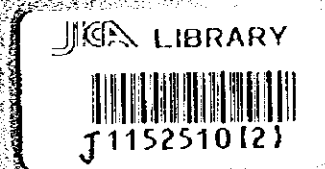


JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)
SUBIC BAY METROPOLITAN AUTHORITY (SBMA)

THE STUDY ON THE SUBIC BAY PORT MASTER PLAN IN THE REPUBLIC OF THE PHILIPPINES

FINAL REPORT
2 MASTER PLANNING

AUGUST 1999



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INTERNATIONAL (PCI)

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(As of February 1998)

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PREFACE

In response to a request from the Government of the Republic of the Philippines, the Government of Japan decided to conduct **THE STUDY ON THE SUBIC BAY PORT MASTER PLAN IN THE REPUBLIC OF THE PHILIPPINES** and entrusted the study to Japan International Cooperation Agency (JICA).

JICA sent to the Republic of the Philippines a study team four times between January 1998 and June 1999, which was headed by Dr. Koji Kobune of the Overseas Coastal Area Development Institute of Japan (OCDI) and composed of members from OCDI and the Pacific Consultants International (PCI).

The team held discussion with the officials concerned of the Government of the Republic of the Philippines, and conducted field surveys at the study area. After the team returned to Japan, further studies were made and the present report was prepared.

I hope that this report will contribute to the promotion of the project and to the enhancement of friendly relations between our two countries.

I wish to express my sincere appreciation to the officials concerned of the Government of the Republic of the Philippines for their close cooperation extended to the team.

August, 1999



Kimio Fujita

President

Japan International Cooperation Agency

LETTER OF TRANSMITTAL

August, 1999

Mr. Kimio FUJITA
President
Japan International Cooperation Agency

Dear Mr. Fujita,

It is my great pleasure to submit herewith the Final Report of the Study on the Subic Bay Port Master Plan in the Republic of the Philippines.

The study team which consists of the Overseas Coastal Area Development Institute of Japan (OCDI) and the Pacific Consultants International (PCI) conducted surveys in the Republic of the Philippines over the period between January 1998 and June 1999 as per the contract with the Japan International Cooperation Agency.

The findings of this study, which are compiled in this report, were fully discussed with the officials of the Subic Bay Metropolitan Authority and other authorities concerned to formulate the Master Plan which is the Long Term Plan of Subic Bay Freeport for the period up to the year 2020, and formulate and examine the feasibility of the Short Term Plan of the same port for the period up to the year 2007.

On behalf of the study team, I would like to express my heart felt appreciation to the Government of the Republic of the Philippines, the Subic Bay Metropolitan Authority and other authorities concerned for their diligent cooperation and assistance in the course of the study.

Yours faithfully,



Koji Kobune
Leader of the study team
for the Study on the Subic Bay Port Master
Plan in the Republic of the Philippines





Short-term Development Plan (up to 2007)

LIST OF ABBREVIATIONS

A	ADB	: Asian Development Bank
	AFP	: Armed Forces of the Philippines
	ANERA	: Asia/North America Eastbound Rate Agreement
	AO	: Administrative Order
	APL	: American President Lines
	APT	: Asset Privatization Trust
	AT&T	: American Telephone and Telegraph Co.
	ATI	: Asian Terminals Incorporated
ATO	: Air Transportation Office	
B	BCDA	: Bases Conversion Development Authority
	BI	: Bureau of Immigration
	BIR	: Bureau of Internal Revenue
	BOC	: Bureau of Customs
	BOR	: Berth Occupancy Ratio
	BOT	: Build, Operate and Transfer
C	CAB	: Civil Aeronautics Board
	CB	: Central Bank of the Philippines
	CBA	: Cost/Benefit Analysis
	CCA	: Custom Clearance Area
	CDC	: Clark Development Corporation
	CFS	: Container Freight Station
	CIQ	: Custom, Immigration and Quarantine
	CLDP	: Central Luzon Development Program
	COA	: Commission on Audit
COP	: Committee on Privatization	
D	DBEL	: Deep Berth Equivalent Length
	DENR	: Department Environmental and Natural Resources
	DF/R	: Draft Final Report
	DOF	: Department of Finance
	DOH	: Department of Health
	DOJ	: Department of Justice
	DOTC	: Department of Transportation and Communications
	DPWH	: Department of Public Works and Highways
E	EDI	: Electronic Data Interchange
	EDP	: Electronic Data Processing

