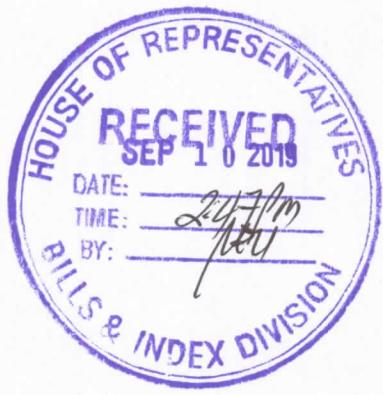


Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

EIGHTEENTH CONGRESS  
First Regular Session

4473  
House Bill No. \_\_\_\_\_



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Introduced by Hon. Francis Gerald Aguinaldo Abaya

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#### EXPLANATORY NOTE

The Philippine Congress passed Republic Act No. 7227 known as the Bases Conversion and Development Act of 1992. Under the said law, the Subic Bay Metropolitan Authority (SBMA) was created to develop and manage the Freeport which provides tax and duty-free privileges and incentives to business locators in the special economic zone. During the 17<sup>th</sup> Congress, committee hearings were held and discussion on certain revisions of the law may be had in order to maximize the potential of SBMA.

This bill provides for the inclusion of certain municipalities to the Subic Special Economic Zone. There is also a need to specify that the zone shall be subject to customs duties and taxes under the Customs Modernization and Tariff Act as well as other provisions exempting all registered business enterprises within the zone from national and local taxes of any kind and nature. In lieu of such exemption, the registered business enterprises shall pay a five percent (5%) tax on gross income earned. These provisions seek to improve the revenue collection of local government units (LGUs) that are within the zone.

The proposed measure also introduces a law enforcement department which shall exercise police authority within the Subic Bay Freeport Zone in accordance with the guidelines laid down in the bill. With this, public safety and security within the zone are enhanced and thereby attracting more foreign and local investments.

Lastly, the bill embodies inclusive participation by apportioning additional seats to the Board of Directors of SBMA from representatives of various LGUs as well as from indigenous peoples. Through this, more stakeholders can express their interests that shall affect the implementation of policies.

In view of the foregoing, immediate approval of this bill is earnestly sought.

  
**FRANCIS GERALD AGUINALDO ABAYA**  
Representative, First District, Cavite

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
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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, is hereby  
2 further amended to read as follows:  
3

4             “Sec. 12. *Subic Special Economic Zone.* – Subject to the concurrence  
5 by resolution of the sangguniang panlungsod of the City of Olongapo and the  
6 sangguniang bayan of the Municipalities of Subic, Morong, and Hermosa, there  
7 is hereby created a Special Economic and Free-port Zone consisting of the City  
8 of Olongapo and the Municipality of Subic, Province of Zambales, the lands  
9 occupied by the Subic Naval Base and its contiguous extensions as embraced,  
10 covered, and defined by the 1947 Military Bases Agreement between the  
11 Philippines and the United States of America as amended, and within the  
12 territorial jurisdiction of the Municipalities of Morong and Hermosa, Province of  
13 Bataan, hereinafter referred to as the **SUBIC** Special Economic Zone whose  
14 metes and bounds shall be delineated in a proclamation to be issued by the  
15 President of the Philippines. Within thirty (30) days after the approval of this  
16 Act, each local government unit shall submit its resolution of concurrence to join  
17 the Subic Special Economic Zone to the Office of the President. Thereafter, the  
18 President of the Philippines shall issue a proclamation defining the metes and  
19 bounds of the zone as provided herein.

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

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

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

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

19            c) The provision of existing laws, rules, and regulations to the  
20          contrary notwithstanding, no national and local taxes **OF ANY KIND OR**  
21          **NATURE** shall be imposed within the Subic Special Economic Zone. In lieu of  
22          said taxes, a five percent (5%) tax on gross income earned shall be paid by all  
23          **REGISTERED** business enterprises within the Subic Special Economic Zone  
24          and shall be remitted as follows: three percent (3%) to the National  
25          Government; and two percent (2%) to the Subic Bay Metropolitan Authority  
26          (SBMA) for distribution to the local government units affected by the declaration  
27          of and contiguous to the zone, namely: the City of Olongapo and the  
28          municipalities of Subic, San Antonio, San Marcelino, and Castillejos of the  
29          Province of Zambales; and the municipalities of Morong, Hermosa, and  
30          Dinalupihan of the Province of Bataan, on the basis of population (50%) **40%**,  
31          land area (25%) **40%**, and equal sharing (25%) **20%**.

