

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Diliman, Quezon City

THIRTEENTH CONGRESS
First Regular Session

House Bill No. 2704



Introduced by HONORABLE MAURICIO G. DOMOGAN

EXPLANATORY NOTE

Some of the proposed amendments contained in the present House Bill have been the subject of another House Bill which was filed in the 11th & 12th Congresses. However, such prior House Bills were never enacted into law due to legislative time constraints and other reasons.

In view of the extreme importance of the instant amendments, this House Bill is respectfully filed with the end of seeing it passed into a Republic Act at last.

The salient provisions of the House Bill are as follows: 1) the inclusion of the proceeds of the sale, lease, joint-venture agreements and other transactions and/or dispositions involving military bases and reservations and/or portions thereof as part of the capitalization of the Conversion Authority; 2) rationalization of the funding scheme of the Conversion Authority; 3) equitable redistribution of the proceeds from transactions involving military bases and so forth; 4) exemption from taxes, fees and charges of transactions involving military bases and so forth; and 5) re-composition of the Board of Directors of the Conversion Authority in order to make it more responsive to exigencies.

The approval of this House Bill is urgently sought.


MAURICIO G. DOMOGAN

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AN ACT AMENDING REPUBLIC ACT NUMBER 7227, OTHERWISE KNOWN AS THE "BASES CONVERSION AND DEVELOPMENT ACT OF 1992" AS AMENDED BY REPUBLIC ACT NUMBER 7917, ADJUSTING THE ALLOCATION OF REVENUES FROM THE SALE, LEASE, JOINT- VENTURE AGREEMENTS AND OTHER TRANSACTIONS INVOLVING MILITARY BASES RESERVATIONS, ALLOCATING FUNDS THEREFOR AND FOR OTHER PURPOSES.

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

Section I. Section 2 of Republic Act Number 7227 is hereby amended to read as follows:

"SEC. 2. Declaration of Policies. - IT IS THE INTENT OF THIS LAW TO JOINTLY PROMOTE PRODUCTIVE USES OF FORMER MILITARY BASES AND RESERVATIONS AND/OR PORTIONS THEREOF ON ONE HAND AND TO ACCELERATE THE MODERNIZATION OF THE ARMED FORCES OF THE PHILIPPINES (AFP) ON THE OTHER. THE GOVERNMENT, WHILE RECOGNIZING THE VALUE OF GROWTH AND DEVELOPMENT, REALIZES THAT NO SUSTAINABLE GROWTH CAN TAKE PLACE OUTSIDE THE UMBRELLA OF SECURITY AND THAT ECONOMIC DEVELOPMENT WITHOUT A CREDIBLE NATIONAL DEFENSE CAPABILITY IS A DANGEROUS PROPOSITION.

IT IS FURTHER DECLARED A POLICY AND COMMITMENT OF THE GOVERNMENT TO CONTINUOUSLY MODERNIZE THE AFP TO BETTER ENABLE IT TO PRESERVE AND PROTECT THE TERRITORIAL INTEGRITY OF

THE REPUBLIC, SAFEGUARD THE NATIONAL PATRIMONY INCLUDING STATE RIGHTS IN THE EXCLUSIVE ECONOMIC ZONES (EEZ) AND ENGENDER A CLIMATE OF PEACE AND STABILITY FOR THE SECURITY AND WELL- BEING OF THE FILIPINO PEOPLE AND THEREBY FOSTER AN ATMOSPHERE THAT WOULD PROMOTE NATIONAL CONFIDENCE AND ECONOMIC DEVELOPMENT .

Section 2. Section 6 of the same ACT is hereby amended to read as follows:

"SEC. 6. Capitalization. – The Conversion Authority shall have an authorized capital of One hundred billion pesos (P100,000,000,000.00) which may be fully subscribed by the Republic of the Philippines and shall either be paid up from the proceeds of its sale, LEASE, JOINT-VENTURE AGREEMENTS AND OTHER TRANSACTIONS AND/OR DISPOSITIONS INVOLVING MILITARY BASES AND RESERVATIONS AND/OR PORTIONS THEREOF [of its land assets] as provided for in Section 8 of this Act or by transferring to the Conversion Authority properties valued in such amount.

An initial operating capital in the amount of Seventy million pesos (P 70,000,000.00) is hereby authorized to be appropriated out of any funds in the National Treasury not otherwise appropriated which shall be covered by preferred shares of the Conversion Authority retireable within two (2) years."

Section 3. Section 8 (d) of the same Act is hereby amended to read as follows:

"SEC. 8. Funding Scheme. – x x x

(d) A proposed 30.15 hectares as relocation site for families to be affected by circumferential road 5 and radial road 4 construction: Provided, further, That the boundaries and technical descriptions of these exempt areas shall be determined by an actual ground survey.

