



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

**NINETEENTH CONGRESS**  
First Regular Session

**HOUSE BILL NO. 1690**



Introduced by REPRESENTATIVE AURELIO "DONG" D. GONZALES, JR.

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

**EXPLANATORY NOTE**

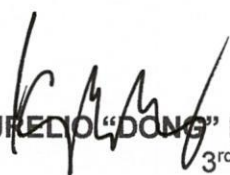
When the American armed forces left their massive and highly strategic bases in Zambales and Pampanga, the government quickly stepped in to develop these bases for public use.

With that in mind, the government enacted Republic Act No. 7227 which created the Bases Conversion Development Authority otherwise known as BCDA. It is a government-owned and controlled corporation mandated to transform former US military bases into alternative productive civilian use. Under the supervision of the body, the former bases have been converted into premier commercial zones. Subic Bay Naval Base became the Subic Bay Freeport Zone while Clark Airbase became not only a Freeport zone but also the home of Clark International Airport—the country's next premier airport.

RA No. 7227 was enacted thirty years ago, and in consideration of what they have achieved over the years, it is only fitting to provide them with more capabilities to enable them to further transform these former bases for the prime purpose of providing further economic gains for the country such as:

- Extends its term for another 50 years, provided that Congress, by a joint resolution, may dissolve it whenever in its judgment the primary purpose for BCDA creation has been accomplished;
- Increases the authorized capital of the Conversion Authority from 100 billion to 600 billion pesos.
- Expands the powers and functions of SBMA by providing authority and jurisdiction over all economic activities within the SSEZ; and
- Reapportions the 5% tax on gross income earned from the Subic Special Economic Zone, among others.

As our country continues to seek economic progress, the passage of the bill is most earnestly sought.

  
REP. AURELIO "DONG" D. GONZALES, JR.  
3<sup>rd</sup> District, Pampanga



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

**SECTION 1.** Section 3 of Republic Act (RA) No. 7227, as amended, is further amended to read as follows:

*"SEC. 3. Creation of the Bases Conversion and Development Authority.- There is hereby created a body corporate to be known as the Bases Conversion and Development Authority, hereinafter referred to as the Conversion Authority, which shall have the attribute of perpetual succession and shall be vested with the powers of a corporation.*

*"It shall be organized within thirty (30) days after approval of this Act. It shall have a term of **ONE HUNDRED (100) YEARS FROM ITS CREATION, WHICH MAY BE FURTHER EXTENDED BY LAW: Provided,** That Congress, by a joint resolution, may dissolve the Conversion Authority whenever in its judgment, the primary purpose for its creation has been accomplished. It shall establish its principal office in Metropolitan Manila and may put up such branches as may be necessary."*

**SECTION 2.** Section 5 of the Same Act, is hereby amended to read as follows;

*"SEC. 5. Powers of the Conversion Authority is hereby vested with the following powers:*

*x x x*

*(m) To promulgate all rules and regulations;*

**(N) TO FORMULATE EFFECTIVE GUIDELINES AND STRATEGIES FOR THE IMMEDIATE RECOVERY AND POSSESSION OF PROPERTIES TRANSFERRED TO IT BY THE STATE AND OCCUPIED BY PRIVATE INDIVIDUALS OR ENTITIES, TO ENSURE TIMELY COMPLETION AND DELIVERY OF THE PROJECTS COVERED BY THE CONVERSION AND DEVELOPMENT PLAN OF THE CONVERSION AUTHORITY;**

**(O) TO GRANT FINANCIAL ASSISTANCE TO QUALIFIED PROJECT-AFFILIATED PEOPLE (PAP), INCLUDING CLAIMANTS OR OWNERS OF STRUCTURES AND IMPROVEMENTS WHO DO NOT HAVE LEGALLY RECOGNIZED RIGHTS TO THE LAND UNDER THE MANAGEMENT OF THE CONVERSION AUTHORITY;**

**(P) TO DETERMINE THE AMOUNT OF FINANCIAL ASSISTANCE TO BE GRANTED TO THE PAP, AND TO ENTER INTO A COMPROMISE AGREEMENT WITH CLAIMANTS WHO ARE IN POSSESSION OF THE LAND UNDER THE MANAGEMENT OF THE CONVERSION AUTHORITY OR ANY PORTION THEREOF, SUBJECT TO ITS CONVERSION AND DEVELOPMENT PLAN; AND**