32            In case of conflict between national and local laws with respect to tax  
33          exemption privileges in the Subic Special Economic Zone, the same shall be  
34          resolved in favor of the latter;

35            d) No exchange control policy shall be applied and free markets for  
36          foreign exchange – gold, securities, and futures shall be allowed and  
37          maintained in the Subic Special Economic Zone.

38            e) The Central Bank, through the Monetary Board, shall supervise  
39          and regulate the operations of banks and other financial institutions within the  
40          Subic Special Economic Zone;

41            f) Banking and finance shall be liberalized with the establishment of  
42          foreign currency depository units of local commercial banks and offshore  
43          banking units of foreign banks with minimum Central Bank regulation;

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

16                  h) The defense of the zone and the security of its perimeters shall  
17 be the responsibility of the national government in coordination with the [Subic  
18 Bay Metropolitan Authority] **SBMA**. [The Subic Bay Metropolitan Authority shall  
19 provide and establish its own internal security and fire-fighting forces; and] **IN**  
20 **THE EVENT THAT AN ASSISTANCE OF THE MILITARY IS NECESSARY,**  
21 **THE EXPENSES SHALL BE BORNE BY THE NATIONAL GOVERNMENT.**  
22 **THE MILITARY SHALL NOT INTERFERE IN THE INTERNAL AFFAIRS OF**  
23 **SBMA EXCEPT TO PROVIDE THE NECESSARY SECURITY AND**  
24 **DEFENSE.**

25                  THE SBMA SHALL PROVIDE AND ESTABLISH ITS OWN LAW  
26 ENFORCEMENT DEPARTMENT WHICH SHALL EXERCISE THE  
27 FOLLOWING POLICE AUTHORITY WITHIN THE SUBIC BAY FREEPORT  
28 ZONE:

- 29                  1. MAINTAIN PEACE AND ORDER, ENSURE PUBLIC SAFETY  
30 AND IMPLEMENT ALL LAWS, AND RULES AND  
31 REGULATIONS OF THE SBMA;
- 32                  2. REGULATE THE INGRESS AND EGRESS TO, FROM, AND  
33 WITHIN THE SUBIC BAY FREEPORT ZONE;
- 34                  3. EXERCISE THE GENERAL POWERS TO CONDUCT SEARCH  
35 AND SEIZURE WITHIN THE SUBIC BAY FREEPORT ZONE IN  
36 ACCORDANCE WITH THE CONSTITUTION AND PERTINENT  
37 LAWS; AND
- 38                  4. EFFECT THE ARREST OF CRIMINAL OFFENDERS,  
39 INVESTIGATE AND PREVENT CRIMES OCCURRING WITHIN  
40 THE SUBIC BAY FREEPORT ZONE AND ASSIST IN THE  
41 PROSECUTION THEREOF;

42                  THE SBMA SHALL ALSO PROVIDE AND ESTABLISH ITS OWN  
43 FIREFIGHTING FORCE WHICH SHALL HAVE THE SAME FUNCTIONS AS

1                   **THE BUREAU OF FIRE PROTECTION WITHIN THE SUBIC BAY FREEPORT  
2 ZONE;**

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

8

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

11

12                  *"Sec. 13. The Subic Bay Metropolitan Authority.*

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

17                  b)       *Powers and Functions of the [Subic Bay Metropolitan Authority]*  
18                  **SBMA.** – ~~[The Subic Bay Metropolitan Authority, otherwise known as the Subic~~  
19                  ~~Authority, shall have the following powers and functions:] EXCEPT AS~~  
20                  ~~OTHERWISE PROVIDED HEREIN, THE SBMA SHALL HAVE AUTHORITY~~  
21                  ~~AND JURISDICTION OVER ALL ECONOMIC ACTIVITIES WITHIN THE~~  
22                  ~~SUBIC SPECIAL ECONOMIC ZONE. IT SHALL EXERCISE THE~~  
23                  ~~FOLLOWING POWERS AND FUNCTIONS:~~