	EIA	: Environmental Impact Assessment
	EL	: Elevation Line
	EO	: Executive Order
	EPZ	: Export Processing Zone
F	FCL	: Full Container Load
	F/R	: Final Report
	F/S	: Feasibility Study
	FSC	: Freeport Service Corporation
G	GOCC	: Government Owned and Controlled Company
	GOP	: Government of the Philippines
H	HHW	: Highest High Water Level
	HPPL	: Hutchison Port Philippines Ltd.
I	IC/R	: Inception Report
	ICTSI	: International Container Terminal Services, Inc.
	IEE	: Initial Environmental Examination
	ISO	: International Standardization Organization
	IT	: Information Technology
J	JAIDO	: Japan International Development Organization
	JICA	: Japan International Cooperation Agency
L	L/C	: Letter of Credit
	LCL	: Less than Container Load
	LCT	: Loading Craft Transport
	LGU	: Local Government Unit
	LLW	: Lowest Low Water Level
	LO-LO	: Lift on Lift off
M	MEPZ	: Mactan Export Processing Zone
	M/P	: Master Plan
	MICT	: Manila International Container Terminal
	MOT	: Ministry of Transport
	MSL	: Mean Sea-Water Level
	MTPDP	: Medium-Term Philippine Development Plan
	M/V	: Motor Vessel
N	NAIA	: Ninoy Aquino International Airport
	NAVMAG	: Naval Magazine

	NEDA	: National Economic and Development Authority
	NOAA	: U.S. National Oceanic and Atmospheric Administration
	NOL	: Neptune Orient Lines
	NSCB	: National Statistical Coordination Board
	NSD	: Naval Supply Depot
	NVOCC	: Non Vessel Operating Common Carrier
O	OCS	: Obstacle Clearance Surface
	OJT	: On the Job Training
	OSIR	: Out of Service in Reserve
P	PAL	: Philippine Air Lines
	PBAC	: Pre-qualifications, Bids & Awards Committee
	PD	: Presidential Decree
	PEA	: Public Estate Authority
	PEZA	: Philippine Economic Zone Authority
	PHRI	: Port and Harbor Research Institute
	PLDT	: Philippine Long Distance Telephone Company
	PNR	: Philippine National Railways
	POD	: Pocket Oxford Dictionary
	POL	: Petroleum, Oil and Lubricant
	PPA	: Philippine Ports Authority
	PPATC	: Philippine Ports Authority Training Center
	PR / R	: Progress Report
	PSE	: Philippine Stock Exchange
	PTA	: Philippine Tourism Authority
	PTSS	: Philippine Transport Strategy Study
R	RA	: Republic Act
	R/W	: Runway
	RO-RO	: Roll on Roll off
	RTGC	: Rubber Tired Gantry Crane
S	S/W	: Scope of Work
	SBC	: Sensitive Biological Community
	SBDMC	: Subic Bay Development and Management Corporation
	SBF	: Subic Bay Freeport
	SBFSA	: Subic Bay Freeport Secured Area
	SBFZ	: Subic Bay Freeport Zone
	SBIA	: Subic Bay International Airport
	SBMA	: Subic Bay Metropolitan Authority
	SBSSI	: Subic Bay Satellite Systems, Inc.

SBWD : Subic Bay Waterfront Development Corporation
SBYC : Subic Bay Yacht Club
SEC : Securities and Exchange Commission
SEZ : Special Economic Zone
SIACI : Subic International Air Charter Inc.
SPC : Enron Subic Power Corporation
SS : Suspended Solid
SSEFZ : Subic Special Economic and Freeport Zone
STEP : Subic Technopark Corporation

T **TCC** : Training through Curriculum Course
 TEU : Twenty- Foot Equivalent Unit
 TOR : Terms of Reference
 TSP : Total Suspended Particulates

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1 Introduction

1.1 Background

Subic Bay, located 80 km from Metro Manila, faces the South China Sea and is surrounded by Olongapo city, and the towns of Subic and Morong.

The bay is separated from the plains of central Luzon by the Zambales Mountains and opens to the South China Sea in the south-west direction. The mouth of the bay is protected from wind and wave by Grande Island. The depth of the Bay is sufficient for the calling of large vessels.

As the Bay has good characteristics for a port, the United States Navy had utilized it as a base under the 1947 Military Bases Agreement. However, in 1991 the extension of the Military Bases Agreement was rejected by the Senate of the Government of the Philippines, and the U.S. facilities were turned over to the Government of the Philippines in 1992.

To cope with the 42,000 jobs that were consequently lost, the government of the Philippines commenced the Subic Conversion and Development Program in January 1992. "Bases Conversion and Development Act of 1992" (Republic Act No. 7227) formulated the Subic Bay Freeport and Special Economic Zone and established the administrative organization named the Subic Bay Metropolitan Authority (SBMA).

The Subic Special Economic and Freeport Zone (SSEFZ) encompasses the City of Olongapo, the municipality of Subic in Zambales, the lands occupied by the former Subic Naval Base and its contiguous extensions within the territorial jurisdiction of the municipalities of Morong and Hermosa in Bataan and San Antonio in Zambales, yielding a total area of approximately 67,000 hectares.

The SBMA anticipates a gradual expansion of the Freeport zone with Olongapo City and Subic Town as the initial areas targeted for immediate development. The starting point is the former Subic Naval Base, which is approximately 18,000 hectares.