**(Q) TO PERFORM SUCH OTHER POWERS AS MAY BE NECESSARY AND PROPER TO CARRY OUT THE PURPOSES OF THIS ACT."**

**SECTION 3.** Section 6 of the same Act is hereby amended to read as follows:

“SEC. 6. *Capitalization.* – The Conversation Authority shall have an authorized capital of **SIX HUNDRED BILLION PESOS (P600,000,000.00)**, which may be fully subscribed by the Republic of the Philippines **EITHER IN CASH, PROPERTY, OR SHARE FROM THE SALE OF ITS LAND.**

x x x.”

**SECTION 4.** Section 12 of the same Act is 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 Freeport 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 **TO BE** referred as the Subic Special Economic Zone (**SSEZ**) 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 **SSEZ** 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 therein.

**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 SANGGUNIANG BAYAN, CEDE IN WHOLE OR IN PART, FOR A PERIOD OF NOT LESS THAN FIFTY (50) YEARS, THEIR SELECTED MUNICIPAL TERRITORIES TO THE SUBIC SPECIAL ECONOMIC ZONE: PROVIDED, THAT THE LOCAL GOVERNMENT UNITS OF THE CEDED AREAS SHALL RETAIN THEIR BASIC AUTONOMY AND IDENTITY AS SET FORTH UNDER SECTION 12, PARAGRAPH (a) AND (i) HEREIN SUBJECT TO THE PROVISIONS OF SECTION 14 PARAGRAPH (a) AND (b) OF THIS ACT.**

“The **SSEZ** 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 **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 **AND DOMESTIC** investments;
- b) The **SSEZ** shall operated and managed as a separate customs territory ensuring free flow or movement of goods and capital within, into and exported out of the **SSEZ**, 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 **SSEZ** to the other parts of the Philippine territory shall be subject to customs duties and taxes under **REPUBLIC ACT NO. 10683, 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 **SSEZ**. In lieu of said taxes, a five percent (5%) tax on gross income earned shall be paid by all **REGISTERED** business enterprises within the **SSEZ** 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 **40%**, land area **40%**, and equal sharing **20%**.

"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;

- d) x x x;
- e) x x x;
- f) x x x;
- g) Any investor within the **SSEZ** whose continuing investment shall not be less than Two hundred fifty thousand dollars (\$250,000.00), **THE INVESTOR'S** 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 **SSEZ** without any need of special authorization from the Bureau of Immigration. The **SBMA** may also issue working visas renewable every two (2) years to foreign incentives other aliens possessing highly-technical skills which no Filipino within the **SSEZ** possesses, as certified by the Department of Labor and Employment. The names of aliens granted permanent residence status and working visas by the SBMA shall be reported to the Bureau of Immigration 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 **SBMA**. **IN THE EVENT THAT MILITARY ASSISTANCE IS NECESSARY IN SECURING THE ZONE, THE EXPENSES TO BE INCURRED IN LINE WITH THE PROVISION OF SUCH ASSISTANCE SHALL BE BORNE BY THE NATIONAL GOVERNMENT: PROVIDED, THAT THE MILITARY SHALL NOT INTERFERE IN THE INTERNAL AFFAIRS OF SBMA EXCEPT TO PROVIDE THE NECESSARY DEFENSE AND SECURITY ASSISTANCE.**  
  
**"THE SBMA SHALL ALSO PROVIDE AND ESTABLISH ITS OWN FIREFIGHTING FORCE WITHIN THE SUBIC BAY FREEPORT ZONE;**
- i) Except as herein provided, the local government units comprising the **SSEZ** 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*","

**SECTION 5.** New sections denominated as Section 12-A and 12-B are inserted after Section 12 of the same Act, to read as follows:

**"SEC. 12-A. INTERNAL SECURITY DEPARTMENT. – THE SBMA SHALL PROVIDE AND ESTABLISH ITS OWN LAW ENFORCEMENT DEPARTMENT WHICH SHALL EXERCISE POLICE AUTHORITY WITHIN THE SUBIC BAY FREEPORT ZONE. IT SHALL EXERCISE THE FOLLOWING FUNCTIONS:**

- 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;
4. EFFECT THE ARREST OF CRIMINAL OFFENDERS ACCORDING TO STANDARD AND LAWFUL PROCEDURES, INVESTIGATE AND PREVENT CRIMES OCCURRING WITHIN THE SUBIC BAY FREEPORT ZONE AND ASSIST IN THE PROSECUTION THEREOF."