24                  1.       To operate, administer, manage, and develop the ship  
25                  repair and ship building facility, container port, oil storage, and refueling  
26                  facility and Cubi Air Base within the Subic Special Economic and  
27                  Freeport Zone as a free market in accordance with the policies set forth  
28                  in Section 12 of this Act;

29                  2.       **TO INSPECT AND REGISTER, UNDER THE FLAG OF**  
30                  **THE REPUBLIC OF THE PHILIPPINES, LEISURE SHIPS, AND**  
31                  **PLEASURE YACHTS OF ANY SHIP OWNER, WHETHER A**  
32                  **NATURAL OR JURIDICAL PERSON, AND IRRESPECTIVE OF**  
33                  **NATIONALITY OR DOMICILE.** FOR THIS PURPOSE, THE SBMA  
34                  SHALL ADMINISTER AND MAINTAIN AN OPEN REGISTER OF  
35                  LEISURE SHIPS AND PLEASURE YACHTS SUBJECT ONLY TO  
36                  SUCH RULES AND REGULATIONS TO BE PROMULGATED BY THE  
37                  SBMA IN CONSULTATION WITH THE DEPARTMENT OF  
38                  TRANSPORTATION WITHOUT PREJUDICE TO THE  
39                  REQUIREMENTS OF THE CONSTITUTION;

40                  [2]3. To accept any local or foreign investment, business, or  
41                  enterprise **AND ADMINISTER AND IMPLEMENT INCENTIVES**  
42                  **GRANTED TO ITS REGISTERED BUSINESS ENTERPRISES,** subject  
43                  only to such rules and regulations to be promulgated by the ~~[Subic~~  
44                  **SBMA** ~~[in conformity with the policies of the Conversion~~

1 Authority] without prejudice to the nationalization requirements provided  
2 for in the Constitution;

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

- 17 i. ELECTRONIC, WEB, AND CLOUD DATA OPERATORS  
18 AND PROVIDERS AND TELECOMMUNICATIONS:  
19 PROVIDED, THAT THE NATIONAL  
20 TELECOMMUNICATIONS COMMISSION SHALL  
21 CONTINUE TO EXERCISE ITS POWER TO REGULATE  
22 AND SUPERVISE THE QUALITY, SAFETY,  
23 RELIABILITY, SECURITY, COMPATIBILITY, AND  
24 INTER-OPERABILITY OF PUBLIC  
25 TELECOMMUNICATIONS, RADIO STATIONS FOR  
26 BOTH PRIVATE AND PUBLIC USE, RADIO  
27 SPECTRUM, RADIO AND TELEVISION BROADCAST  
28 STATIONS, CABLE TELEVISIONS AND PAY  
29 TELEVISIONS WITHIN THE SUBIC SPECIAL  
30 ECONOMIC ZONE;
- 31 ii. SHIPPING AND MARITIME BUSINESS AND  
32 ACTIVITIES, INCLUDING STEVEFORING AND PORT  
33 TERMINAL SERVICES OR CONCESSIONS:  
34 PROVIDED, THAT THE MARITIME INDUSTRY  
35 AUTHORITY SHALL CONTINUE TO EXERCISE ITS  
36 POWER TO REGULATE AND SUPERVISE THE  
37 SHIPBUILDING AND SHIP REPAIR OF ANY  
38 MERCHANT MARINE VESSEL OPERATED OR TO BE  
39 OPERATED IN THE DOMESTIC TRADE AND THE  
40 DOMESTIC SHIPPING INDUSTRY WITHIN THE SUBIC  
41 SPECIAL ECONOMIC ZONE;
- 42 iii. AIRPORT OPERATIONS: PROVIDED, THAT THE CIVIL  
43 AVIATION AUTHORITY OF THE PHILIPPINES SHALL  
44 CONTINUE TO EXERCISE ITS POWER TO REGULATE

