

THIRTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

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SENATE
S. No. 1840

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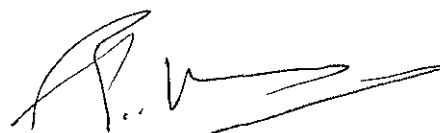
Introduced by **Senator Richard J. Gordon**

EXPLANATORY NOTE

The State is primarily tasked to promote entrepreneurship and create job opportunities through full and efficient use of its resources. Infrastructure assets such as the three (3) airports in Subic, Clark and Manila, two (2) seaports in Subic and Manila, and one (1) connecting highway and railway in Luzon, when integrated and optimized effectively and efficiently, and vast idle lands nearby, when utilized gainfully as Special Economic Zones to accommodate industrial, agricultural, tourism and other enterprises with the direct participation of the local government units and the private sector as collective stakeholders, could become an economic engine of growth to encourage entrepreneurship and investments and create job and business opportunities.

The State must be aggressive in taking advantage of the strategic infrastructure in Subic, Clark and Manila as international transportation hubs. The development of Special Economic Zones in the municipalities nearby, bordering the highway and railway and connected to the airports and seaports in Subic, Clark and Manila must be encouraged as this will bring jobs to the people and work to the workers and promote a rising standard of living and an improved quality of life for all. The development of these Special Economic Zones will embody a decentralized local government and private sector-led development that will display the potential that can be achieved when local people set their own priorities and initiatives. Overcrowded areas will be decongested, as industries will be dispersed to other locations in Luzon, because of the global accessibility and direct access of Subic, Clark and Manila to domestic and foreign markets worldwide by air, by land and by sea.

To fully utilize Subic, Clark and Manila as international service and logistic centers in the Asia-Pacific region, a law strengthening and expanding the powers of the Subic Bay Metropolitan Authority and the Clark Development Corporation, allowing them to develop other Special Economic Zones in Luzon to optimize the three (3) airports in Subic, Clark and Manila, two (2) seaports in Subic and Manila, and one (1) connecting highway and railway in Luzon, and for other purposes must be enacted to empower the local communities to chart their own destinies and ensure local growth and nationwide economic success.



RICHARD J. GORDON
Senator

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Introduced by **Senator Richard J. Gordon**

AN ACT STRENGTHENING AND EXPANDING THE POWERS OF THE SUBIC BAY METROPOLITAN AUTHORITY AND THE CLARK DEVELOPMENT CORPORATION, ALLOWING THEM TO DEVELOP OTHER SPECIAL ECONOMIC ZONES IN LUZON TO OPTIMIZE THE THREE (3) AIRPORTS IN SUBIC, CLARK AND MANILA, TWO (2) SEAPORTS IN SUBIC AND MANILA, AND ONE (1) CONNECTING HIGHWAY AND RAILWAY IN LUZON, AND FOR OTHER PURPOSES

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

1 SECTION 1. *Short Title.* – This act shall be known as the “3-2-1 Luzon Global
2 Corridor Act.”

3 Sec. 2. *Policy.* – It is hereby declared to be the policy of the State to promote
4 entrepreneurship and investments and encourage the creation of job and business
5 opportunities through strengthening and expanding the powers of the Subic Bay
6 Metropolitan Authority and the Clark Development Corporation, allowing them to develop
7 other Special Economic Zones in Luzon to optimize the three (3) airports in Subic, Clark and
8 Manila, two (2) seaports in Subic and Manila, and one (1) connecting highway and railway
9 in Luzon, and for other purposes.

10 Sec. 3. *Purposes.* – This Act shall have the following purposes:

11 (1) To promote entrepreneurship and investments and create job and business
12 opportunities;

13 (2) To optimize the three (3) airports in Subic, Clark and Manila, two (2) seaports in
14 Subic and Manila, and one (1) connecting highway and railway in Luzon;

15 (3) To encourage the local government units and the private sector to establish
16 Special Economic Zones;

17 (4) To develop enterprise initiative and foster national and local pride in the local
18 government units and the private sector as collective stakeholders and pioneers for change
19 in the development of the Subic Special Economic and Freeport Zone, the Clark Special

1 Economic Zone and other Special Economic Zones by adhering to the principle of global
2 competitiveness that makes fast, friendly, flexible and forward-looking business;

3 (5) To decongest overcrowded areas by dispersing industries to the Subic Special
4 Economic and Freeport Zone, the Clark Special Economic Zone and other Special
5 Economic Zones; and

6 (6) To lessen dependency on the national government and make the local
7 government units, the Subic Bay Metropolitan Authority, the Clark Development Corporation
8 and other subsidiaries self-sustaining, income-generating and revenue-contributing entities.