SEC. 12-B. *ESTABLISHMENT OF TRIAL COURT BRANCHES*- THE SUPREME COURT MAY DESIGNATE A BRANCH OF THE REGIONAL TRIAL COURT AND MUNICIPAL TRIAL COURT IN EACH OF THE LOCAL GOVERNMENT UNITS COMPRISING THE SSEZ TO HANDLE CASES FILED BY OR INVOLVING THE SBMA OR ITS RESIDENTS OR REGISTERED BUSINESS ENTERPRISES ON ANY MATTER OR INCIDENT OCCURRING WITHIN THE SSEZ."

SECTION 6. Section 13 of the same Act is hereby 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 SBMA*. – EXCEPT OTHERWISE PROVIDED UNDER THIS ACT, THE SBMA SHALL HAVE AUTHORITY AND JURISDICTION OVER ALL ECONOMIC ACTIVITIES WITHIN THE SSEZ. IT SHALL EXERCISE THE FOLLOWING POWERS AND FUNCTIONS:
  1. **OPERATE**, administer, manage and develop the ship repair and ship building facility, container port, oil storage and refueling facility and Subic Air Base within the **SSEZ** as a free market in accordance with the policies set forth in Section 12 of this Act;
  2. **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 TO SUCH RULES AND REGULATIONS TO BE PROMULGATED BY THE SBMA IN CONSULTATION WITH THE DEPARTMENT OF TRANSPORTATION IN ACCORDANCE WITH THE REQUIREMENTS OF THE CONSTITUTION;**
  3. **ACCEPT** any local or foreign investment, business or enterprise **AND ADMINISTER AND IMPLEMENT INCENTIVES GRANTED TO REGISTERED BUSINESS ENTERPRISES**, subject only to such rules and regulations to be promulgated by the **SBMA** without prejudice to the nationalization requirements provided for in the Constitution;
  4. **UNDERTAKE ON ITS OWN OR THROUGH CONTRACT, FRANCHISE, LICENSE OR PERMIT, THE ESTABLISHMENT, OPERATION AND MAINTENANCE OF UTILITIES IN THE SSEZ, THE FACILITIES AND INFRASTRUCTURE USED IN THE CONDUCT OF THESE SERVICES AND BUSINESS ACTIVITIES, AND FIX AND IMPOSE JUST AND REASONABLE RATES, FARES, CHARGES AND OTHER PRICES PERTAINING TO THE FOLLOWING SERVICES:**
    - i. **INTERNET-RELATED SERVICES, WEBSITE AND CLOUD DATA HOSTING SERVICES AND OTHER TELECOMMUNICATION SERVICES: 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 SSEZ;**

- ii. **SHIPPING AND MARITIME BUSINESS AND ACTIVITIES, INCLUDING STEVEDORING AND PORT TERMINAL SERVICES OR CONCESSIONS: PROVIDED, THAT THE MARITIME INDUSTRY AUTHORITY SHALL CONTINUE AND SUPERVISE THE SHIPBUILDING AND SHIP REPAIR WITHIN THE SSEZ OF ANY MERCHANT MARINE VESSEL OPERATED OR TO BE OPERATED DOMESTICALLY;**
  - 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 WITHIN THE SSEZ;**
  - iv. **WATER SUPPLY AND DISTRIBUTION FACILITIES, LAND TRANSPORTATION OPERATIONS, TOLL ROADS AND BRIDGES OPERATIONS;**
5. **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;
  6. **ADOPT**, alter and use a corporate seal; contract, lease, sell, dispose, acquire and own properties; 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;
  7. Within the limitation provided by law, raise or borrow the necessary funds from local and international financial institutions, issue bonds, promissory notes and other securities and to secure the same by guarantee, pledge, mortgage, deed of trust, or assignment of its properties held by the **SBMA** for the purpose of financing its projects and programs within the framework and limitations of this Act;
  8. **OPERATE** directly or indirectly **ISSUE LICENSES TO OPERATE** tourism-related **INFRASTRUCTURES AND** activities, including games, amusements, **RECREATIONAL AND SPORTS FACILITIES SUCH AS** horse racing, dog racing, casino **AND ONLINE GAMING, GOLF COURSES, DUTY FREE STORES, WITHIN THE SSEZ AND UNDER THE PRIORITIES AND STANDARDS SET FORTH BY THE SBMA;**
  9. **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 WITHIN THE SSEZ, INCLUDING THOSE PROVIDED BY EDUCATIONAL AND MEDICAL INSTITUTIONS, SUBJECT TO COMPLIANCE WITH THE REQUIREMENTS OF THE DEPARTMENT OF THE EDUCATION, COMMISSION ON HIGHER EDUCATION, THE DEPARTMENT OF HEALTH; AND 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;**

