REPUBLIC ACT NO. 7227

THE BASES CONVERSION AND DEVELOPMENT ACT OF 1992

AN ACT ACCELERATING THE CONVERSION OF MILITARY RESERVATIONS INTO OTHER PRODUCTIVE USES, CREATING THE BASES CONVERSION AND DEVELOPMENT AUTHORITY FOR THIS PURPOSE, PROVIDING FUNDS THEREFOR AND FOR OTHER PURPOSES.

SECTION 1. ***Short Title.*** **– This Act shall be known as the** ***"Bases Conversion and Development Act of 1992."***

Sec. 2. ***Declaration of Policies.*** **- 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 extension (John Hay Station, Wallace Air Station, O'Donnell Transmitter Station, San Miguel Naval 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 lands covered under the 1947 Military Bases Agreement between the Philippines and the United States of America, as amended.**

It is likewise the 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.

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, which shall have 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 fifty (50) years from its organization: ***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 unless otherwise provided by the Conversion Authority and may put up such branches as may be necessary.**

Sec. 4. ***Purposes of the Conversion Authority.*** **- The Conversion Authority shall have the following purposes:**

(a) To own, hold and/or administer the military reservations of John Hay Station, Wallace Air Station, O'Donnell Transmitter Station, San Miguel Naval Communication Station, Mt. Sta. Rita Station (Hermosa, Bataan) and those portions of Metro Manila, military camps which may be transferred to it by the President; chan robles virtual law library

(b) To adopt, prepare and implement a comprehensive and detailed development plan embodying a list of projects including but not limited to those provided in the Legislative-Executive Bases Council (LEBC) framework plan for the sound and balanced conversion of the Clark and Subic military reservations and their extensions consistent with ecological and environmental standards, in other productive uses to promote the economic and social development of Central Luzon in particular and the country in general;

(c) To encourage the active participation of the private sector in transforming the Clark and Subic military reservations and their extensions into other productive uses;

(d) To serve as the holding company of subsidiary companies created pursuant to Section 16 of this Act and to invest in Special Economic Zones declared under Sections 12 and 15 of this Act;

(e) To manage and operate through private sector companies developmental projects outside the jurisdiction of subsidiary companies and Special Economic Zones declared by presidential proclamations and established under this Act;

(f) To establish a mechanism in coordination with the appropriate local government units to effect meaningful consultation regarding the plans, programs and projects within the regions where such plans, programs and/or project development are part of the conversion of the Clark and Subic military reservations and their extensions and the surrounding communities as envisioned in this Act; and

(g) To plan, program and undertake the adjustment, relocation, or resettlement of population within the Clark and Subic military reservations and their extensions as may be deemed necessary and beneficial by the Conversion Authority, in coordination with the appropriate government agencies and local government units.

Sec. 5 *Powers of the Conversion Authority.* – To carry out its objectives under this Act, the Conversion Authority is hereby vested with the following powers:

(a) To succeed in its corporate name, to sue and be sued in such corporate name and to adopt, alter and use a corporate seal which shall be judicially noticed;

(b) To adopt, amend and repeal its by-laws;

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

(d) To contract loans, indebtedness, credit and issue commercial papers and bonds, in any local or convertible foreign currency from any international financial institutions, foreign government entities, and local or foreign private commercial banks or similar institutions under terms and conditions prescribed by law, rules and regulations;

(e) To execute any deed of guarantee, mortgage, pledge, trust or assignment of any property for the purpose of financing the programs and projects deemed vital for the early attainment of its goals and objectives, subject to the provisions of Article VII, Section 20, and Article XII, Section 2, paragraphs (4) and (5) of the Constitution;

(f) To construct, own, lease, operate and maintain public utilities as well as infrastructure facilities;

(g) To reclaim or undertake reclamation projects as it may deem necessary in areas adjacent or contiguous to the Conversion Authority's lands described in Section 7 of this Act either by itself or in collaboration with the Public Estates Authority (PEA) established under Presidential Decree No. 1084, as amended;

