIDE AND LEASE RECLAIMED  
22 LANDS INSIDE THE SUBIC SPECIAL ECONOMIC ZONE:  
23 *PROVIDED*, THAT THE LAND RECLAIMED BY A  
24 REGISTERED ENTERPRISE IN EXCESS OF TWENTY (20)  
25 HECTARES OR THE ACTUAL COST OF WHICH EXCEEDS  
26 ONE BILLION PESOS (P1,000,000,000.00) MAY BE LEASED

1 BY THE SBMA TO SAID REGISTERED ENTERPRISE FOR A  
2 PERIOD OF NINETY-NINE (99) YEARS;

3 “(13) TO PROVIDE FOR, OPERATE, OR ADMINISTER  
4 SUCH SERVICES, AS MAY BE NECESSARY FOR THE  
5 EFFICIENT, ECONOMICAL AND BENEFICIAL UTILIZATION  
6 OF THE RECLAIMED AREAS IN THE SUBIC SPECIAL  
7 ECONOMIC ZONE;

8 “(14) UNLESS OTHERWISE PROVIDED IN THIS ACT,  
9 TO BE THE SINGLE AUTHORITY RESPONSIBLE FOR THE  
10 IMPLEMENTATION AND ENFORCEMENT OF THIS ACT, ITS  
11 IMPLEMENTING RULES AND REGULATIONS (IRR) AND  
12 OTHER ISSUANCES PROMULGATED BY THE SBMA BOARD  
13 OF DIRECTORS; THE NATIONAL BUILDING CODE OF THE  
14 PHILIPPINES AND ITS IRR; AND THE FIRE CODE OF THE  
15 PHILIPPINES AND ITS IRR; INSOFAR AS THESE LAWS,  
16 RULES AND REGULATIONS ARE APPLICABLE TO THE  
17 SBMA, THE SUBIC SPECIAL ECONOMIC ZONE AND SUBIC  
18 BAY FREEPORT BUSINESS ENTERPRISES, LOCATORS,  
19 RESIDENTS AND STAKEHOLDERS; AND

20 “[11] (15) To exercise such powers as may be  
21 essential, necessary or incidental to the powers granted to  
22 it hereunder as well as to carry out the policies and  
23 objectives of this Act.”

24 “(c) *Board of Directors.* – The powers of the [Subic  
25 Authority] SBMA shall be vested in and exercised by a  
26 Board of Directors[, hereinafter referred to as the Board,

1 which shall be] composed of fifteen (15) REGULAR AND  
2 TWO (2) *EX OFFICIO* members, [to wit] AS FOLLOWS:

3 “(1) [Representatives of the local government  
4 units that concur to join the Subic Special Economic  
5 Zone] A PROFESSIONAL MANAGER AS FULL-TIME  
6 CHAIRPERSON WHO SHALL ALSO BE THE ADMINISTRATOR  
7 AND CHIEF EXECUTIVE OFFICER OF THE SBMA. THE  
8 COMPENSATION OF THE ADMINISTRATOR AND CHIEF  
9 EXECUTIVE SHALL BE DETERMINED BY THE SBMA  
10 BOARD OF DIRECTORS SUBJECT TO THE APPROVAL OF  
11 THE SECRETARY OF BUDGET AND MANAGEMENT;

12 “(2) Two (2) representatives from the National  
13 Government ONE OF WHOM SHALL SERVE AS *EX OFFICIO*  
14 MEMBER;

15 “(3) Five (5) representatives from the private sector  
16 [coming from the present naval stations, public works  
17 center, ship repair facility, naval supply depot and naval  
18 air station]; [and]

19 “(4) [The remaining balance to complete the Board  
20 shall be composed of representatives from the business  
21 and investment sectors] ONE (1) REPRESENTATIVE EACH  
22 FROM THE FOLLOWING LOCAL GOVERNMENT UNITS THAT  
23 ELECTED TO JOIN THE SUBIC SPECIAL ECONOMIC ZONE:  
24 THE CITY OF OLONGAPO AND THE MUNICIPALITIES OF  
25 CASTILLEJOS, SAN ANTONIO, SAN MARCELINO AND  
26 SUBIC OF THE PROVINCE OF ZAMBALES; AND THE

1 MUNICIPALITIES OF MORONG, HERMOSA AND  
2 DINALUPIHAN OF THE PROVINCE OF BATAAN: *PROVIDED*,  
3 THAT SUCH REPRESENTATIVE MUST BE A RESIDENT AND  
4 REGISTERED VOTER OF THE LOCAL GOVERNMENT UNIT  
5 BEING REPRESENTED; AND

6 “(5) ONE REPRESENTATIVE FROM THE INDIGENOUS  
7 PEOPLES RESIDING WITHIN THE SUBIC BAY FREEPORT  
8 ZONE WHO SHALL SERVE AS *EX OFFICIO* MEMBER.