10. Protect, **PRESERVE**, maintain and develop the virgin forests within the baselands **THAT ARE PROCLAIMED AND MAINTAINED** as a national park and **ARE** subject to a permanent total log ban, and for this purpose, **IMPLEMENT** the rules and regulations of the Department of Environment and Natural Resources and other government agencies directly involved in the **PROTECTION, PRESERVATION AND MAINTENANCE OF FORESTS AND NATIONAL PARKS;**
11. **ADOPT** and implement measures and standards for environmental pollution control of all areas within its territory, including all bodies of water and enforce the same, **AND** for **THIS** purpose, **ISSUE THE ENVIRONMENTAL COMPLIANCE CERTIFICATE FOR ALL NON-ENVIRONMENTALLY CRITICAL ACTIVITIES AND PROJECTS, TREE CUTTING PERMIT, DISCHARGE PERMIT AND PERMIT TO OPERATE IN THE SSEZ;**
12. **RECLAIM LANDS IN THE SSEZ INCLUDING FORESHORE AND SUBMERGED AREAS BY DREDGING, FILLING OR OTHER MEANS IN COMPLIANCE WITH ALL ENVIRONMENTAL LAWS AND GUIDELINES, AND ACQUIRE, DEVELOP, IMPROVE, ADMINISTER, DEAL-IN, SUBDIVIDE AND LEASE RECLAIMED LANDS INSIDE THE SSEZ: 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 (P1,000,000,000.00) MAY BE LEASED BY THE SBMA TO THE SAID REGISTERED ENTERPRISE FOR A PERIOD OF NINETY-NINE (99) YEARS;**
13. **PROVIDE FOR, OPERATE, OR ADMINISTER SUCH SERVICES, AS MAY BE NECESSARY FOR THE EFFICIENT, ECONOMICAL AND BENEFICIAL UTILIZATION OF THE RECLAIMED AREAS IN THE SSEZ; AND**
14. Exercise such powers as may be essential, necessary or incidental to the powers granted to it **UNDER THIS ACT**, as well as to carry out the policies and objectives of this Act.

**UNLESS OTHERWISE PROVIDED FOR IN THIS ACT, THE SBMA SHALL BE THE SINGLE AUTHORITY RESPONSIBLE FOR THE IMPLEMENTATION AND ENFORCEMENT OF THIS ACT, AND OTHER ISSUANCES PROMULGATED BY THE SBMA BOARD OF DIRECTORS; PRESIDENTIAL DECREE NO. 1096, OR THE "NATIONAL BUILDING CODE OF THE PHILIPPINES" AS AMENDED; AND REPUBLIC ACT NO. 9154 OR THE "FIRE CODE OF THE PHILIPPINES OF 2008," INsofar AS THESE LAWS, RULES AND REGULATIONS ARE APPLICABLE TO THE SBMA, THE SSEZ AND SUBIC BAY FREEPORT BUSINESS ENTERPRISES, LOCATORS, RESIDENTS AND STAKEHOLDERS.**

c. *Board of Directors.* – The powers of the **SBMA** shall be vested in and exercised by Board of Directors composed of **SEVENTEEN (17)** members, **AS FOLLOWS:**