1 AND SUPERVISE THE SAFETY, QUALITY,  
2 RELIABILITY, AND AFFORDABILITY OF AIR  
3 TRANSPORT SERVICES FOR THE RIDING PUBLIC  
4 WITHIN THE SUBIC SPECIAL ECONOMIC ZONE;

5 iv. ALL OTHER FACILITIES, INFRASTRUCTURE,  
6 SERVICES, BUSINESSES, ACTIVITIES, AND  
7 CONCESSIONS INSIDE THE SUBIC SPECIAL  
8 ECONOMIC ZONE;

9 [4]5. To construct, acquire, own, lease, operate, and maintain  
10 on its own or through contract, franchise, license permits bulk purchase  
11 from the private sector and build-operate-transfer scheme or joint-  
12 venture the required utilities and infrastructure in coordination with local  
13 government units and appropriate government agencies concerned and  
14 in conformity with existing applicable laws therefore;

15 [5]6. To adopt, alter, and use a corporate seal; to contract, lease,  
16 sell, dispose, acquire, and own properties; to sue and be sued in order  
17 to carry out its duties and functions as provided for in this Act and to  
18 exercise the power of eminent domain for public use and public purpose;

19 [6]7. Within the limitation provided by law, to raise and/or borrow  
20 the necessary funds from local and international financial institutions and  
21 to issue bonds, promissory notes, and other securities for that purpose  
22 and to secure the same guarantee, pledge, mortgage, deed of trust, or  
23 assignment of its properties held by the [Subic Authority] **SBMA** fpr the  
24 purpose of financing its projects and programs within the framework and  
25 limitations of this Act;

26 [7]8. To operate directly or indirectly or **ISSUE** licenseS TO  
27 **OPERATE** tourism-related **INFRASTRUCTURE AND** activities, [subject  
28 to priorities and standards set by the Subic Authority] including games,  
29 [and] amusements, [except] **RECREATIONAL AND SPORTS**  
30 **FACILITIES SUCH AS** horse racing, dog racing, [and] casino [gambling  
31 which shall continue to be licensed by the Philippine Amusement and  
32 Gaming Corporation (PAGCOR) upon recommendation of the  
33 Conversion Authority;] **AND ONLINE GAMING, GOLF COURSES,**  
34 **DUTY FREE STORES, AND OTHERS, WITHIN THE SUBIC SPECIAL**  
35 **ECONOMIC ZONE AND UNDER PRIORITIES AND STANDARDS SET**  
36 **BY THE SBMA** [to maintain and preserve the forested areas as a  
37 national park;]

38 [8]9. To [authorize the establishment of appropriate educational  
39 and medical institutions] **UNDERTAKE AND REGULATE THROUGH**  
40 **FRANCHISE, LICENSE, OR PERMIT, AND SET OR GIC JUST,**  
41 **REASONABLE, AND COMPETITIVE RATES, FARES, AND**  
42 **CHARGES FOR THE ESTABLISHMENT, OPERATION, AND**  
43 **MAINTENANCE OF OTHER SERVICES, INCLUDING EDUCATIONAL**  
44 **AND MEDICAL INSTITUTIONS AND INFRASTRUCTURE SUCH AS**

1                   WATER SUPPLY AND DISTRIBUTION, LAND TRANSPORTATION,  
2 TOLL ROADS, AND BRIDGES WITHIN THE SUBIC SPECIAL  
3 ECONOMIC ZONE SUBJECT TO COMPLIANCE WITH THE  
4 REQUIREMENTS OF THE DEPARTMENT OF EDUCATION ,  
5 COMMISSION ON HIGHER EDUCATION AND THE DEPARTMENT  
6 OF HEALTH; AND TO ESTABLISH AND CONDUCT FORMAL AND  
7 INFORMAL TRAINING OR EDUCATIONAL COURSES: *PROVIDED*,  
8 THAT FORMAL COURSES SHALL BE SUBJECT TO  
9 ACCREDITATION OR APPROVAL BY THE APPROPRIATE  
10 GOVERNMENT AGENCY FOR RECOGNITION OF CREDITS [:];