SBMA's vision of development is to create a major regional hub of broadly-based economic activities, in a high quality living and business environment, leading to employment opportunities for Filipinos. SBMA is proceeding with comprehensive development projects comprising mainly commerce, industry and tourism in the Subic Base land.

In this regard, a balance between the need for development and for preserving the natural environment of Subic Bay is expected to be pursued. Subic port is envisaged to promote the regional development of its hinterland as well as to function as a nucleus for the development of the coastal area in Subic Bay.

Considering the situation mentioned above, the Government of the Republic of the Philippines placed high priority on the formulation of the Subic Bay Port Master Plan to ensure the promotion of Subic Bay Freeport and regional development, and requested the Government of Japan to conduct a study for the Master Plan.

In response to the request of the Government of the Republic of the Philippines, the Government of Japan has decided to conduct the Subic Bay Port Master Plan in accordance with the relevant laws and regulations in force in Japan.

Accordingly, the Japan International Cooperation Agency (JICA), the official agency responsible for implementation of the technical cooperation programs of the Government of Japan, dispatched the Study Team to the Philippines from January 1998.

The Study Team has been working at Subic Bay Freeport, the project site, and formulated the Port Master Plan and the Short Term Plan. This report presents the Study Team's activities and findings over the period from January, 1998, through June, 1999.

1.2 Objectives of the Study

Based on the background described above, the objectives of the Study are summarized as follows:

- ① To formulate a Master Plan for the period up to the year 2020
- ② To formulate a phased implementation program for the Long Term Plan (SBMA's Port Plan in the Master Plan) and carry out the feasibility study for the Short Term Plan
- ③ To carry out technology transfer to improve Subic Bay port development, management and operation
- ④ To identify additional areas for port development within Subic Bay Area

The container terminal project which was to be developed under a BOT scheme at the former Naval Supply Depot (NSD) has been suspended due to a lawsuit and it is impossible to clarify when this project will resume. Therefore, the Study includes container cargo handling as well as non-container cargo handling in the future port operation. The sites for the new container terminal in the Study are selected in two areas; NSD area and Cubi Point and the Master Plan including the new container terminal development is evaluated from all aspects comprehensively.

1.3 Methodology of the Study

1.3.1 Study Area

The location of Subic Bay is shown in Figure 1.3.1-1 and Figure 1.3.1-2.

The study area is shown in Figure 1.3.1-2.

Master Plan: the waterfront of the Subic Bay Freeport Secured Area

Conceptual Zoning Plan: the waterfront of the Subic Special Economic and Freeport
Zone

For reference, the following figures are attached herewith:

Figure 1.3.1-3 ; Subic Bay

Figure 1.3.1-4 ; Major Wharves in Subic Bay Freeport

1.3.2 Terminology in the Study

(1) Jurisdictional territory of SBMA

According to the office of SBMA Public Affairs, the following terms are used to refer to the same area:

- ① Subic Port
- ② Olongapo Port
- ③ Subic Bay Freeport
- ④ Subic Bay Port
- ⑤ SBMA's Territory

The area comprises San Antonio (portion), Subic Town, Olongapo City, and the former U.S. Naval Reservation (see Figure 1.3.2-1). The most prevailing word among these 5 terms is **Subic Bay Freeport (SBF)** and it is used hereafter in this report.

Subic Special Economic and Freeport Zone (SSEFZ)

Section 12 in Republic Act No. 7227 named "Bases Conversion and Development Act of 1992" (March 13, 1992) defines the Subic Special Economic Zone as follows, and this includes the Subic Bay Freeport, Hermosa and Morong (see Figure 1.3.2-2).

Republic Act No. 7227 (March 13, 1992)

Section 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 defined by the 1974 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.

Subic Bay Freeport Secured Area (SBFSA)

Subic Bay Freeport Secured Area is regulated in Executive Order No.97-A (June 19, 1993), "Further Clarifying the Tax and Duty-Free Privilege within the Subic Special Economic and Free Port Zone", as follows:

Executive Order No. 97-A (June 19, 1993)

Section I

1.1. The Secured Area consisting of the presently fenced-in former Subic Naval Base shall be the only completely tax and duty-free area in the Subic Special Economic and Free Port Zone (SSEFZ).

This is the Subic Bay Freeport Zone, but at present only the former U.S. Naval Reservation which includes the SBMA Offices, Duty Free Shops, Hotels, Seaports, Airport, Recreational Beaches, Residential Housing and Public Utilities is considered to be the secured area as other areas are situated beyond the fence (see Figure 1.3.2-3)

Current Delineation of Subic Special Economic Freeport Zone (SSEFZ)

The current zone is based on the presidential proclamation No.532 of Feb. 1, 1995 (see Figure 1.3.2-4). The proclamation was issued to make the border line of the zone clearer. The total land and water area encompassed by the border line is 67,452 ha. Presently, negotiations with the City of Olongapo and the Municipality of Subic are in progress concerning the expansion of the Secured Area.