9 *Sec. 4. Subic Special Economic and Freeport Zone.* – The Subic Special Economic
10 and Freeport Zone consists of the City of Olongapo and the Municipality of Subic, Province
11 of Zambales, the lands occupied by the Subic Naval Base and its contiguous extensions as
12 embraced, covered, and defined by the 1947 Military Bases Agreement between the
13 Philippines and the United States of America, as amended, and within the territorial
14 jurisdiction of the municipalities of Morong and Hermosa, Province of Bataan. The Subic
15 Special Economic and Freeport Zone is developed, operated, administered, and managed
16 by the Subic Bay Metropolitan Authority as a special economic and freeport zone, ensuring
17 the free flow of goods and capital in accordance with prescribed rules and regulations, to
18 generate employment opportunities in and around the zone, and to attract and promote
19 productive local and foreign investments.

20 *Sec. 5. Clark Special Economic Zone.* – The Clark Special Economic Zone consists
21 of the Clark military reservations and its contiguous extensions as embraced, covered and
22 defined by the 1947 Military Bases Agreement between the Philippines and the United
23 States of America, as amended, located within the territorial jurisdiction of Angeles City,
24 Municipalities of Mabalacat and Porac, Province of Pampanga, and the municipality of
25 Capas, Province of Tarlac. The Clark Special Economic Zone is developed, operated,
26 administered, and managed by the Clark Development Corporation as a Special Economic
27 Zone, forming part of the growth triad connecting with Subic and Manila as a buffer to in-
28 migration to the metropolis and envisioned as a new industrial townsite and a major civil
29 aviation complex for international passenger and cargo.

30 *Sec. 6. Incentives and Privileges.* – The Subic Bay Metropolitan Authority and the
31 Clark Development Corporation shall have the power to grant the following incentives and
32 privileges:

1 (1) The Subic Special Economic and Freeport Zone and the Clark Special Economic
2 Zone shall be operated and managed as separate customs territories ensuring the free flow
3 or movement of goods and capital within, into and exported out of the Subic Special
4 Economic and Freeport Zone and Clark Special Economic Zone, as well as provide
5 incentives such as tax and duty-free importations of raw materials, capital and equipment.
6 However, exportation or removal of goods from the territory of the Subic Special Economic
7 and Freeport Zone and Clark Special Economic Zone to the other parts of the Philippine
8 territory shall be subject to customs duties and taxes under the Tariff and Customs Code
9 and other relevant tax laws of the Philippines;

10 (2) The provision of existing laws, rules and regulations to the contrary
11 notwithstanding, no taxes, local and national, including final withholding taxes on dividends
12 to an investor's parent company, and branch profit remittances to an investor's head office,
13 shall be imposed within the Subic Special Economic and Freeport Zone and Clark Special
14 Economic Zone. In lieu of paying taxes, a final tax of five percent (5%) on gross income
15 earned shall be imposed on all businesses and enterprises within the Subic Special
16 Economic and Freeport Zone and Clark Special Economic Zone: Provided, That of the five
17 percent (5%) final tax on adjusted gross income earned, three percent (3%) shall be
18 remitted to the national government, one percent (1%) shall be divided by the local
19 government units to the Subic Special Economic and Freeport Zone and the Clark Special
20 Economic Zone in proportion to their population area, land area and equal sharing factors,
21 and the balance of one percent (1%) shall be remitted to a development fund to be utilized
22 for the development of municipalities outside and contiguous to the Subic Special Economic
23 and Freeport Zone and the Clark Special Economic Zone.

24 Adjusted gross income earned is defined as gross income less direct costs in the
25 production and operation of an investor. The Subic Bay Metropolitan Authority, the Clark
26 Development Corporation and the Bureau of Internal Revenue shall, within three (3) months
27 from the approval of this Act, promulgate joint rules and regulations that will define the direct
28 costs for the various manufacturing, utilities, trading, storage and transshipment, retail and
29 tourism, financial, information technology and other service industries operating in the Subic
30 Special Economic and Freeport Zone and Clark Special Economic Zone, recognizing that
31 direct costs will differ for each industry depending on the best practices of each industry
32 concerned.

