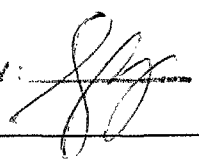


THIRTEENTH CONGRESS OF THE REPUBLIC
OF THE PHILIPPINES
First Regular Session

'04 JUN 30 P10:44

SENATE
S. No. 1178

RECEIVED BY: 

Introduced by Sen. Magsaysay, Jr.

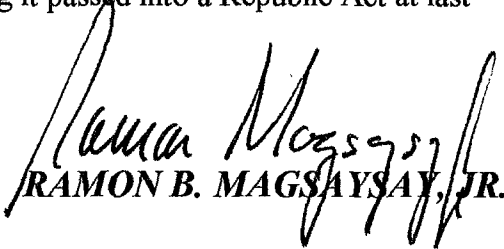
EXPLANATORY NOTE

Some of the proposed amendments contained in this present legislation have been the subject of various policy measures which were filed in the Eleventh and Twelfth Congress. However, the said bills were never enacted into law due to legislative time constraints and other reasons and for this purpose, it is being submitted anew for consideration.

The bill's salient provisions 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) recomposition of the Board of Directors of the Conversion Authority in order to make it more responsive to exigencies.

In view of the extreme importance of the instant amendments, the legislation is respectfully filed with the objective of seeing it passed into a Republic Act at last



RAMON B. MAGSAYSAY, JR.

THIRTEENTH CONGRESS OF THE REPUBLIC
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SECRETARY

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AN ACT
AMENDING REPUBLIC ACT NUMBER 7227, OTHERWISE KNOWN AS THE
"BASES CONVERSION AND DEVELOPMENT ACT OF 1992", AS AMENDED,
ADJUSTING THE ALLOCATION OF REVENUES FROM THE SALE, LEASE,
JOINT-VENTURE AGREEMENTS AND OTHER TRANSACTIONS INVOLVING
MILITARY BASES AND 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 1. 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"

[It is hereby declared the policy of the Government to accelerate the
sound and balanced conversion into alternative productive uses of the Clark and
Subic military reservations and their extensions (John Hay Station, Wallace Air
Station, O'Donnell Transmitter Station, San Miguel Communications Station, and
Capas Relay Station) to raise funds by the sale of portions of Metro Manila
military camps, and to apply said funds as provided herein for the development,

and conversion to productive civilian use of the land covered under 1947 Military Bases Agreement between the Philippines and the United States as amended.

It is likewise declared policy of the Government to enhance the benefits to be derived from said properties in order to promote the economic and social development of Central Luzon in particular and the country in general.]”

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 (P 100,000,000,000.00) 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 [of government] properties: *Provided,* THAT NO TRANSACTION WHATSOEVER INVOLVING [That no sale or disposition] of such lands [will] SHALL be undertaken until AFTER A MASTER development plan embodying [projects for conversion] 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. [The proceeds from any sale, after deducting all expenses related to the sale, of portions of Metro Manila military camps as authorized under this Act, shall be deemed appropriated for the purposes herein provided for the following purposes with their corresponding percent shares of proceeds:] 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 PREPARATIONS 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) FIFTY- FIVE PERCENT (55%) – TO PRIMARILY FINANCE THE 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.

[(1) Thirty-five (35%) – To primarily finance the self-reliance and modernization program of the AFP, the transfer of AFP military camps and the construction of new camps and the rehabilitation and expansion of the AFP's medical facilities, and the modernization of the government arsenal;]

(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.

[(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 included: *Provided, further*, That the 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

[(3) Twelve percent (12%) – To finance the National Shelter Program: *Provided*, That fifty percent (50%) thereof, shall be used to finance mass social housing projects for the underprivileged and homeless citizens of the country and the other fifty percent (50%) to concessional and long-term housing loan assistance for the homeless of Metro Manila, Olongapo City, Angeles City and other affected municipalities contiguous to the base areas;]

(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.

[(4) Three percent (3%) – To finance the National Health Insurance Program;

(5) Five percent (5%) – To finance critical infrastructure projects not covered by the Build-Operate Transfer (BOT) program in areas surrounding the former baselands;

(6) Two percent (2%) – To finance the benefits/claims of Military War Veterans and their dependents under Republic Act No. 7696;

(7) One percent (1%) – As contribution for the Higher Education Development Fund under Section 10 of Republic Act No. 7722, otherwise known as the Higher Education Act of 1994, the amount of Five hundred million pesos (P500,000.00) or so much thereof, and the balance to finance students scholarship, faculty development and the improvement of physical plants of colleges and universities under the Commission on Higher Education (CHED);

(8) Two percent (2%) – To finance the science and technology scholarships and training of thousand of young Filipino scientists and students in selected countries to be identified by the Department of Science and Technology and the Study Now Pay Later Program for poor but deserving youths who shall enroll or are enrolled in science and technology (S & T) courses which will propel the country to achieve modernization and competitive excellence in the 21st century *Provided*,

That at least one (1) scholar/trainee shall be selected from each municipality/city of the country: *Provided, further,* That they shall render service to the Government for at least three (3) years or shall engage in S & T entrepreneurial activities within the country;

(9) One percent (1%) – To finance the multi-year program of the prosecution service;

(10) Two percent (2%), but in no case exceeding Two billion pesos (P2,000,000,000) – To finance a multi-year modernization program of the National Bureau of Investigation (NBI), the Philippine National Police (PNP) and improvement of prison facilities.

Provided, That seventy percent (70%) of this appropriations shall be used for capital outlay and thirty percent (30%) for training programs and early retirement schemes for their officers and personnel.

(11) One percent (1%), but in no case to exceed One billion pesos (P1,000,000,000) – To finance a multi-year judicial reform program;

(12) Two percent (2%) to finance the establishment of pre-school and daycare centers nationwide;

(13) One-half percent (1/2%) but not to exceed Five hundred million pesos (P500,000.00) for the summer program for the education of student (SPES) in accordance with Republic Act No. 7323;

(14) One percent (1%) for the construction of Senior Citizens Centers as provided under Republic Act No. 7876;

(15) Three percent (3%) to the emergency and contingent needs of the areas devastated by the Mount Pinatubo eruptions;

(16) Two percent (2%) for infrastructure development of future special economic zones to be created:]

Approximately forty hectares (40has.) 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[, in the case of Fort Bonifacio,] two and five-tenths [percent (2.5%) of the proceeds thereof [in equal shares shall each go to the Municipalities of Makati, Taguig and Pateros:]] 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.

SEC. 4 Section 8-A is hereby inserted in the Act which will read as follows:

“SEC. 8-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.”

SEC. 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 [Eight (8)] (7) other members from the private sector. [two (2) of whom coming from the labor 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, [a representative from the private sector and a representative from the labor sector] 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 (P5,000.00) 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.”

SEC. 6. Section 15 of the same Act is hereby amended to include the following provisions.

“SEC. 15. 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, covered and defined by the 1947 Military Bases Agreement between the Philippines and the United States of America, as amended, located within 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.

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

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."

SEC. 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.

[This Act shall take effect upon its publication in at least one 91) newspaper of general circulation.]

AS OF AFOREMENTIONED EFFECTIVITY, THE AMENDATORY DISTRIBUTION OF SHARES IN SECTION 8 HEREOF SHALL APPLY TO EXISTING CONTRACTS OF SALE, 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,