(2) Sphere of planning works

In this report, planning terms should be understood as follows:

- Master Plan : Comprehensive coastal development plan including not only SBMA's Port Plan but also SBMA's other plans and private investment plans
- Long Term Plan : SBMA's Port Plan having the target year 2020
- Phasing Plan : To phase the Long Term Plan in accordance with the traffic demand
- Short Term Plan : To consist of Phase 1 and 2 Plans

1.3.3 Work Flow of the Study

The work flow of the study is schematically exhibited in Figure 1.3.3-1. A detailed explanation is found in the Inception Report which was submitted to the Philippine side at the

commencement of the study.

This Report (Draft Final Report, Volume 2, Master Planning) is intended to cover the preparation of the Master Plan and the Long Term Plan of the Subic Bay Freeport with the target year 2020.

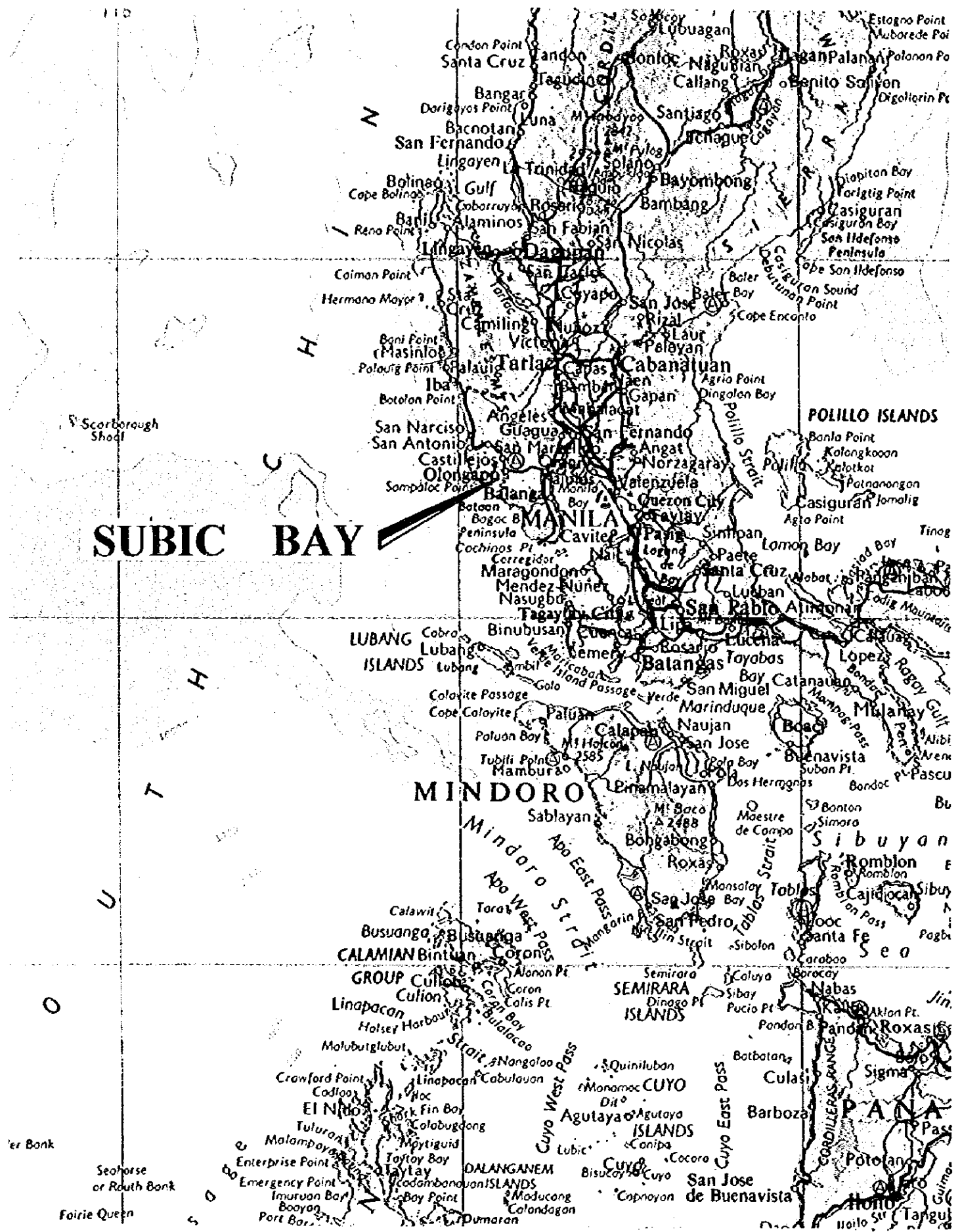


Figure 1.3.1-1 Location map of Subic Bay

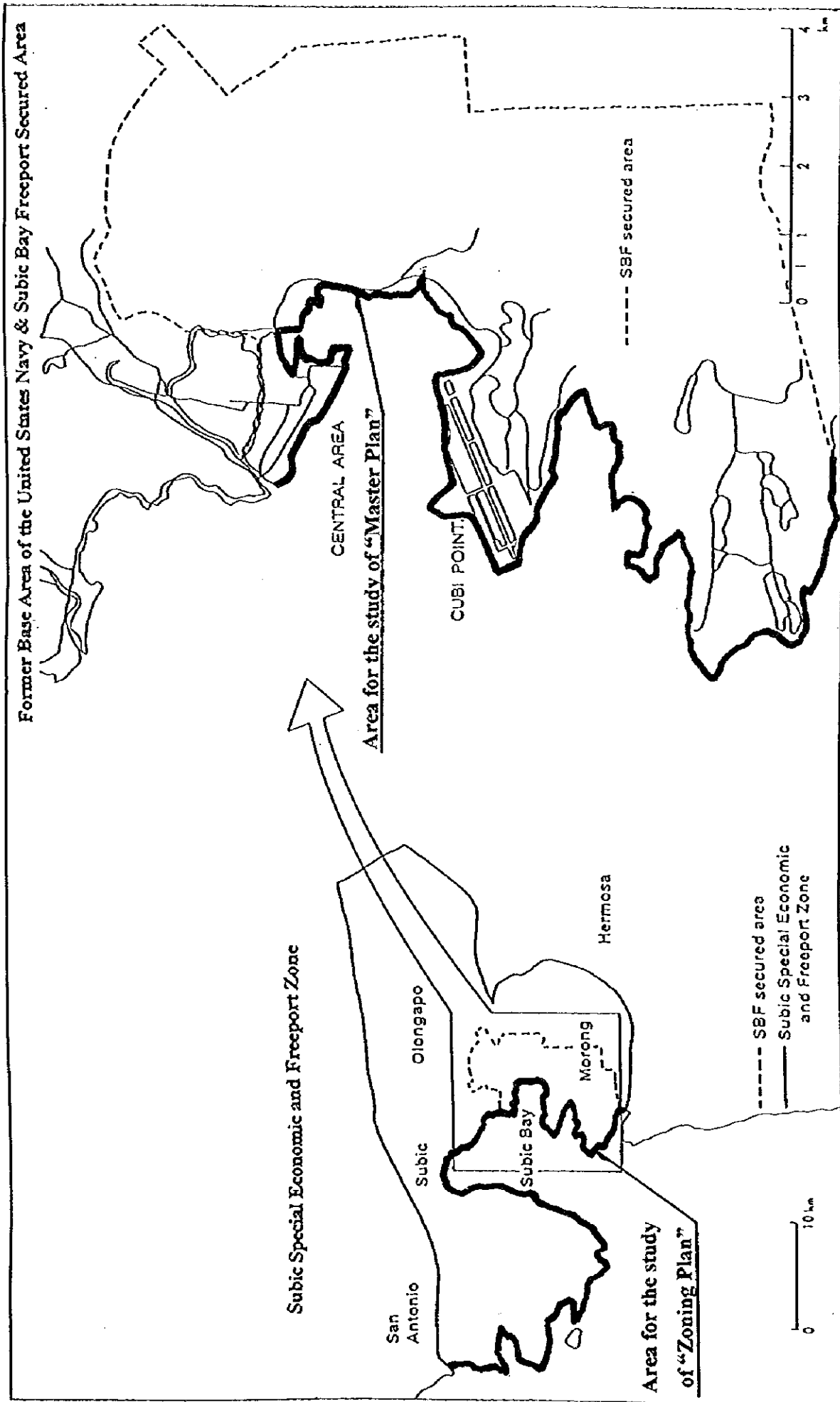


Figure 1.3.1-2 Subic Bay, Subic Bay Freeport Secured Area, and Subic Special Economic and Freeport Zone