9 “The [chairman and the] members of the Board OF  
10 DIRECTORS shall be appointed by the President to serve  
11 for a FIXED term of six (6) years, unless sooner removed  
12 for cause except for the representatives of the local  
13 government units who shall serve for a FIXED term of  
14 three (3) years. In case of removal for cause, the  
15 replacement shall serve only the unexpired portion of the  
16 term. IN THE EXIGENCY OF THE SERVICE, THE MEMBERS  
17 OF THE BOARD OF DIRECTORS SHALL CONTINUE TO  
18 SERVE IN A HOLD-OVER CAPACITY UPON THE EXPIRATION  
19 OF THEIR RESPECTIVE TERMS UNTIL THEIR  
20 REPLACEMENTS SHALL HAVE BEEN APPOINTED AND  
21 QUALIFIED.

22 “No person shall be appointed as a member of  
23 the Board OF DIRECTORS unless [he] THE MEMBER is a  
24 Filipino citizen, of good moral character, AT LEAST A  
25 COLLEGE GRADUATE, and of recognized competence in  
26 relevant fields including, but not limited to, economics,  
27 FINANCE, management, international relations, law, [or]

1 engineering[.], ENVIRONMENT AND ECOLOGY, OR  
2 INDIGENOUS PEOPLES CONCERNS. [Preference in the  
3 appointment of the members of the Board shall be given  
4 to residents within the Subic Special Economic Zone.]

5 “[Members of the Board shall receive a *per diem* of  
6 not more than Five thousand pesos (P5,000) for every  
7 board meeting: *Provided, however,* That the *per diem*  
8 collected per month does not exceed the equivalent of four  
9 (4) meetings: *Provided, further,* That the amount of  
10 *per diem* for every board meeting may be increased  
11 by the President: *Provided, finally,* That the amount of  
12 *per diem* shall not be increased within two (2) years after  
13 its last increase.] EXCEPT THE CHAIRPERSON, THE  
14 MEMBERS OF THE BOARD OF DIRECTORS SHALL BE  
15 ENTITLED TO *PER DIEMS*, ALLOWANCES AND OTHER  
16 BENEFITS IN ACCORDANCE WITH EXISTING  
17 POLICIES, PRINCIPLES AND RULES GOVERNING THE  
18 COMPENSATION OF MEMBERS OF THE BOARD OF  
19 DIRECTORS IN GOVERNMENT-OWNED AND -CONTROLLED  
20 CORPORATIONS AS MAY BE FORMULATED BY THE  
21 GOVERNANCE COMMISSION FOR GOVERNMENT-OWNED  
22 OR-CONTROLLED CORPORATIONS.”

23 “[d) *Chairman/Administrator.* – The President  
24 shall appoint a professional manager as administrator of  
25 the Subic Authority with a compensation to be  
26 determined by the Board subject to the approval of the  
27 Secretary of Budget, who shall be the *ex officio* chairman

1 of the Board and who shall serve as the chief executive  
 2 officer of the Subic Authority: *Provided, however,* That for  
 3 the first year of its operations from the effectivity of this  
 4 Act, the mayor of the City of Olongapo shall be appointed  
 5 as the chairman and chief executive officer of the Subic  
 6 Authority.]

7 “[(e) (D) *Capitalization.* – The [Subic Authority]  
 8 SBMA shall have an authorized capital stock of  
 9 Twenty billion pesos (P20,000,000,000.00) divided into  
 10 twenty thousand (20,000) no-par shares fully subscribed  
 11 and paid up by the Republic of the Philippines with:

12 “x x x

13 “(2) All other assets which the President may  
 14 transfer to the [Subic Authority] SBMA as part of the  
 15 equity contribution of the Government; and

16 “x x x.”

17 SEC. 3. Section 14 of Republic Act No. 7227, as amended, is  
 18 hereby further amended to read as follows:

19 “SEC. 14. *Relationship with the Conversion*  
 20 *Authority and the Local Government Units.* –

21 “(a) The provisions of existing laws, rules and  
 22 regulations to the contrary notwithstanding, the [Subic  
 23 Authority] SBMA shall exercise administrative powers,  
 24 rule-making and disbursement of funds over the Subic  
 25 Special Economic Zone in conformity with the oversight  
 26 function of the Conversion Authority.

