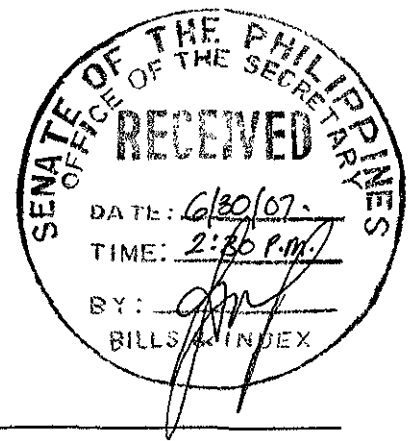


FOURTEENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )

SENATE  
S. No: 143



---

Introduced by **Senator Richard J. Gordon**

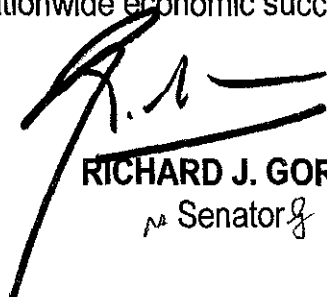
---

### 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 airports in Subic, Clark and Manila, two seaports in Subic and Manila, and one 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.

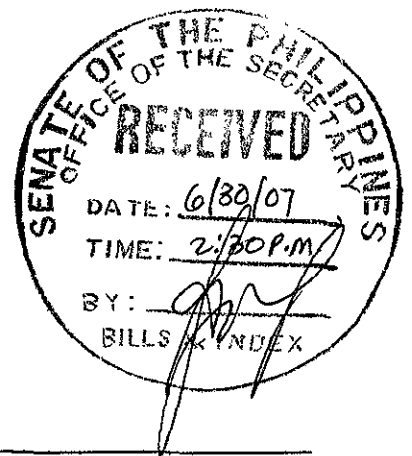
To fully utilize Subic, Clark and Manila as international service and logistic centers in the Asia-Pacific region, a law strengthening and expanding the powers of the Subic Bay Metropolitan Authority and the Clark Development Corporation, allowing them to develop other Special Economic Zones in Luzon to optimize the three airports in Subic, Clark and Manila, two seaports in Subic and Manila, and one 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**  
As Senator

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

SENATE  
S. No. 143



---

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 of 2007.”

3           **Sec. 2. Policy.** – It is hereby declared 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 airports in Subic, Clark and  
8 Manila, two seaports in Subic and Manila, and one connecting highway and railway in  
9 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 airports in Subic, Clark and Manila, two seaports in Subic  
14 and Manila, and one 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  
10 Economic and Freeport Zone consists of the City of Olongapo and the Municipality of Subic,  
11 Province of Zambales, the lands occupied by the Subic Naval Base and its contiguous  
12 extensions as embraced, covered, and defined by the 1947 Military Bases Agreement  
13 between the Philippines and the United States of America, as amended, and within the  
14 territorial jurisdiction of the municipalities of Morong and Hermosa, Province of Bataan. The  
15 Subic Special Economic and Freeport Zone is developed, operated, administered, and  
16 managed by the Subic Bay Metropolitan Authority as a special economic and freeport zone,  
17 ensuring the free flow of goods and capital in accordance with prescribed rules and  
18 regulations, to generate employment opportunities in and around the zone, and to attract  
19 and promote productive local and foreign investments.

20 **Sec. 5. Clark Special Economic Zone.** – The Clark Special Economic Zone  
21 consists of the Clark military reservations and its contiguous extensions as embraced,  
22 covered and defined by the 1947 Military Bases Agreement between the Philippines and the  
23 United States of America, as amended, located within the territorial jurisdiction of Angeles  
24 City, 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 The Subic Bay Metropolitan Authority and the Clark Development Corporation may also  
27 issue working visas renewable every two years to foreign executives and other aliens  
28 possessing highly technical skills, which no Filipino within the Subic Special Economic and  
29 Freeport Zone and Clark Special Economic Zone possesses. The names of aliens granted  
30 permanent residence status and working visas by the Subic Bay Metropolitan Authority and  
31 the Clark Development Corporation shall be reported to the Bureau of Immigration within  
32 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  
14 Clark Development Corporation shall each be vested with the following powers and  
15 functions, which shall in no way diminish any power already granted to and enjoyed at  
16 present by the 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;

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, and to fix just and reasonable rates, fares, charges and  
2 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  
26 of this Act is of national interest. Thus, no project, bidding and undertaking in  
27 implementation of the provisions of this Act shall be restrained or enjoined by interlocutory  
28 or final order 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,