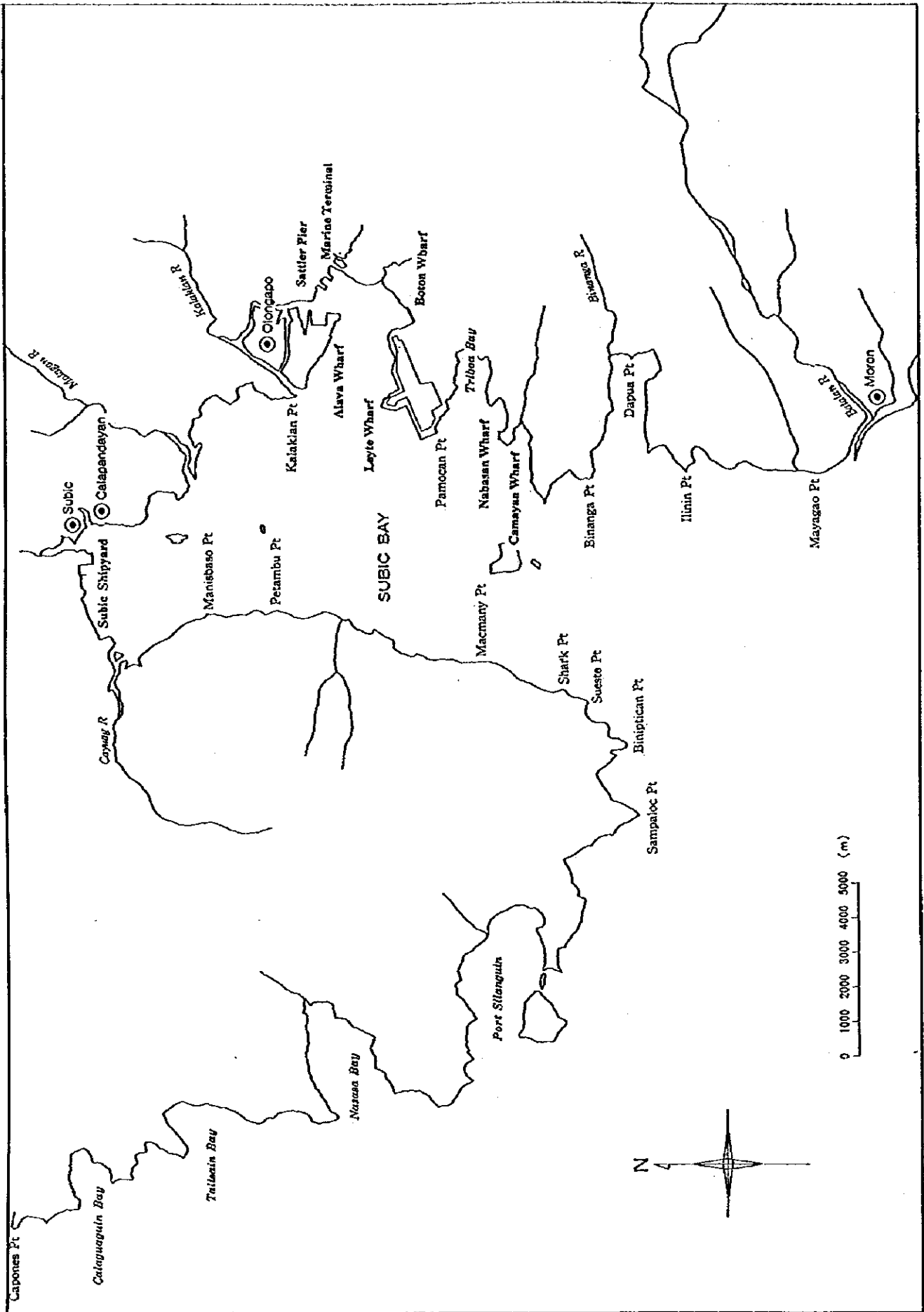


Figure 1.3.1-3 Subic Bay

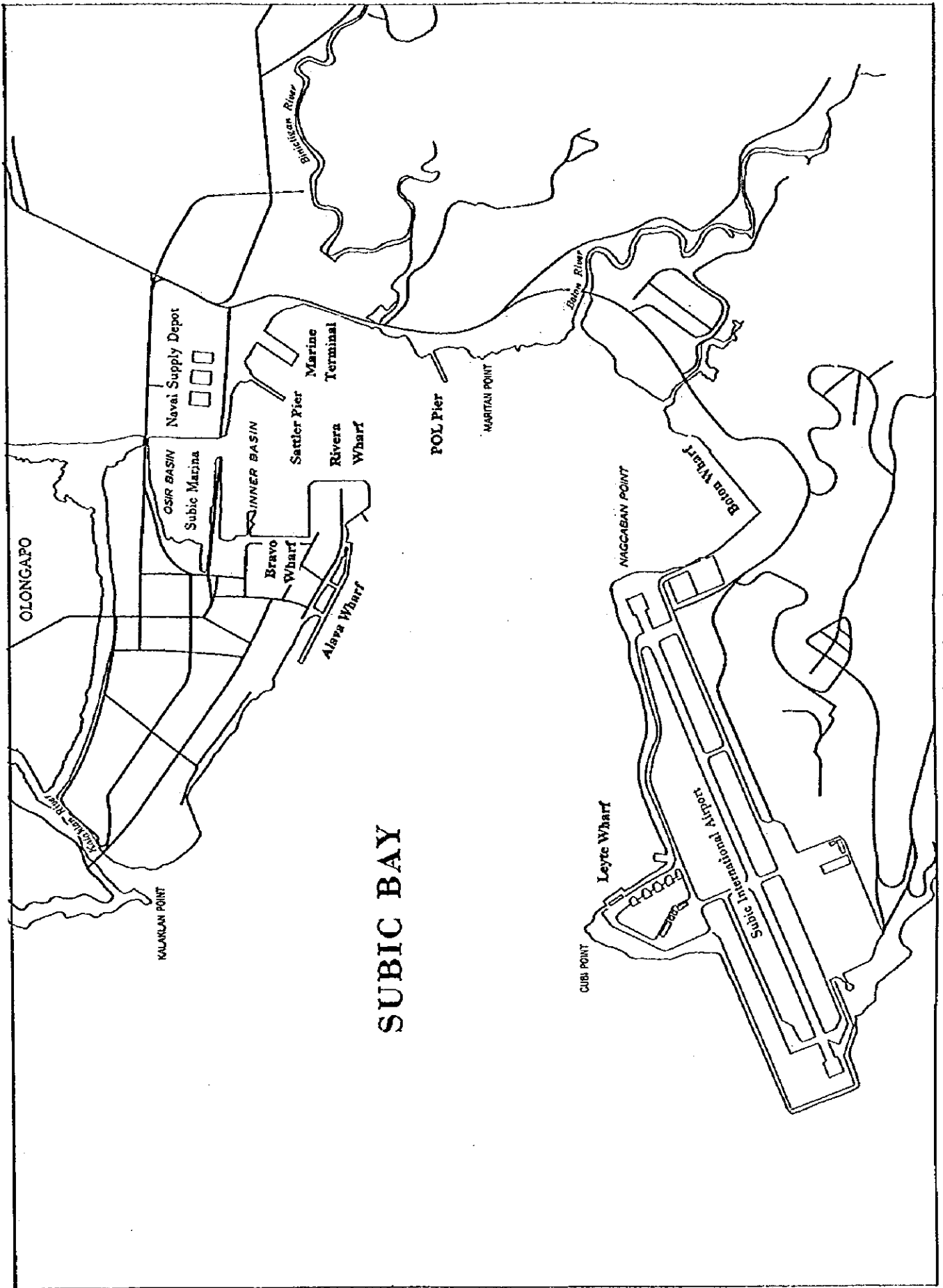