11                  [9]10. To protect, **PRESERVE**, maintain and develop the virgin  
12 forests within the baselands which will be proclaimed **AND MAINTAINED** as a national park and subject to a permanent total log  
13 ban, and for this purpose, the rules and regulations of the Department of  
14 Environment and Natural Resources and other government agencies  
15 directly involved in the above functions shall be implemented by the  
16 [Subic Authority] **SBMA**;

17                  [10]11. To adopt and implement measures and standards for  
18 environmental pollution control of all areas within its territory, including,  
19 [but not limited] to all bodies of water and to enforce the same. For which  
20 purpose the [Subic Authority] **SBMA** shall create an Ecology Center  
21 [and] **THAT SHALL ISSUE THE ENVIRONMENTAL COMPLIANCE**  
22 **CERTIFICATE FOR ALL NON-ENVIRONMENTALLY CRITICAL**  
23 **ACTIVITIES AND PROHECTS, TREE CUTTING PERMIT,**  
24 **DISCHARGE PERMIT, AND PERMIT TO OPERATE AIR POLLUTION**  
25 **SOURCE AND INSTALLATION IN THE SUBIC SPECIAL ECONOMIC**  
26 **ZONE;**

27                  12. **TO RECLAIM LANDS IN THE SUBIC SPECIAL**  
28 **ECONOMIC ZONE, NOT LIMITED TO FORESHORE AND**  
29 **SUBMERGED AREAS, BY DREDGING, FILLING, OR OTHER MEANS**  
30 **IN COMPLIANCE WITH ALL ENVIRONMENTAL LAWS AND**  
31 **GUIDELEINES, AND TO ACQUIRE, DEVELOP, IMPROVE,**  
32 **ADMINISTER, DEAL IN, SUBDIVIDE, AND LEASE RECLAIMED**  
33 **LANDS INSIDE THE SUBIC SPECIAL ECONOMIC ZONE:** *PROVIDED*,  
34 **THAT THE LAND RECLAIMED BY A REGISTERED**  
35 **ENTERPRISE IN EXCESS OF TWENTY (20) HECTARES OR THE**  
36 **ACTUAL COST OF WHICH EXCEEDS ONE BILLION PESOS**  
37 **(P1,000,000,000) MAY BE LEASED BY THE SBMA TO SAID**  
38 **REGISTERED ENTERPRISE FOR A PERIOD OF NINETY-NINE (99)**  
39 **YEARS;**

40                  13. **TO PROVIDE FOR, OPERATE, OR ADMINISTER SUCH**  
41 **SERVICES, AS MAY BE NECESSARY FOR THE EFFICIENT,**  
42 **ECONOMICAL, AND BENEFICIAL UTILIZATION OF THE**  
43 **RECLAIMED AREAS IN THE SUBIC SPECIAL ECONOMIC ZONE;**

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

13                  [11]15. To exercise such powers as may be essential, necessary,  
14                  or incidental to the powers granted to it hereunder as well as to carry out  
15                  the policies and objectives of this Act.

16                  c) *Board of Directors.* – The powers of the [Subic Authority] **SBMA**  
17                  shall be vested in and exercised by a Board of Directors [~~, hereinafter referred~~  
18                  to as the Board, which shall be] composed of [fifteen (15)] **SEVENTEEN (17)**  
19                  members, ~~[to wit]~~ **AS FOLLOWS:**

20                  1. ~~[Representatives of the local government units that concur~~  
21                  ~~to join the Subic Special Economic Zone]~~ **A PROFESSIONAL MANAGER**  
22                  **AS A FULL-TIME CHAIRPERSON WHO SHALL ALSO BE THE**  
23                  **ADMINISTRATOR AND CHIEF EXECUTIVE OFFICER OF THE**  
24                  **SBMA. THE COMPENSATION OF THE ADMINISTRATOR AND**  
25                  **CHIEF EXECUTIVE SHALL BE DETERMINED BY THE SBMA**  
26                  **BOARD OF DIRECTORS SUBJECT TO THE APPROVAL OF THE**  
27                  **SECRETARY OF BUDGET AND MANAGEMENT;**