(h) To acquire, own, hold, administer, and lease real and personal properties, including agricultural lands, property rights and interests and encumber, lease, mortgage, sell, alienate or otherwise dispose of the same at fair market value it may deem appropriate;

(i) To receive donations, grants, bequeaths and assistance of all kinds from local and foreign government and private sectors and utilize the same;

(j) To invest its funds and other assets other than those of the Special Economic Zones under Sections 12 and 15 of this Act in such areas it may deem wise;

(k) To exercise the right of eminent domain;

(l) To exercise oversight functions over the Special Economic Zones declared under this Act and by subsequent presidential proclamations within the framework of the declared policies of this Act;

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

(n) To perform such other powers as may be necessary and proper to carry out the purposes of this Act. chan robles virtual law library

Sec. .6. *Capitalization.* - The Conversion Authority shall have an authorized capital of One hundred billion pesos (P100,000,000,000) which may be fully subscribed by the Republic of the Philippines and shall either be paid up from the proceeds of the sales 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 (P70,000,000) 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.

Sec. 7. *Transfer of Properties.* – Pursuant to paragraph (a), Section 4 hereof, the President shall transfer forthwith to the Conversion Authority:

(a) Station	Area in Has. (more or less)
John Hay Air Station	570
Wallace Air Station	167
O"Donnell Transmitter Station	1,755
San Miguel Naval Communication Station	1,100
Mt. Sta. Rosa Station (Hermosa, Bataan)	

(b) Such other properties including, but not limited to, portions of Metro Manila military camps, pursuant to Section 8 of this Act: *Provided, however,* That the areas which shall remain as military reservations shall be delineated and proclaimed as such by the President.

Sec. 8. *Funding Scheme.* – The capital of the Conversion Authority shall come from the sales proceeds and/or transfers of certain Metro Manila military camps, including all lands covered by Proclamation No. 423, series of 1957, commonly known as Fort Bonifacio and Villamor (Nichols) Air Base, namely:

	Camp	Area in has. (more or less)
	Phase I (for immediate disposal)	
1.	Camp Claudio	2.0
2.	Camp Bago Bantay	5.0
3.	Part of Villamor Air Base	135.10
4.	Part of Fort Bonifacio	498.40
	Total	640.50
	Phase II	
1.	Camp Ver	1.9
2.	Camp Melchor	1.0
3.	Camp Atienza	4.9
4.	Part of Villamor Air Base	37.9
5.	Part of Fort Bonifacio	224.90
6.	Fort Abad	.60
	Total	271.20

***Provided,* That the following areas shall be exempt from sale:**

(a) Approximately 148.80 hectares in Fort Bonifacio for the National Capital Region (NCR) Security Brigade, Philippine Army (PA) officers' housing area, and Philippine National Police (PNP) jails and support services (presently Camp Bagong Diwa);

(b) Approximately 99.91 hectares in Villamor Air Base for the Presidential Airlift Wing, one squadron of helicopters for the NCR and respective security units;

(c) The following areas segregated by Proclamation Nos.:

(1) 461, series of 1965; (AFP Officers Village)
(2) 462, series of a965; (AFP Enlisted Men's Village)
(3) 192, series of 1967; (Veterans Center)
(4) 208, series of 1967; (National Shrines)
(5) 469, series of 1969; (Philippine College of Commerce)
(6) 653, series of 1970; (National Manpower and Youth Council)
(7) 684, series of 1970; (University Center)
(8) 1041, series of 1972; (Open Lease Concession)
(9) 1160, series of 1973; (Manila Technical Institute)
(10) 1217, series of 1970; (Maharlika Village)
(11) 682, series of 1970; (Civil Aviation Purposes)
(12) 1048, series of 1975; (Civil Aviation Purposes)
(13) 1453, series of 1975; (National Police Commission)
(14) 1633, series of 1977; (Housing and Urban Development)
(15) 2219, series of 1982; (Ministry of Human Settlements, BLISS)
(16) 172, series 0f 1987; (Upper, Lower, and Western Bicutan and Signal Housing)
(17) 389, series of 1989; (National mapping and Resource Information Authority)
(18) 518, series of 1990; (CEMBO, SO CEMBO, W REMBO, E REMBO, COMEMBRO, PEMBO, PITOGO)
(19) 467, series of 1968; (Greater Manila Terminal Food Market Site)
(20) 347, series of 1968; Greater Manila Food Market Site)
(21) 376, series of 1968; (National Development Board and Science Community)