Figure 1.3.1-4 Location of Major Wharves

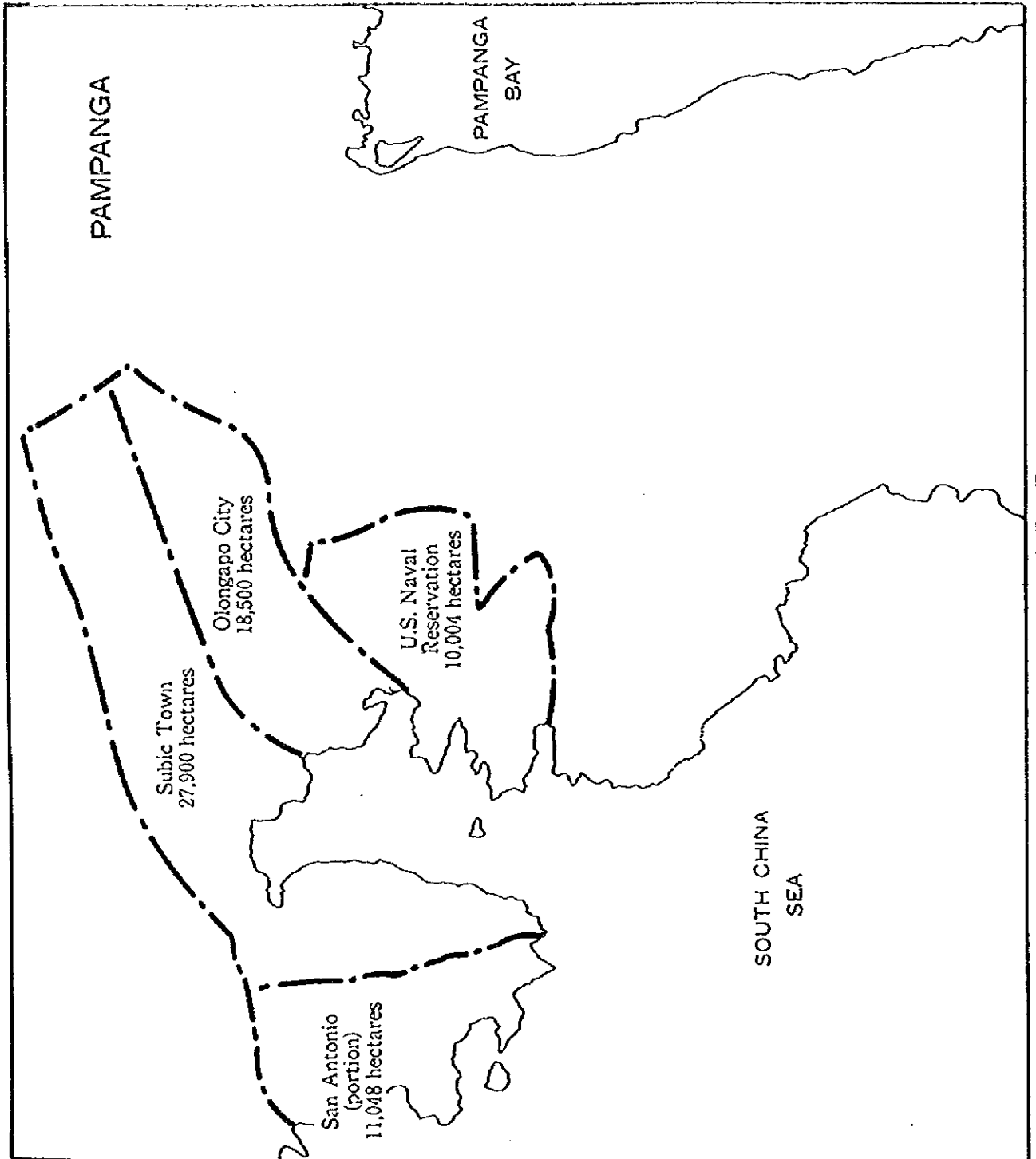


Figure 1.3.2-1 Subic Bay Freeport