1 In case of conflict between national and local laws, on the one hand, and tax
2 exemption privileges in the Subic Special Economic and Freeport Zone and Clark Special
3 Economic Zone, on the other hand, the same shall be resolved in favor of the Subic Special
4 Economic and Freeport Zone and Clark Special Economic Zone. Income tax holidays and
5 other incentives and privileges available under existing laws may also be granted to
6 investors in the Subic Special Economic and Freeport Zone and Clark Special Economic
7 Zone under the same terms and conditions as are available to investors in Special
8 Economic Zones governed by the Philippine Economic Zone Authority and to investors
9 registered with the Board of Investments;

10 (3) No exchange control policy shall be applied and free markets for foreign
11 exchange, gold, securities and future shall be allowed and maintained in the Subic Special
12 Economic and Freeport Zone and Clark Special Economic Zone;

13 (4) The *Bangko Sentral ng Pilipinas* shall supervise and regulate the operations of
14 banks and other financial institutions within the Subic Special Economic and Freeport Zone
15 and Clark Special Economic Zone;

16 (5) Banking and finance shall be liberalized with the establishment of foreign
17 currency depository units of local commercial banks and offshore banking units of foreign
18 banks with minimum regulation;

19 (6) Any investor within the Subic Special Economic and Freeport Zone whose
20 continuing investment shall not be less than two hundred fifty thousand United States
21 dollars (US\$250,000), the spouse and dependent children under twenty-one (21) years of
22 age, shall be granted permanent resident status within the Subic Special Economic and
23 Freeport Zone and Clark Special Economic Zone. They shall have freedom of ingress and
24 egress to and from the Subic Special Economic and Freeport Zone and Clark Special
25 Economic Zone without any need of special authorization from the Bureau of Immigration
26 and Deportation. The Subic Bay Metropolitan Authority and the Clark Development
27 Corporation may also issue working visas renewable every two (2) years to foreign
28 executives and other aliens possessing highly technical skills, which no Filipino within the
29 Subic Special Economic and Freeport Zone and Clark Special Economic Zone possesses.
30 The names of aliens granted permanent residence status and working visas by the Subic
31 Bay Metropolitan Authority and the Clark Development Corporation shall be reported to the
32 Bureau of Immigration and Deportation within thirty (30) days after the issuance thereof;

1 (7) The defense of the zone and the security of its perimeters shall be the
2 responsibility of the national government in coordination with the Subic Bay Metropolitan
3 Authority and the Clark Development Corporation. The Subic Bay Metropolitan Authority
4 and the Clark Development Corporation shall provide and establish their own internal
5 security and firefighting forces; and

6 (8) Except as herein provided, the local government units comprising the Subic
7 Special Economic and Freeport Zone and Clark Special Economic Zone shall retain their
8 basic autonomy and identity. In case of conflict between the Subic Special Economic and
9 Freeport Zone and the Clark Special Economic Zone, on the one hand, and the local
10 government units, on the other hand, on matters affecting the Subic Special Economic and
11 Freeport Zone and the Clark Special Economic Zone, including land and zoning disputes,
12 the former shall prevail.

13 *Sec. 7. Powers and Functions.* – The Subic Bay Metropolitan Authority and the Clark
14 Development Corporation shall each be vested with the following powers and functions,
15 which shall in no way diminish any power already granted to and enjoyed at present by the
16 Subic Bay Metropolitan Authority and the Clark Development Corporation:

17 (1) To prepare, adopt and implement a comprehensive and detailed master plan,
18 which includes zoning and urban planning, in consultation and coordination with the
19 appropriate national agencies and the local government units, for the sound and balanced
20 development of the zones, to promote the economic and social development of the local
21 communities in particular and the country in general;

22 (2) To accept any local or foreign investment, business or enterprise, subject only to
23 such limitations as provided in the Constitution;

24 (3) To prioritize job creation and set the minimum wage;

25 (4) To prescribe a strike moratorium;

26 (5) To maintain industrial peace and require earnest efforts toward a compromise in
27 case of labor disputes with the effect that if it is shown that no earnest efforts were in fact
28 made, the labor case must be dismissed;

29 (6) To generate its own revenues and be self-sustaining;

30 (7) To invest its funds and other assets;

31 (8) To construct, acquire, own, lease, operate and maintain on its own or through
32 contract, franchise, license permit, build-operate-transfer or joint-venture the required

1 utilities and infrastructure facilities, without the need for public bidding, and to fix just and
2 reasonable rates, fares, charges and other prices therefor;

3 (9) To develop other Special Economic Zones in Luzon within the same legal
4 framework and mechanisms as Republic Act No. 7916, as amended, or the Special
5 Economic Zone Act of 1995;

