



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
First Regular Session

House Bill No. 138



Introduced by Representative **GERALDINE B. ROMAN**

EXPLANATORY NOTE

This bill seeks to strengthen the administration and operational governance of the Subic Bay Metropolitan Authority (SBMA) by way of further amending provisions of Republic Act No. 7227. In this bill amendments were introduced to improve revenue collection and thereby increasing the shares of the Local Government Units (LGU) affected and the share of the national government.

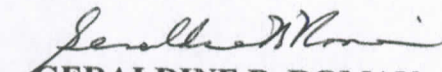
It is high time to incorporate provisions to professionalize the SBMA Board of Directors and also to ensure and strengthen the public safety and security of the freeport zone.

Reallocation formulas as to the sharing received by the Province of Bataan and Pampanga from the 2% tax on gross income from all business enterprises within the freeport zone were introduced in this version.

Sections designating additional seats to the Board of Directors of the SBMA of Local Government Units (LGU) and from Indigenous Peoples residing within Subic Bay Freeport Zone were incorporated.

Above-mentioned amendments were taken into consideration during the 17th Congress on the basis of reaffirming the powers granted to the Subic bay Metropolitan Authority (SBMA) by Republic Act No. 7227, as amended.

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


GERALDINE B. ROMAN



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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:

SECTION 1. Section 12 of Republic Act (RA) No. 7227, as amended, is hereby further amended to read as follows:

"SEC. 12. *Subic Special Economic Zone.* – Subject to the concurrence by resolution of the *sangguniang panlungsod* of the City of Olongapo and the *sangguniang bayan* of the Municipalities of Subic, Morong and Hermosa, there is hereby created a Special Economic and Free-port Zone consisting of the City of Olongapo and the Municipality of Subic, Province of Zambales, the lands occupied by the Subic Naval Base and its contiguous extensions as embraced, covered, and defined by the 1947 Military Bases Agreement between the Philippines and the United States of America as amended, and within the territorial jurisdiction of the Municipalities of Morong and Hermosa, Province of Bataan, hereinafter referred to as the **SUBIC** Special Economic Zone whose metes and bounds shall be delineated in a proclamation to be issued by the President of the Philippines. Within thirty (30) days after the approval of this Act, each local government unit shall submit its resolution of concurrence to join the Subic Special Economic Zone to the Office of the President. Thereafter, the President of the Philippines shall

issue a proclamation defining the metes and bounds of the zone as provided herein.

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

“The abovementioned zone shall be subject to the following policies:

“a) Within the framework and subject to the mandate and limitations of the Constitution and the pertinent provisions of the Local Government Code, the Subic Special Economic Zone 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 **AND DOMESTIC** investments;

“b) The Subic Special Economic Zone 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. However, exportation or removal of goods from the territory of the Subic Special Economic Zone to the other parts of the Philippine territory shall be subject to customs duties and taxes under ~~[the Tariff and Customs Code of the Philippines, as amended,]~~ **REPUBLIC ACT NO. 10863, OTHERWISE KNOWN AS THE “CUSTOMS MODERNIZATION AND TARIFF ACT,”** the National Internal Revenue Code of 1997, as amended, and other relevant tax laws of the Philippines;

“c) The provision of existing laws, rules and regulations to the contrary notwithstanding, no national and local taxes **OF ANY KIND OR NATURE** shall be imposed within the Subic Special Economic Zone. In lieu of said 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: three percent (3%) to the National Government; and two percent (2%) to the Subic Bay Metropolitan Authority (SBMA) 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 of the Province of Zambales; and the municipalities of Morong, Hermosa and Dinalupihan of the Province of Bataan, on the basis of population ~~(50%)~~ **40%**, land area ~~(25%)~~ **40%**, and equal sharing ~~(25%)~~ **20%**.