The President is hereby authorized to [sell] DISPOSE THROUGH SALE, LEASE, JOINT VENTURE AGREEMENTS AND OTHER TRANSACTIONS the above lands, in whole or in part, which are hereby declared alienable and disposable, pursuant to the provisions of existing laws and regulations governing THE SALES, LEASE, JOINT VENTURE AGREEMENTS AND OTHER TRANSACTIONS INVOLVING GOVERNMENT ASSETS AND/OR properties: Provided, THAT NO TRANSACTION WHATSOEVER INVOLVING of such lands SHALL

be undertaken until AFTER A MASTER development plan embodying SAID CONVERSION PROJECTS BY THE CONVERSION AUTHORITY shall be approved by the President in accordance with paragraph (b), Section 4 of this Act. However, six (6) months after approval of this Act, the President shall authorize the Conversion Authority to dispose certain areas in Fort Bonifacio and Villamor as the latter so determines. The Conversion Authority shall provide the President a report on any such disposition within one (1) month from such disposition or preparation of such plan. ALL TRANSACTIONAL EXPENSES RELATED TO THE SALE, LEASE, JOINT VENTURE AGREEMENTS AND OTHER TRANSACTIONS INVOLVING MILITARY BASES AND RESERVATIONS AND/OR PORTIONS THEREOF AS AUTHORIZED UNDER THIS ACT SHALL BE DEDUCTED FROM THE PROCEEDS OF SUCH SALE~ LEASE, JOINT VENTURE AGREEMENTS AND TRANSACTIONS. THE FOLLOWING SHALL BE CONSIDERED AS TRANSACTIONAL EXPENSES: ACQUISITION AND TITLING OF REAL ESTATE AS WELL AS PREPARATION OF ALTERNATIVE SITES TO HOST RELOCATED MILITARY UNITS, FUNCTIONAL REPLICATION OF AFFECTED MILITARY FACILITIES AND RELATED TRANSFER EXPENSES, RELOCATION OF AFFECTED GOVERNMENT/NON-MILITARY AGENCIES AND CLEARING OF SQUATTERS: PROVIDED, THAT EXPENSES RELATED TO THE SALE, LEASE, JOINT VENTURE OR OTHER TRANSACTIONS INVOLVING MILITARY LANDS SHALL BE GOVERNED BY PROVISIONS TO BE STIPULATED IN AN IMPLEMENTING GUIDELINES, RULES AND REGULATIONS FOR THIS ACT: PROVIDED, FINALLY, THAT THE NET TRANSACTIONS SHALL BE DEEMED APPROPRIATED FOR THE FOLLOWING PURPOSES WITH THE CORRESPONDING PERCENTAGE SHARES OF THE PROCEEDS:

(1) (1) FIFTY -FIVE PERCENT (55%) -TO PRIMARILY FINANCETHE SELF-RELIANCE AND MODERNIZATION PROGRAM OF THE AFP WHICH SHALL INCLUDE, BUT NOT LIMITED TO, THE FOLLOWING: EQUIPMENT ACQUISITION AND UPGRADE PROGRAM, INCLUDING THE MODERNIZATION OF THE GOVERNMENT ARSENAL, BASES DEVELOPMENT PROGRAM, HUMAN RESOURCE DEVELOPMENT AND

DOCTRINES DEVELOPMENT, FORCE RESTRUCTURING AND ORGANIZATIONAL DEVELOPMENT. ALL PROCEEDS AND INCOME INCLUDING, BUT NOT LIMITED TO, INTEREST EARNINGS DERIVED FROM THE SALE, LEASE, JOINT VENTURE AGREEMENTS AND ALL OTHER TRANSACTIONS INVOLVING MILITARY BASES AND RESERVATIONS AND/OR PORTIONS THEREOF SHALL AUTOMATICALLY ACCRUE TO THE AFP MODERNIZATION ACT TRUST FUND AND SHALL BE USED EXCLUSIVELY FOR THE AFP MODERNIZATION PROGRAM.

(2) TWENTY -SEVEN AND A HALF PERCENT (27.5%) - TO FINANCE THE CONSTRUCTION AND UPGRADING OF INFRASTRUCTURE SUCH AS HIGHWAYS, RAILWAYS AND OTHER TRANSPORT FACILITIES TO MAKE SUBIC, CLARK AND OTHER FORMER BASES ACCESSIBLE: PROVIDED THAT OTHER PUBLIC WORKS, UTILITIES AND IRRIGATION PROJECTS NOT SPECIFIED HEREIN SHALL BE DEEMED INCLUDED: PROVIDED, FURTHER THAT CONVERSION INTO COMMERCIAL USES OF THE FORMER MILITARY BASELANDS PROPER AND THEIR EXTENSIONS SHALL BE UNDERTAKEN AS MUCH AS PRACTICABLE THROUGH THE BUILD-OPERATE-TRANSFER (BOT) SCHEME OR FINANCED BY LOCATOR ENTERPRISES: PROVIDED, FINALLY, THAT THIS APPROPRIATION SHALL BE RETAINED BY THE CONVERSION AUTHORITY AS PART OF ITS PAID- UP CAPITAL PURSUANT TO SECTION 6 OF THIS ACT.