6 (10) To manage and operate Special Economic Zones and other development
7 programs and projects;

8 (11) To raise and borrow the necessary funds from local and international financial
9 institutions and to issue bonds, promissory notes and other securities for that purpose and
10 to secure the same by guarantee, pledge, mortgage, deed of trust or assignment of
11 properties;

12 (12) To establish subsidiaries and serve as holding company of such subsidiaries;

13 (13) To enter into, make, perform and carry out contracts of every class, kind and
14 description which are necessary or incidental to the realization of this Act with any person,
15 firm or corporation, private or public, or with foreign government entities;

16 (14) To exercise the right of eminent domain;

17 (15) To adopt, implement and enforce ecological and environmental standards and
18 measures for environmental pollution control and issue environmental compliance
19 certificates;

20 (16) To provide, establish and accredit security and firefighting forces, and formulate
21 and implement public safety measures to ensure safety and preserve peace and order;

22 (17) To establish one-stop shops for investors that promote fast, friendly, flexible and
23 forward-looking business; and

24 (18) To promulgate rules and regulations and perform such other powers and
25 functions as may be necessary, appropriate or incidental to this Act.

26 *Sec. 8. Other Special Economic Zones.* – The creation, development and
27 management of other Special Economic Zones in the nearby areas to accommodate
28 industrial, agricultural, tourism and other enterprises may be developed as industrial zones,
29 agricultural zones, tourism zones or any appropriate mix-use zones through private
30 initiative, local government initiative, national government initiative, or any other
31 development initiative within the same legal framework and mechanisms as Republic Act
32 No. 7916, as amended, or the Special Economic Zone Act of 1995, governed by the Subic
33 Bay Metropolitan Authority and the Clark Development Corporation.

1 Sec. 9. *Subsidiaries.* – The Subic Bay Metropolitan Authority and the Clark
2 Development Corporation shall each have the power to form, establish, organize and
3 maintain subsidiaries to implement the provisions of this Act. Such subsidiaries shall be
4 formed in accordance with Philippine law.

5 Sec. 10. *Supervision.* – The Subic Bay Metropolitan Authority and the Clark
6 Development Corporation shall be under the general supervision of the President of the
7 Philippines.

8 Sec. 11. *Exemption from the Salary Standardization Law.* – The salaries and
9 benefits of employees in the Subic Bay Metropolitan Authority and the Clark Development
10 Corporation shall be fixed by the Board of Directors and shall be exempt from Republic Act
11 No. 6758, as amended, or the Salary Standardization Law, provided that the difference
12 between the salaries prescribed in the Salary Standardization Law and the salaries of
13 employees in the Subic Bay Metropolitan Authority and the Clark Development Corporation
14 fixed by the Board of Directors shall be taken from the earnings of the Subic Bay
15 Metropolitan Authority and the Clark Development Corporation and not from the National
16 Treasury.

17 Sec. 12. *Legal Counsel.* – Without prejudice to the hiring of an outside counsel, the
18 Government Corporate Counsel shall be the ex officio legal counsel of the Subic Bay
19 Metropolitan Authority and the Clark Development Corporation. In the event that highly
20 specialized legal skills that cannot be provided for by the Office of the Government
21 Corporate Counsel are required, as may be determined by the Subic Bay Metropolitan
22 Authority and the Clark Development Corporation, the services of outside counsel, whose
23 compensation shall be approved by the Board of Directors, may be engaged and no further
24 consent or approval of the Office of the Government Corporate Counsel shall be required.

25 Sec. 13. *Injunction and Restraining Order.* – The implementation of the provisions of
26 this Act is of national interest. Thus, no project, bidding and undertaking in implementation
27 of the provisions of this Act shall be restrained or enjoined by interlocutory or final order
28 except by the Supreme Court of the Philippines.

29 Sec. 14. *Repealing Clause.* – Republic Act No. 7227, as amended, and all laws,
30 decrees, orders, rules and regulations or other issuances or parts thereof inconsistent with
31 the provisions of this Act are hereby repealed or modified accordingly.

1 Sec. 15. *Separability Clause.* – If any portion or provision of this Act is declared
2 unconstitutional, the remainder of this Act or any provisions not affected thereby shall
3 remain in force and effect.

4 Sec. 16. *Effectivity.* – This Act shall take effect after fifteen (15) days following the
5 completion of its publication either in the Official Gazette or in a newspaper of general
6 circulation in the Philippines.

7 Approved,