(d) A proposal of 15 hectares as relocation site for families to be affected by cucumferential road 5 and radial road 4 construction: *Provided, further*, That the boundaries and technical description of these crumpet areas shall be determined by an actual group survey.

The President is hereby authorized to sell 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 sales of government properties: *Provided*, That no sale or disposition of such lands will be undertaken until a development plan embodying projects for conversion 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 of 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 or plan for 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 used for the following purposes with their corresponding percent shares of proceed:
(1) Thirty-two and five-tenths percent (32.5%) - To finance the transfer of the AFP military camps and the construction of new camps, the self-reliance and modernization program of the AFP, the concessional and long-term housing loan assistance and livelihood assistance to AFP officers and enlisted men and their families, and the rehabilitation and expansion of the AFP's medical facilities; chan robles virtual law library
(2) Fifty percent (50%) - To finance the conversion and the commercial uses of Clark and Subic military reservations and their extensions;
(3) Five percent (5%) - To finance the concessional and long-term housing loan assistance for the homeless of Metro Manila, Olongapo City, Angeles City and

other affected municipalities contiguous to the bases areas as mandated herein; and

(4) The balance shall accrue and be remitted to the National Treasury to be appropriated thereafter by Congress for the sole purpose of financing programs and projects vital for the economic upliftment of the Filipino people.

***Provided*, That, in 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: *Provided, further,* That in no case shall farmers affected be denied due compensation.**

With respect to the military reservations and their extensions, the President upon recommendation of the Conversion Authority or the Subic Authority when it concerns the Subic Special Economic Zone shall likewise be authorized to sell or dispose those portions of lands which the Conversion Authority or the Subic Authority may find essential for the development of their projects.

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; and

(b) Eight (8) other members from the private sector, two (2) of whom coming from the labor sector.

The chairman and members shall be appointed by the President with the consent of the Commission on 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) 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 unless he is a natural-born Filipino citizen, of good moral character, of unquestionable integrity, and of recognized competence in relevant 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) 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. .10. *Functions of the Board.* - The Board of Directors shall be the policy-making body of the Conversion Authority and shall perform the following functions:

(a) Determine the organizational structure of the Conversion Authority, define the duties and responsibilities of all officials and employees and adopt a compensation and benefit scheme at least equivalent to that of the Central Bank of the Philippines;

(b) Appoint all officials down to the third level and authorize the president of the Conversion Authority to appoint all others: *Provided,* That all appointments shall be on the basis of merit and fitness and all personnel action shall be in pursuance of Civil service laws, rules and regulations, except those coterminus employees of the members of the Board;

(c) Prepare the annual and supplemental budgets of the Conversion Authority;

(d) Submit an annual report of the operation of the Conversion Authority to the President of the Philippines, President of the Senate and Speaker of the House of Representatives;

(e) Carry out the purposes of the Conversion Authority with the following terms and references:

(1) As much as possible, major conversion projects shall be undertaken under the complete project turnkey or build-operate-transfer (BOT) scheme, as provided under Republic Act Numbered Sixty-nine hundred and fifty-seven (R.A. 6957); and

(2) Starting the fourth year of the Conversion Authority's full operation, a privatization or divestment program of its projects and subsidiaries shall begin under general guidelines prescribed.