28                  2. Two (2) representatives from the National Government;  
29                  3. Five (5) representatives from the private sector ~~[coming~~  
30                  ~~from the present naval stations, public works center, ship repair facility,~~  
31                  ~~naval supply depot, and naval air station]~~; ~~[and]~~

32                  4. ~~[The remaining balance to complete the Board shall be~~  
33                  ~~composed of representatives from the business and investment sectors]~~  
34                  **ONE (1) REPRESENTATIVE EACH FROM THE FOLLOWING LOCAL**  
35                  **GOVERNMENT UNITS THAT ELECTED TO JOIN THE SUBIC**  
36                  **SPECIAL ECONOMIC ZONE: THE CITY OF OLONGAPO AND THE**  
37                  **MUNICIPALITIES OF CASTILLEJOS, SAN ANTONIO, SAN**  
38                  **MARCELINO, AND SUBIC OF THE PROVINCE OF ZAMBALES; AND**  
39                  **THE MUNICIPALITIES OF MORONG, HERMOSA, AND DINALUPIHAN**  
40                  **OF THE PROVINCE OF BATAAN; PROVIDED, THAT SUCH**  
41                  **REPRESENTATIVE MUST BE A RESIDENT AND REGISTERED**  
42                  **VOTER OF THE LOCAL GOVERNMENT UNIT BEING**  
43                  **REPRESENTED; AND**

1                   5. ONE REPRESENTATIVE FROM THE INDIGENOUS  
2 PEOPLES RESIDING WITHIN THE SUBIC BAY FREEPORT ZONE.

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

13                  No person shall be appointed as a member of the Board OF  
14 DIRECTORS unless [he] **THE MEMBER** is a Filipino citizen, of good moral  
15 character, **AT LEAST A COLLEGE GRADUATE**, and of recognized  
16 competence in relevant fields including, but not limited to, economics,  
17 **FINANCE**, management, international relations, law, [or] engineering [ ],  
18 **ENVIRONMENT AND ECOLOGY, OR INDIGENOUS PEOPLES**  
19 **CONCERNNS.** [Preference in the appointment of the members of the Board shall  
20 be given to residents within the Subic Special Economic Zone.]

21                  [Members of the Board shall receive a *per diem* of not more than Five  
22 thousand pesos (P5000) for every board meeting: *Provided, however,* that the  
23 *per diem* collected per month does not exceed the equivalent of four (4)  
24 meetings: *Provided, further,* that the amount of *per diem* for every board  
25 meeting may be increased by the President: *Provided, finally,* that the amount  
26 of *per diem* shall not be increased within the two (2) years after its last increase.]  
27 **EXCEPT THE CHAIRPERSON, THE MEMBERS OF THE BOARD OF**  
28 **DIRECTORS SHALL BE ENTITLED TO PER DIEMS, ALLOWANCES AND**  
29 **OTHER BENEFITS IN ACCORDANCE WITH EXISTING POLICIES,**  
30 **PRINCIPLES, AND RULES GOVERNING THE COMPENSATION OF**  
31 **MEMBERS OF THE BOARD OF DIRECTORS IN GOVERNMENT-OWNED**  
32 **AND CONTROLLED CORPORATIONS AS MAY BE FORMULATED BY THE**  
33 **GOVERNANCE COMMISSION FOR GOVERNMENT-OWNED OR**  
34 **CONTROLLED CORPORATIONS.**

35                  [(d) *Chairman/Administrator.* The President shall appoint a  
36 professional manager as Administrator of the Subic Authority with a  
37 compensation to be determined by the Board subject to the approval of the  
38 Secretary of Budget, who shall be the *ex officio* chairman of the SBMA Board  
39 and who shall serve as the chief executive officer of the Subic Authority:  
40 *Provided, however,* that for the first year of its operations from the effectiveness of  
41 this Act, the mayor of the City of Olongapo shall be appointed as the chairman  
42 and chief executive officer of the Subic Authority.]