1. **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 OFFICER OF THE SBMA. THE COMPENSATION OF THE ADMINISTRATOR AND CHIEF EXECUTIVE OFFICER 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
4. **ONE (1) REPRESENTATIVE EACH FROM THE FOLLOWING LOCAL GOVERNMENT UNITS THAT ELECTED TO JOIN THE SSEZ: THE CITY OF OLONGAPO AND THE MUNICIPALITIES OF CASTILLEJOS, SAN ANTONION, 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 A REGISTERED VOTER OF THE LOCAL GOVERNMENT UNIT BEING REPRESENTED; AND**
5. **ONE (1) REPRESENTATIVE FROM THE INDIGENOUS PEOPLES RESIDING WITHIN THE SSEZ.**

"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 **THE APPOINTEE** is a Filipino citizen, of good moral character, **AT LEAST A COLLEGE GRADUATE**, and of recognized competence in relevant fields **SUCH AS** economics, **FINANCE**, management, international relations, law, engineering, **ENVIRONMENT AND ECOLOGY, OR INDIGENOUS PEOPLES CONCERNS. EXECPT FOR THE CHAIRPERSON, THE MEMBERS OF THE BOARD OF DIRECTORS ARE ENTITLED TO PER DIEM 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.**

**D. Capitalization.** – The **SBMA** shall have an authorized capital stock of Twenty billion pesos (P20,000,000,000.00) divided into **TWENTY** thousand (20,000) no-par shares **TO BE** fully subscribed and paid up by the Republic of the Philippines with:

"x x x

2. All other assets which the President may transfer to the **SBMA** as part of the equity contribution of the Government; and

"x x x."

**SECTION 7.** Section 14 of the same Act is hereby 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 **SBMA** shall exercise administrative powers, rule-making and disbursement of funds over the **SSEZ** in conformity with the oversight function of the Conversion Authority; **AND**

- b. In case of conflict between the **SBMA** and the local government units concerned on the matters affecting the **SSEZ** other than defense and security, the decision of the **SBMA** shall prevail.”

**SECTION 8.** Section 15 of the same Act, is further amended to read as follows:

“SEC. 15. *Clark and Other Special Economic Zones (CSEZ)*. – 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 **CLARK FREEPORT ZONE (CFZ)**. In lieu of said taxes, a five percent (5%) tax on gross income 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; **ONE PERCENT (1%) TO THE TREASURER’S OFFICE OF THE MUNICIPALITY OR CITY WHERE THE BUSINESS ENTERPRISES ARE LOCATED, AND ONE PERCENT (1%) TO THE TREASURER’S OFFICE OF THE PROVINCE WHERE THE BUSINESS ENTERPRISES ARE LOCATED.**

“x x x.”

**SECTION 9.** A new section denominated as Section 17-A is hereby inserted after Section 17 of RA 7227 to read as follows:

**“SEC. 17-A. CONVERSION OF RESIDENTIAL LANDS. – RESIDENTIAL LANDS IN ECONOMIC ZONES IDENTIFIED AND DEFINED UNDER THIS ACT, AS AMENDED, ARE DECLARED ALIENABLE AND DISPOSABLE. THE CONVERSION AUTHORITY IS HEREBY AUTHORIZED TO SELL THESE LANDS: PROVIDED, THAT THE AREA CLASSIFIED AS ALIENABLE AND DISPOSABLE AND SUBJECT TO SALE SHALL NOT BE MORE THAN FIVE PERCENT (5%) OF THE LAND AREA OF EACH ECONOMIC ZONE: PROVIDED, FURTHER, THAT EVERY THREE (3) YEARS, THE CONVERSION AUTHORITY SHALL SUBMIT TO THE OFFICE OF THE PRESIDENT PERIODIC UPDATES ON THE DISPOSITION OF RESIDENTIAL LAND.”**

**SECTION 10.** Within ninety (90) days from the effectivity of this Act, the following shall promulgate the necessary rules and regulations for the effective 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 SSEZ; and
- c) The SBMA for the necessary rules and regulations implementing all the other provisions of this Act.

**SECTION 11.** If any part or provision of this Act is declared unconstitutional or invalid, the remaining parts or provisions not affected shall remain in full force and effect.

**SECTION 12.** All laws, decrees, orders, proclamations, rules and regulations or other issuances or part thereof inconsistent with the provisions of this Act, are hereby repealed or modified accordingly.

**SECTION 13.** This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette and in at least two (2) newspapers of general circulation.

Approved,