Sec. 11. ***Duties and Responsibilities of the President of the Conversion Authority.*** **- The president of the Conversion Authority shall have the following duties and responsibilities:**

(a) To act as Chief Executive Officer of the Conversion Authority;

(b) To execute, administer and implement the policies and measures approved by the Board

(c) To direct and supervise the operations and administration of the Conversion Authority;

(d) To represent the Conversion Authority in all dealings with offices, agencies and instrumentalities of the Government and with all persons and entities, public or private, domestic or foreign;

(e) To direct and supervise the preparation of the agenda for the meeting of the Board, and to submit for the consideration of the Board such policies and measures as he believes necessary to carry out the purpose and objectives of this Act; and

(f) To exercise such other powers and functions provided in the bylaws and as may be vested in him by the Board.

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 define 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 abovementioned zone shall be subjected 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 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 Customs and Tariff Code and other relevant tax laws of the Philippines;

(c) The provision of existing laws, rules and regulations to the contrary notwithstanding, no taxes, local and national, shall be imposed within the Subic Special Economic Zone. In lieu of paying taxes, three percent (3%) of the gross income earned by all businesses and enterprise within the Subic Special Economic Zone shall be remitted to the National Government, one percent (1%) each to the local government units affected by the declaration of the zone in proportion to their population area, and other factors. In addition, there is hereby established a development fund of one percent (1%) of the gross income earned by all business and enterprise within the Subic Special Economic Zone to be utilized for the development of municipalities outside the City of Olongapo and the Municipality of Subic, and other municipalities contiguous to the base areas.

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 resolve in favor of the latter;

(d) No exchange control policy shall be applied and free markets for foreign exchange, gold, securities and future 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 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 may also issue working visas renewable every two (2) years to foreign executives and other aliens possessing highly-technical skills which liked 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 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. The Subic Bay Metropolitan Authority shall provide and establish its own internal security and firefighting forces; and

(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. 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 is hereby created as an operating and implementing arm of the Conversion Authority.

(b) Powers and functions of the Subic Bay Metropolitan Authority - The Subic Bay Metropolitan Authority, otherwise known as the Subic Authority, shall have the following powers and function:

(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 accept any local or foreign investment, business or enterprise, subject only to such rules and regulations to be promulgated by the Subic Authority in conformity with the policies of the Conversion Authority without prejudice to the nationalization requirements provided for in the Constitution;
(3) To undertake and regulate the establishment, operation and maintenance of utilities, other services and infrastructure in the Subic Special Economic Zone including shipping 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;
(4) 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) 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 carry exercise the power of eminent domain for public use and public purpose;
(6) 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 by guarantee, pledge, mortgage deed of trust, or assignment of its properties held by the Subic Authority for the purpose of financing its projects and programs within the framework and limitation of this Act;
(7) To operate directly or indirectly or license tourism related activities subject to priorities and standards set by the Subic Authority including games and amusements, except 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; to maintain and preserve the forested areas as a national park;
(8) To authorize the establishment of appropriate educational and medical institutions;
(9) To protect, maintain and develop the virgin forests within the baselands, which will be proclaimed 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;
(10) 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 shall create an Ecology Center; and
(11) 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 shall be vested in the exercised by a Board of Directors, hereinafter referred to as the Board of

Directors, hereinafter referred to as the Board, which shall be composed of fifteen (15) members, to wit:

(1) Representatives of the local government units that concur to join the Subic Special Economic Zone;

(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 stations; and

(4) The remaining balance to complete the Board shall be composed to representatives from the business and investment sectors.

The chairman and the members of the Board shall be appointed by the President to serve for a term of six (6) years, unless sooner removed for cause except for the representatives of the local government units who shall serve for a term of three (3) years. In case of removal for cause, the replacement shall serve only the unexpired portion of the term.

No person shall be appointed as a member of the Board unless he is a Filipino citizen, of good moral character, and of recognized competence in relevant fields including, but not limited to, economics, management, international relations, law or engineering. 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.

