



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

2nd Regular Session
SEVENTEENTH CONGRESS

HOUSE BILL No. 6379



Introduced by REP. EMI G. CALIXTO-RUBIANO

Explanatory Note

In passing Republic Act No. 7227 or the Bases Conversion and Development Act of 1992, the intention of the 9th Congress, among others, was for the establishment of a "Freeport" in its real and international concept as an "*alternative productive use*" of the Clark and Subic military reservations, their extensions and other military baselands covered by the 1947 Military Bases Agreement between the Philippines and the United States of America to enhance the benefits derived from said properties in order to promote the economic and social development of Central Luzon in particular and the country in general. Thus, the following mandates and principles were, among others, provided under said law in the SBMA's operation of the SSEZ:

1. The SSEZ shall be "developed into a self-sustaining, industrial, commercial, financial and investment center to generate employment opportunities in and around the zone and to attract and promote productive foreign investments" [*Section 12 (a) of Republic Act No. 7227*];
2. The SSEZ shall be "operated and managed as a separate customs territory ensuring free flow or movement of goods and capital within, into and exported out of the Subic Special Economic Zone, as well as provide incentives such as tax and duty-free importations of raw materials, capital and equipment" [*Section 12 (b) of Republic Act No. 7227*];
3. No taxes, local and national, are imposed within the SSEZ. In lieu of paying taxes, locators or locating investors at SSEZ pay only five percent (5%) of their gross income earned to the government. In case of conflict between national and local laws with respect to tax exemption privileges in the SSEZ, the same shall be resolved in favor of the latter [*Section 12 (c) of Republic Act No. 7227*];
4. No exchange control policy shall be applied and free markets for foreign exchange, gold, securities and future shall be allowed and maintained in the SSEZ.

[Section 12 (d) of Republic Act No. 7227];

5. Banking and finance shall be liberalized with the establishment of foreign currency depository units of local commercial banks and offshore banking units of foreign banks with minimum Central Bank regulation at SSEZ. [Section 12 (f) of Republic Act No. 7227];

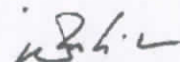
6. Any investor within the SSEZ whose continuing investment shall not be less than Two hundred fifty thousand dollars (\$250,000), his/her spouse and dependent children under twenty-one (21) years of age, shall be granted permanent resident status within the SSEZ. They shall have freedom of ingress and egress to and from the SSEZ without any need of special authorization from the Bureau of Immigration and Deportation. The SBMA may also issue working visas renewal every two (2) years to foreign executives and other aliens possessing highly-technical skills which no Filipino within the SSEZ possesses, as certified by the Department of Labor and Employment. [Section 12 (g) of Republic Act No. 7227] and;

7. The SBMA shall have its own internal security and firefighting forces at SSEZ. [Section 12 (h) of Republic Act No. 7227]

Relatedly, in creating the SBMA as the implementing arm of the government and to make the ideals set by Republic Act No. 7227 come into reality, Republic Act No. 7227 granted upon the SBMA all-encompassing powers in its operation, management and development of the SSEZ into "*alternative productive uses*" all in keeping towards the ideal framework of a Freeport where there is minimum government or outside intervention on trade, investments, and freeport operations.

This bill seeks to fortify and reaffirm the powers granted to the Subic Bay Metropolitan Authority (SBMA) by Republic Act No. 7227, as the operating and implementing arm of the Government over the Subic Bay Freeport Zone (SBFZ) and the Subic Special Economic Zone (SSEZ). It likewise seeks to reinforce the SBMA's capability to fulfill to its fullest sense its mandate of creating a "self – sustaining" Freeport out of the SSEZ and make the SBMA's Board composition updated with the current times.

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



EMI G. CALIXTO-RUBIANO
Representative
Lone District of Pasay City



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

SEVENTEENTH CONGRESS

Second Regular Session

HOUSE BILL No. **6379**

Introduced by REPRESENTATIVE EMI CALIXTO-RUBIANO

**AN ACT AMENDING REPUBLIC ACT NO. 7227,
AS AMENDED BY REPUBLIC ACT NO. 9400,
OTHERWISE KNOWN AS
THE BASES CONVERSION AND DEVELOPMENT ACT OF 1992**

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

SECTION 1. Sections 12 (c) and (h) of Republic Act No. 7227, as amended, are hereby further amended as follows:

"SEC. 12. *Subic Special Economic Zone.* – xxxx xxxx xxxx

(c) The provision of existing laws, rules and regulations to the contrary notwithstanding, no national and local taxes shall be imposed within the Subic Special Economic Zone. In lieu of **ALL OTHER NATIONAL AND LOCAL** taxes, a five percent (5%) tax on gross income earned shall be paid by all **REGISTERED** business enterprises within the Subic Special Economic Zone and shall be remitted as follows: **ONE PERCENT (1%)** to the National Government, **TWO PERCENT (2%) TO THE SUBIC BAY METROPOLITAN AUTHORITY** and two percent (2%) **TO BE COLLECTED BY THE SUBIC BAY METROPOLITAN AUTHORITY FOR DISTRIBUTION** to the local government units affected by the declaration of and contiguous to the Zone,

namely: the City of Olongapo and the municipalities of Subic, San Antonio, San Marcelino and Castillejos in the Province of Zambales; and the municipalities of Morong, Hermosa and Dinalupihan in the Province of Bataan, on the basis of population (50%), land area (25%), and equal sharing (25%).