(3) TEN PERCENT (10%) -TO FINANCE THE AFP HOUSING PROGRAM; AND

(4) SEVEN AND A HALF PERCENT (7.5%) - TO BE UTILIZED SOLELY FOR THE DEVELOPMENT OF IDLE LANDS WITHIN MILITARY BASES AND RESERVATIONS FOR INCOME-GENERATING PROJECTS; PROVIDED THAT THE INCOME DERIVED FROM THESE PROJECTS SHALL BE USED EXCLUSIVELY FOR THE AFP MODERNIZATION ACT UNDER REPUBLIC ACT NUMBER 7898.

Approximately forty hectares (40 has.) of land in Fort Bonifacio, Phase I, AS HEREIN PROVIDED, shall be retained as national government and local government centers, sports facilities and parks:

Provided, That two and five-tenths percent (2.5%) of the proceeds thereof SHALL BE DISTRIBUTED IN EQUAL SHARES TO THE CITY OF MAKATI AND THE MUNICIPALITIES OF TAGUIG AND PATEROS: Provided, further, That in no case shall farmers affected be denied due compensation.

Section 4. Section 5-A is hereby inserted in the Act which will read as follows:

"SEC. 5- A. EXEMPTION FROM TAXES, FEES OR CHARGES. - ALL LAWS TO THE CONTRARY NOTWITHSTANDING, THE PROCEEDS OF THE SALE, LEASE, JOINT VENTURE, AND ALL OTHER TRANSACTIONS INVOLVING MILITARY LANDS SHALL NOT BE DIMINISHED AND SHALL THEREFORE BE EXEMPT FROM ALL FORMS OF NATIONAL AND LOCAL TAXES AND FEES, DIRECT OR INDIRECT. NO TAX MEASURE OF WHATEVER NATURE ENACTED SHALL APPLY TO THESE TRANSACTIONS UNLESS IT IS PROVIDED THEREIN THAT THE SAME IS APPLICABLE BY EXPRESSLY STATING THE SAID TRANSACTIONS."

Section 5. Section 9 of the same Act is hereby amended to read as follows:

"SEC.9. Board of Directors: Composition. - The powers and functions of the Conversion Authority shall be exercised by a Board of Directors to be composed of nine (9) members, as follows:

(a) A full-time chairman who shall also be the president of the Conversion Authority.

(b) SEVEN (7) other members from the private sector.

(c) ONE REPRESENTATIVE TO BE NOMINATED BY THE DEPARTMENT OF NATIONAL DEFENSE (DND) AND AFP.

The chairman and members shall be appointed by the President with the consent of the Commission of Appointments. Of

the initial members of the Board, three (3) including the chairman, shall be appointed for a term of six (6) years, three (3) for a term of four (4) years and the other three (3) including the DND-AFP NOMINEE for a term of two (2) years. In case of vacancy in the Board, the appointee shall serve the unexpired term of the predecessor .

No person shall be appointed or designated AS A MEMBER OF THE BOARD unless he is a natural-born Filipino citizen, of good moral character, of unquestionable integrity and of recognized competence in related fields INCLUDING, but not limited to economics, management, international relations, law or engineering, preferably naval or aeronautical.

The chairman and president of the Conversion Authority shall have a fixed term of six (6) years.

All procedural matters in the conduct of board meetings shall be prescribed in its internal rules.

Members of the Board shall receive a per diem of not more than Five thousand pesos (P 5,000.00) for every board meeting: Provided, however, That the per diem collected per month does not exceed the equivalent of four (4) meetings: Provided, further, That the amount of per diem for every board meeting may be increased by the President, but such amount shall not be increased within two (2) years after its last increase."

Section 6. Section 15 of the same Act is hereby amended to appear as follows and include the following provisions:

"SEC. 15. (a). Clark and Other Special Economic Zones. -Subject to the concurrence by resolution of the local government units directly affected, the President is hereby authorized to create by executive proclamations a Special Economic Zone covering lands occupied by the Clark military reservation and its contiguous extensions as embraced,

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the territorial jurisdiction of Angeles City, Municipalities of Mabalacat and Porac, Province of Pampanga, and the Municipality of Capas Province of Tarlac, in accordance with the policies as herein provided insofar as applicable to the Clark military reservations.