(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 Board and who shall serve as the chief executive officer of the Subic Authority: Provided, however, That for the first year of its operation 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) Capitalization - The Subic Authority shall have an authorized capital stock of Twenty billion pesos (P20,000,000,000) divided into twenty thousand (20,000) number per shares fully subscribed and paid up by the Republic of the Philippines with:

(1) All lands embraced covered and defined in Section 12 hereof, as well as permanent improvements and fixtures upon proper inventory not otherwise alienated, conveyed, or transferred to another government agency;

(2) All other assets which the President may transfer to the Subic authority as part of the equity contribution of the Government; and

(3) Cash contribution by the Government in the amount of Three hundred million pesos (P300,000,000) a year for the next three (3) years, which is hereby appropriated out of any fund in the National Treasury not otherwise appropriated.

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 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 and the local government units concerned on matters affecting the Subic Special Economic Zone other than defense and security, the decision of the Subic Authority shall prevail.

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 proclamation a Special Economic Zone covering the lands occupied by the Clark military reservations 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 provision as herein provided insofar as applied to the Clark military reservations.
The governing body of the Clark Special Economic Zone shall likewise be established by executive proclamation 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. chan robles virtual law library
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 Station 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 authorized to create Special Economic Zones covering the Municipalities of Morong, Hermosa, Dinalupihan, Castillejos, and San Marcelino.
Sec. 16. *Subsidiaries.* - The Conversion Authority shall have the power to form, establish, organize and maintain a subsidiary corporation or corporations. Such subsidiary or subsidiaries shall be formed in accordance with the Philippine Corporation Law and existing rules and regulations promulgated by the Securities and Exchange Commission, unless otherwise provided in this Act. In all cases, the Conversion Authority shall own initially at least ffity-one *per centum* (51%) of the capital stock of a subsidiary. The Conversion Authority shall also initially have the majority of the Board of Directors of the subsidiaries, of which at least one (1) director shall be the chairman of the Conversion Authority and a second director shall be the president of the Conversion Authority or his designated representative.
Such subsidiaries shall be exempt from the coverage of the Civil service Laws, rules and regulations.
Sec. 17. *Supervision.* – The Conversion Authority shall be under the direct control and supervision of the Office of the President for purposes of policy direction and coordination.
Sec. 18. *Legal Counsel.* - Without prejudice to the hiring of an outside counsel, the Government Corporate Counsel shall be the ex officio legal counsel of the Conversion Authority, the governing boards of the Special Economic Zones and the subsidiaries wherein the Conversion Authority owns the majority of the shares of stocks, and for this purpose he may designate a full time representative whose compensation shall be approved by the Board.
Sec. 19. *Auditor.* – The Commission on Audit shall appoint a representative who shall be the full time auditor of the Conversion Authority, its subsidiaries and the Special Economic Zones and such personnel as may be necessary to assists said representative in the performance of his duties. He is mandated to impose pre-audit within thirty (30) days after submission of all proposed substantial sales, transfer, and alienations of

property. He shall likewise render a full report thereof to Congress every sixty (60) days. The salaries of the auditor and his staff shall be approved by the Board.

Sec. 20. *Interim Capacity.* - Except for the chairman of the Subic Authority, the chairman and other members of the Board of the Conversion Authority and the Subic Authority shall act in an interim capacity and shall serve until the 31st of July 1992 or until such time that their successors shall have been duly appointed.

Sec. 21. *Injunction and Restraining Order.* - The implementation of the projects for the conversion into alternative productive uses of the military reservations are urgent and necessary and shall not be restrained or enjoined except by an order issued by the Supreme Court of the Philippines.

Sec. 22. *Separability Clause.* - If any provision of this Act shall be held unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

Sec. 23. Repealing Clause. - All laws, executive issuances or parts thereof which are inconsistent herewith are hereby repealed or amended accordingly. chan robles virtual law library

Sec. 24. *Effectivity Clause.* - This Act shall take effect upon its publication in at least one (1) newspaper of general circulation.

***Approved:* March 13, 1992**