1           “(b) In case of conflict between the [Subic Authority]  
2       **SBMA** and the local government units concerned on  
3       matters affecting the Subic Special Economic Zone other  
4       than defense and security, the decision of the [Subic  
5       Authority] **SBMA** shall prevail.”

6       SEC. 4. Section 15 of Republic Act No. 7227, as amended, is  
7       hereby further amended to read as follows:

8           “SEC. 15. *Clark and Other Special Economic Zones*  
9       (*CSEZ*). – x x x.

10          “x x x

11          “[The provisions of existing laws, rules and  
12       regulations to the contrary notwithstanding, no national  
13       and local taxes shall be imposed on registered business  
14       enterprises within the CFZ. In lieu of said taxes, a five  
15       percent (5%) tax on gross income earned shall be paid by  
16       all registered business enterprises within the CFZ and  
17       shall be directly remitted as follows: three percent (3%) to  
18       the National Government, and two percent (2%) to the  
19       treasurer’s office of the municipality or city where they  
20       are located.] **THE PROVISIONS OF EXISTING LAWS,**  
21       **RULES AND REGULATIONS TO THE CONTRARY**  
22       **NOTWITHSTANDING, NO NATIONAL AND LOCAL TAXES**  
23       **SHALL BE IMPOSED ON REGISTERED BUSINESS**  
24       **ENTERPRISES WITHIN THE CLARK FREEPORT ZONE. IN**  
25       **LIEU OF SAID TAXES, A FIVE PERCENT (5%) TAX ON GROSS**  
26       **INCOME SHALL BE PAID BY ALL REGISTERED BUSINESS**  
27       **ENTERPRISES WITHIN THE CFZ AND SHALL BE DIRECTLY**

1 REMITTED AS FOLLOWS: ONE PERCENT (1%) TO THE  
2 NATIONAL GOVERNMENT, TWO PERCENT (2%) TO THE  
3 CLARK DEVELOPMENT CORPORATION (CDC), ONE  
4 PERCENT (1%) TO BE EQUALLY SHARED BY THE  
5 PROVINCIAL GOVERNMENTS OF PAMPANGA AND  
6 TARLAC, AND ONE PERCENT (1%) TO THE TREASURER'S  
7 OFFICE OF THE MUNICIPALITY OR CITY WHERE THEY ARE  
8 LOCATED.

9 " x x x."

10 SEC. 5. The Supreme Court shall designate a branch of the  
11 Regional Trial Court and/or Municipal Trial Court in each of the  
12 local government units comprising the Subic Special Economic Zone  
13 to handle cases filed by or involving the SBMA or its residents or  
14 registered business enterprises on any matter or incident occurring  
15 within the Subic Special Economic Zone.

16 SEC. 6. Within ninety (90) days from the effectivity of  
17 this Act, the following shall promulgate the necessary rules  
18 and regulations for the implementation of the specific provisions of  
19 this Act:

20 (a) The Department of Finance, in coordination with the  
21 Bureau of Internal Revenue, and in consultation with the SBMA  
22 and CDC, for the necessary rules and regulations implementing  
23 Sections 1 and 4 of this Act but only insofar as it amends Section  
24 12(c) and Section 15 of Republic Act No. 7227, as amended;

25 (b) The National Commission on Indigenous Peoples, in  
26 coordination and consultation with the SBMA, for the necessary  
27 rules and regulations implementing Section 3 of this Act but only

1 insofar as it provides for the designation of one (1) seat in the SBMA  
2 Board of Directors to represent the indigenous peoples residing  
3 within the Subic Bay Freeport Zone; and

4 (c) The SBMA for the necessary rules and regulations  
5 implementing all the other provisions of this Act.

6 SEC. 7. If any provision of this Act is subsequently declared  
7 unconstitutional, the validity of the remaining provisions hereof  
8 shall remain in full force and effect.

9 SEC. 8. All laws, decrees, orders, proclamations, rules and  
10 regulations or other issuances or parts thereof inconsistent with the  
11 provisions of this Act are hereby repealed or modified accordingly.

12 SEC. 9. This Act shall take effect fifteen (15) days after its  
13 publication in the *Official Gazette* or in a newspaper of general  
14 circulation.

Approved,

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