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

(g) xxxx xxxx xxxx

(h) The defense of the zone and the security of its perimeter shall be the responsibility of the National Government in coordination with the Subic Bay Metropolitan Authority. THERE IS HEREBY CREATED A SUBIC BAY METROPOLITAN AUTHORITY POLICE WHICH SHALL BE ORGANIZED, MAINTAINED, SUPERVISED, AND UTILIZED BY, AND BE AN INTEGRAL PART OF THE PHILIPPINE NATIONAL POLICE, ITS PRIMARY PURPOSE IS LAW ENFORCEMENT AND MAINTENANCE OF PEACE AND ORDER IN THE SUBIC SPECIAL ECONOMIC ZONE (SSEZ) PREMISES.

xxxx xxxx xxxx"

SECTION 2. Sections 13 (b), and its subsections (3), (10), (11), (12), (13) and (14) of Republic Act No. 7227, as amended, are hereby further amended as follows:

"SEC. 13. *Subic Bay Metropolitan Authority.* – xxxx xxxx xxxx

(b) Powers and Functions of the Subic Bay Metropolitan Authority. – The Subic Bay Metropolitan Authority, otherwise known as the Subic Authority, HAVING AUTHORITY AND JURISDICTION OVER ALL BUSINESS AND ECONOMIC ACTIVITIES WITHIN THE SUBIC SPECIAL ECONOMIC ZONE (SSEZ), EXCEPT AS OTHERWISE HEREIN PROVIDED, shall have the following powers and functions:

xxxx xxxx xxxx

(3) TO UNDERTAKE, REGULATE AND TO FIX AND IMPOSE JUST AND REASONABLE RATES, FARES, CHARGES AND OTHER PRICES FOR THE FOLLOWING:

(a) ESTABLISHMENT, OPERATION AND MAINTENANCE OF UTILITIES, FACILITIES, INFRASTRUCTURE, SERVICES, BUSINESSES, ACTIVITIES AND CONCESSIONS IN THE SSEZ PERTAINING TO TELECOMMUNICATIONS THEREFOR; PROVIDED THAT, THE NATIONAL TELECOMMUNICATIONS COMMISSION (NTC) SHALL CONTINUE TO EXERCISE ITS POWER TO REGULATE AND SUPERVISE THE QUALITY, SAFETY, RELIABILITY, SECURITY, COMPATIBILITY AND INTER-

OPERABILITY OF PUBLIC TELECOMMUNICATIONS, RADIO STATIONS FOR BOTH PRIVATE AND PUBLIC USE, RADIO SPECTRUM, RADIO AND TELEVISION BROADCAST STATIONS, CABLE TELEVISIONS AND PAY TELEVISIONS WITHIN SSEZ;

- (b) ESTABLISHMENT, OPERATION AND MAINTENANCE OF UTILITIES, FACILITIES, INFRASTRUCTURE, SERVICES, BUSINESSES, ACTIVITIES AND CONCESSIONS IN THE SSEZ PERTAINING TO SHIPPING AND MARITIME BUSINESS AND ACTIVITIES INCLUDING STEVEDORING AND PORT TERMINAL SERVICES OR CONCESSIONS; PROVIDED THAT, THE MARITIME INDUSTRY AUTHORITY (MARINA) SHALL CONTINUE TO EXERCISE ITS POWER TO REGULATE AND SUPERVISE THE SHIPBUILDING AND SHIP REPAIR OF ANY MERCHANT MARINE VESSEL OPERATED OR TO BE OPERATED IN THE DOMESTIC TRADE AND THE DOMESTIC SHIPPING INDUSTRY WITHIN THE SSEZ;
 - (c) ESTABLISHMENT, OPERATION AND MAINTENANCE OF UTILITIES, FACILITIES, INFRASTRUCTURE, SERVICES, BUSINESSES, ACTIVITIES AND CONCESSIONS IN THE SSEZ PERTAINING TO AIRPORT OPERATIONS; PROVIDED THAT, THE CIVIL AVIATION AUTHORITY OF THE PHILIPPINES (CAAP) SHALL CONTINUE TO EXERCISE ITS POWER TO REGULATE AND SUPERVISE THE SAFETY, QUALITY, RELIABILITY AND AFFORDABILITY OF AIR TRANSPORT SERVICES FOR THE RIDING PUBLIC WITHIN THE SSEZ;
 - (d) ESTABLISHMENT, OPERATION AND MAINTENANCE OF ALL OTHER FACILITIES, INFRASTRUCTURES, SERVICES, BUSINESSES, ACTIVITIES AND CONCESSIONS INSIDE SSEZ;
- (9) xxxx xxxx xxx;
- (10) To adopt and implement measures and standards for environmental pollution control of all areas within its territory including but not limited to all bodies of water and to enforce the same. For which purpose, the Subic Authority shall create an Ecology Center THAT SHALL ISSUE THE ENVIRONMENTAL COMPLIANCE CERTIFICATE FOR ALL NON-ENVIRONMENTALLY CRITICAL ACTIVITIES IN THE SUBIC SPECIAL ECONOMIC ZONE.
- (11) TO RECLAIM LANDS IN THE SUBIC SPECIAL ECONOMIC AND FREEPORT ZONE, NOT LIMITED TO FORESHORE AND SUBMERGED AREAS, BY DREDGING, FILLING OR OTHER MEANS, AND TO ACQUIRE, DEVELOP, IMPROVE, ADMINISTER, DEAL – IN, SUBDIVIDE AND LEASE RECLAIMED LANDS INSIDE THE ZONE;