"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;

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

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

"f) 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;

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

"h) The defense of the zone and the security of its perimeters shall be the responsibility of the national government in coordination with the ~~{Subic Bay Metropolitan Authority}~~ **SBMA**. ~~[The Subic Bay Metropolitan~~

~~Authority shall provide and establish its own internal security and fire fighting forces; and]~~ **IN THE EVENT THAT AN ASSISTANCE OF THE MILITARY IS NECESSARY, THE EXPENSES SHALL BE BORNE BY THE NATIONAL GOVERNMENT. THE MILITARY SHALL NOT INTERFERE IN THE INTERNAL AFFAIRS OF SBMA EXCEPT TO PROVIDE THE NECESSARY SECURITY AND DEFENSE.**

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

- "1. MAINTAIN PEACE AND ORDER, ENSURE PUBLIC SAFETY AND IMPLEMENT ALL LAWS, AND RULES AND REGULATIONS OF THE SBMA;**
- "2. REGULATE THE INGRESS AND EGRESS TO, FROM AND WITHIN THE SUBIC BAY FREEPORT ZONE;**
- "3. EXERCISE THE GENERAL POWERS TO CONDUCT SEARCH AND SEIZURE WITHIN THE SUBIC BAY FREEPORT ZONE IN ACCORDANCE WITH THE CONSTITUTION AND PERTINENT LAWS; AND**
- "4. EFFECT THE ARREST OF CRIMINAL OFFENDERS, INVESTIGATE AND PREVENT CRIMES OCCURRING WITHIN THE SUBIC BAY FREEPORT ZONE AND ASSIST IN THE PROSECUTION THEREOF.**

"THE SBMA SHALL ALSO PROVIDE AND ESTABLISH ITS OWN FIREFIGHTING FORCE WHICH SHALL HAVE THE SAME FUNCTIONS AS THE BUREAU OF FIRE PROTECTION WITHIN THE SUBIC BAY FREEPORT ZONE;

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

SEC. 2. Section 13 of RA 7227, as amended, is hereby further amended to read as follows:

“SEC. 13. *The Subic Bay Metropolitan Authority.*

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

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

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

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

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

~~Conversion Authority]~~ without prejudice to the nationalization requirements provided for in the Constitution;

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

“i. ELECTRONIC, WEB AND CLOUD DATA OPERATORS AND PROVIDERS AND TELECOMMUNICATIONS: PROVIDED, THAT THE NATIONAL TELECOMMUNICATIONS COMMISSION 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 THE SUBIC SPECIAL ECONOMIC ZONE;

“ii. SHIPPING AND MARITIME BUSINESS AND ACTIVITIES, INCLUDING STEVEDORING AND PORT TERMINAL SERVICES OR CONCESSIONS: PROVIDED, THAT THE MARITIME INDUSTRY AUTHORITY 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 SUBIC SPECIAL ECONOMIC ZONE;

“iii. AIRPORT OPERATIONS: *PROVIDED*, THAT THE CIVIL AVIATION AUTHORITY OF THE PHILIPPINES 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 SUBIC SPECIAL ECONOMIC ZONE;

“iv. ALL OTHER FACILITIES, INFRASTRUCTURE, SERVICES, BUSINESSES, ACTIVITIES AND CONCESSIONS INSIDE THE SUBIC SPECIAL ECONOMIC ZONE;

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

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

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

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

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

“[9] 10. To protect, **PRESERVE**, maintain and develop the virgin forests within the baselands which will be proclaimed **AND MAINTAINED** as a national park and subject to a permanent total log ban, and for this purpose, the rules and regulations of the Department of Environment and Natural Resources and other government agencies

directly involved in the above functions shall be implemented by the ~~[Subic Authority]~~ **SBMA**;

“~~[10]~~ 11. 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]~~ **SBMA** shall create an Ecology Center ~~[and]~~ **THAT SHALL ISSUE THE ENVIRONMENTAL COMPLIANCE CERTIFICATE FOR ALL NON-ENVIRONMENTALLY CRITICAL ACTIVITIES AND PROJECTS, TREE CUTTING PERMIT, DISCHARGE PERMIT AND PERMIT TO OPERATE AIR POLLUTION SOURCE AND INSTALLATION IN THE SUBIC SPECIAL ECONOMIC ZONE;**