43                  [(e)] (D) *Capitalization.* – The [Subic Authority] **SBMA** shall have an  
44 authorized capital stock of Twenty billion pesos (P20,000,000,000) divided into

1 twenty thousand (20,000) no-par shares fully subscribed and paid up by the  
2 Republic of the Philippines with:

3 x x x x x

4 (2) All other assets which have the President may transfer to the [Subic  
5 Authority] **SBMA** as part of the equity contribution of the Government; and  
6 x x x x x"

7  
8 **SEC. 3.** Section 14 of Republic Act No. 7227, as amended, is hereby further  
9 amended to read as follows:

10 "Sec. 14. *Relationship with the Conversion Authority and the Local*  
11 *Government Units.*

12 a) The provisions of existing laws, rules, and regulations to the  
13 contrary notwithstanding, the [Subic Authority] **SBMA** shall exercise  
14 administrative powers, rule-making and disbursement of funds over the Subic  
15 Special Economic Zone in conformity with the oversight function of the  
16 Conversion Authority.

17 b) In case of conflict between the [Subic Authority] **SBMA** and the  
18 local government units concerned on the matters affecting the Subic Special  
19 Economic Zone other than defense and security, the decision of the [Subic  
20 Authority] **SBMA** shall prevail."

21  
22 **SEC. 4.** Section 15 of Republic Act No. 7227, as amended, is hereby further  
23 amended to read as follows:

24 "Sec. 14. *Clark and Other Special Economic Zones (CSEZ).* – x x x x.

25 x x x x x

26 The provisions of existing laws, rules, and regulations to the contrary  
27 notwithstanding, no national and local taxes shall be imposed on registered  
28 business enterprises within the CFZ. In lieu of said taxes, a five percent (5%)  
29 tax on gross income [earned] shall be paid by all registered business  
30 enterprises within the CFZ and shall be directly remitted as follows: three  
31 percent (3%) to the National Government, and two percent (2%) to the  
32 treasurer's office of the municipality or city where they are located.  
33 x x x x x"

34  
35 **SEC. 5.** The Supreme Court shall designate a branch of the Regional Trial  
36 Court and/or Municipal Trial Court in each of the local government units comprising  
37 the Subic Special Economic Zone to handle cases filed by or involving the SBMA or  
38 its residents or registered business enterprises on any matter or incident occurring  
39 within the Subic Special Economic Zone.

40  
41 **SEC. 6.** Within ninety (90) days from the effectivity of this Act, the following shall  
42 promulgate the necessary rules and regulations for the implementation of the specific  
43 provisions of this Act:

44 a) The Department of Finance, in coordination with the Bureau of

1 Internal Revenue, and in consultation with the SBMA and CDC, for the  
2 necessary rules and regulations implementing Sections 1 and 4 of this Act but  
3 only insofar as it amends Section 12 (c) and Section 15 of Republic Act No.  
4 7227, as amended;

5 b) The National Commission on Indigenous Peoples, in coordination  
6 and consultation with the SBMA, for the necessary rules and regulations  
7 implementing Section 3 of this Act but only insofar as it provides for the  
8 designation of one (1) seat in the SBMA Board of Directors to represent the  
9 indigenous peoples residing within the Subic Bay Freeport Zone; and

10 c) The SBMA for the necessary rules and regulations implementing  
11 all the other provisions of this Act.

12  
13 **SEC. 7. Separability Clause.** — Should any provision herein be declared  
14 unconstitutional, the other provisions not affected shall remain in full force and effect.

15  
16 **SEC. 8. Repealing Clause.** – All laws, decrees, orders, issuance, rules and  
17 regulations or part thereof inconsistent with the provisions of this Act are hereby  
18 repealed, amended or modified accordingly.

19  
20 **SEC. 9. Effectivity.** – This Act shall take effect fifteen (15) days after its  
21 publication in the Official Gazette or in any newspaper of general circulation.

22  
23 Approved,  
24