(12) TO PROVIDE FOR, OPERATE, OR ADMINISTER SUCH SERVICES, AS MAY BE NECESSARY FOR THE EFFICIENT, ECONOMICAL AND BENEFICIAL UTILIZATION OF THE RECLAIMED AREAS IN THE SBF;

(13) UNLESS OTHERWISE PROVIDED IN THIS ACT, TO BE THE SINGLE AUTHORITY RESPONSIBLE FOR THE IMPLEMENTATION AND ENFORCEMENT OF THIS ACT, ITS IMPLEMENTING RULES AND REGULATIONS (IRR) AND OTHER RULES AND REGULATIONS PROMULGATED BY THE SBMA BOARD OF DIRECTORS IN SO FAR AS IT IS APPLICABLE TO THE SBMA, THE SSEZ AND SBF BUSINESS ENTERPRISES, LOCATORS, RESIDENTS AND STAKEHOLDERS; AND

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

XXXX XXXX XXXX"

SECTION 3. Sections 13 (c) and (d) of Republic Act No. 7227, as amended, are hereby further amended as follows:

"SEC. 13. *Subic Bay Metropolitan Authority.* – XXXX XXXX XXXX

(c) Board of Directors – The powers of the Subic Authority shall be vested in and exercised by a Board of Directors, hereinafter referred to as the Board, which shall be composed of fifteen (15) members, to wit:

(1) One (1) representative from each of the following local government units that concur to join the Subic Special Economic Zone: THE CITY OF OLONGAPO AND THE MUNICIPALITY OF SUBIC OF THE PROVINCE OF ZAMBALES; AND THE MUNICIPALITIES OF MORONG, HERMOSA AND DINALUPIHAN OF THE PROVINCE OF BATAAN;

(2) Two (2) representatives from the National Government; AND

(3) EIGHT (8) representatives from the private sector coming from TOURISM, MANUFACTURING, MARITIME, AVIATION, TRADE AND INDUSTRY, LOGISTICS, INFORMATION AND COMMUNICATIONS TECHNOLOGY AND FINANCE SECTORS.

THE MEMBERS OF THE BOARD shall be appointed by the President to serve for a FIXED term of six (6) years, unless sooner removed for cause, except for the representatives of the local government units who shall serve for a FIXED term of three (3) years. In case of removal for cause, the replacement shall serve only the unexpired portion of the term.

No person shall be appointed as a member of the Board unless he is a

Filipino citizen, of good moral character, and of recognized competence in relevant fields including, but not limited to economics, FINANCE, management, international relations, law or engineering.

THE COMPENSATION OF THE MEMBERS OF THE BOARD SHALL BE IN ACCORDANCE WITH EXISTING POLICIES, PRINCIPLES AND RULES GOVERNING THE COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS/TRUSTEES IN GOVERNMENT-OWNED AND CONTROLLED CORPORATIONS AS MAY BE FORMULATED BY THE GOVERNANCE COMMISSION FOR GOVERNMENT OWNED OR CONTROLLED CORPORATIONS.

XXXX XXXX XXXX"

SECTION 4. *Implementing Rules and Regulations.* – Within ninety (90) days from the effectivity of this Act, the following shall promulgate the necessary rules and regulations for the implementation of the specific provisions of this Act:

(a) The Department of Finance, in coordination with the Bureau of Internal Revenue, and in consultation with the SBMA, for the necessary rules and regulations implementing Sec. 1 of this Act but only insofar as it amends Sec. 12 (c) of Republic Act No. 7227, as amended; and

(b) The SBMA, in coordination with the Office of the President and the Bases Conversion and Development Authority (BCDA), for the necessary rules and regulations implementing all the other provisions of this Act.

SECTION 5. *Repealing Clause.* – All laws, decrees, orders, rules and regulations or other issuances or parts thereof inconsistent with the provisions of this Act, are hereby repealed or modified accordingly.

SECTION 6. *Separability Clause.* – If any provision of this Act is subsequently declared unconstitutional, the validity of the remaining provisions hereof shall remain in full force and effect.

SECTION 7. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in any two (2) newspaper of general circulation, whichever comes earlier.

Approved.