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

”13. **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 SUBIC SPECIAL ECONOMIC ZONE;**

“14. **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 ISSUANCES PROMULGATED BY THE SBMA BOARD OF DIRECTORS; THE NATIONAL BUILDING CODE**

OF THE PHILIPPINES AND ITS IRR; AND THE FIRE CODE OF THE PHILIPPINES AND ITS IRR; INsofar AS THESE LAWS, RULES AND REGULATIONS ARE APPLICABLE TO THE SBMA, THE SUBIC SPECIAL ECONOMIC ZONE AND SUBIC BAY FREEPORT BUSINESS ENTERPRISES, LOCATORS, RESIDENTS AND STAKEHOLDERS; AND

“[44] 15. 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.”

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

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

“2. Two (2) representatives from the National Government;

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

“4. [~~The remaining balance to complete the Board shall be composed of representatives from the business and investment sectors~~] ONE (1) REPRESENTATIVE EACH FROM THE FOLLOWING LOCAL GOVERNMENT UNITS THAT ELECTED TO JOIN THE SUBIC SPECIAL ECONOMIC ZONE: THE CITY OF OLONGAPO AND THE MUNICIPALITIES OF CASTILLEJOS, SAN ANTONIO, SAN MARCELINO AND SUBIC OF THE PROVINCE OF ZAMBALES; AND THE MUNICIPALITIES OF MORONG, HERMOSA AND DINALUPIHAN OF THE PROVINCE OF BATAAN: *PROVIDED,*

THAT SUCH REPRESENTATIVE MUST BE A RESIDENT AND REGISTERED VOTER OF THE LOCAL GOVERNMENT UNIT BEING REPRESENTED; AND

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

“The ~~[chairman and the]~~ members of the Board **OF DIRECTORS** 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. **IN THE EXIGENCY OF THE SERVICE, THE MEMBERS OF THE BOARD OF DIRECTORS SHALL CONTINUE TO SERVE IN A HOLD-OVER CAPACITY UPON THE EXPIRATION OF THEIR RESPECTIVE TERMS UNTIL THEIR REPLACEMENTS SHALL HAVE BEEN APPOINTED AND QUALIFIED.**

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

~~“[Members of the Board shall receive a *per diem* of not more than Five thousand pesos (P5,000) 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: *Provided, finally,* That the amount of *per diem* shall not be increased within two (2) years after its last increase.]~~ **EXCEPT THE CHAIRPERSON, THE MEMBERS OF THE BOARD OF DIRECTORS SHALL BE ENTITLED TO PER DIEMS, ALLOWANCES AND OTHER BENEFITS IN ACCORDANCE WITH EXISTING POLICIES, PRINCIPLES AND RULES GOVERNING THE COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS IN GOVERNMENT-OWNED AND -CONTROLLED**

CORPORATIONS AS MAY BE FORMULATED BY THE GOVERNANCE COMMISSION FOR GOVERNMENT-OWNED OR-CONTROLLED CORPORATIONS.”

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

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

“X X X X X

(2) All other assets which have the President may transfer to the ~~{Subic Authority}~~ **SBMA** as part of the equity contribution of the Government; and

“X X X X X

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

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

(a) The provisions of existing laws, rules and regulations to the contrary notwithstanding, the ~~{Subic Authority}~~ **SBMA** shall exercise administrative powers, rule-making and disbursement of funds over the Subic Special Economic Zone in conformity with the oversight function of the Conversion Authority.

(b) In case of conflict between the ~~{Subic Authority}~~ **SBMA** and the local government units concerned on the matters affecting the Subic Special Economic Zone other than defense and security, the decision of the ~~{Subic Authority}~~ **SBMA** shall prevail.

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

“SEC. 15. *Clark and Other Special Economic Zones (CFZ).* – x x x

x.

“x x x x x

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

“ x x x x x”

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

SEC. 6. 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 and CDC, for the necessary rules and regulations implementing Sections 1 and 4 of this Act but only insofar as it amends Section 12 (c) and Section 15 of Republic Act No. 7227, as amended;

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

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

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

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

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

Approved,