The governing body of the Clark Special Economic Zone shall likewise be established by executive proclamations with such powers and functions exercised by the Export Processing Zone Authority pursuant to Presidential Decree No.66, as amended.

The policies to govern and regulate the Clark Special Economic Zone shall be determined upon consultation with the inhabitants of the local government units directly affected which shall be conducted within six (6) months upon approval of this Act.

Similarly, subject to the concurrence by resolution of the local government units directly affected, the President shall create other Special Economic Zones, in the base areas of Wallace Air Stations in San Fernando, La Union (excluding areas designated for communications, advance warning and radar requirements of the Philippine Air Force to be determined by the Conversion Authority) and Camp John Hay in the City of Baguio.

IN THE CASE OF CAMP JOHN HAY, THE POWERS OF JOHN HAY DEVELOPMENT CORPORATION (JHDC) WHICH WAS CREATED BY E.O. 103 OF PRES. FIDEL V. RAMOS AS THE BCDA IMPLEMENTING ARM, SHALL BE VESTED IN AND EXERCISED BY A BOARD OF DIRECTORS WHICH SHALL BE COMPOSED OF NOT MORE THAN ELEVEN (11) MEMBERS; PROVIDED, THAT THE COMPOSITION OF THE JHDC BOARD SHALL BE SUBJECT TO THE PROVISIONS OF SECTIONS 16 OF RA 7227; PROVIDED, FURTHER : THAT FOUR (4) OF THE BOARD OF DIRECTORS OF THE CORPORATION SHALL BE APPOINTED FROM PERMANENT RESIDENTS OF THE CITY OF BAGUIO.

Upon recommendation of the Conversion Authority , the President is likewise authorized to create Special Economic Zones covering the Municipalities of Morong, Henrmosa, Dinalupihan, Castillejos and San Marcelino.

EXCEPT FOR REAL PROPERTY TAXES ON LAND OWNED BY DEVELOPERS, NO TAXES, LOCAL AND NATIONAL, SHALL BE IMPOSED ON BUSINESS ENTERPRISES WITHIN THE "SPECIAL ECONOMIC ZONES" COMPRISING WALLACE AIR STATION IN SAN FERNANDO CITY IN THE PROVINCE OF LA UNION, CAMP JOHN HAY IN BAGUIO CITY, THE MUNICIPALITIES OF MORONG, HERMOSA AND DINALUPIHAN IN THE PROVINCE OF BATAAN, AND CASTILLEJOS AND SAN MARCELINO IN THE PROVINCE OF ZAMBALES. IN LIEU THEREOF, FIVE PERCENT (5%) OF THE GROSS INCOME EARNED BY ALL BUSINESS ENTERPRISES WITHIN THESE "SPECIAL ECONOMIC ZONES" SHALL BE PAID AND REMITTED AS FOLLOWS:

(1) THREE PERCENT (3%) TO THE NATIONAL GOVERNMENT ;

(2) TWO PERCENT (2%) WHICH SHALL BE DIRECTLY REMITTED BY THE BUSINESS ESTABLISHMENTS TO THE TREASURER'S OFFICE OF EACH CITY OR MUNICIPALITY OF THE AFOREMENTIONED SPECIAL ECONOMIC ZONES WHERE THE ENTERPRISES ARE LOCATED OR ARE ACTUALLY OPERATING THEIR BUSINESSES.

(c.) IN ALL ECONOMIC ZONES TO BE CREATED BY THE PRESIDENT IN THE IMPLEMENTATION OF THIS ACT, THE DND-AFP, BEING PRIMARILY AFFECTED BY THE CONVERSION OF THESE PARTICULAR BASES, SHALL BE DULY REPRESENTED BY A DND-AFP REPRESENTATIVE IN THE RESPECTIVE GOVERNING BODIES OF THESE SPECIAL ECONOMIC ZONES."

Section 7. Section 24 of the same Act is hereby amended to read as follows:

"SEC.24. Effectivity. -THIS ACT SHALL TAKE EFFECT AFTER FIFTEEN (15) DAYS FOLLOWING ITS PUBLICATION IN A NEWSPAPER OF GENERAL CIRCULATION .

AS OF AFOREMENTIONED EFFECTIVITY, THE AMENDATORY DISTRIBUTION OF SHARES IN SECTION 8

LEASE, JOINT VENTURE AGREEMENTS OR OTHER
TRANSACTIONS INVOLVING MILITARY BASES AND
RESERVATIONS AND/OR PORTIONS THEREOF AS AUTHORIZED
UNDER THIS ACT IRRESPECTIVE OF THE DATE OF EXECUTION .

Approved.