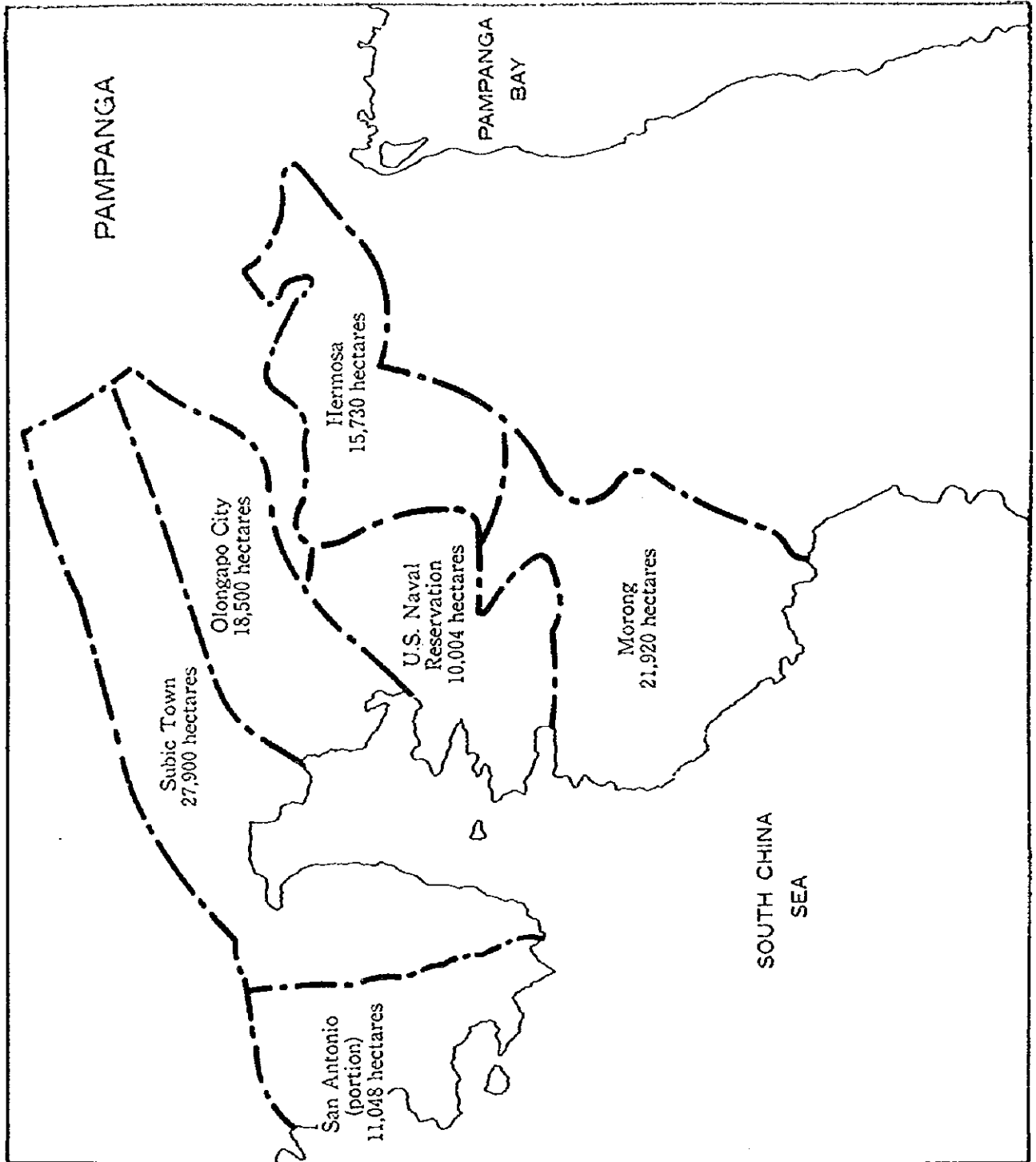


Figure 1.3.2-2 Subic Special Economic and Freeport Zone

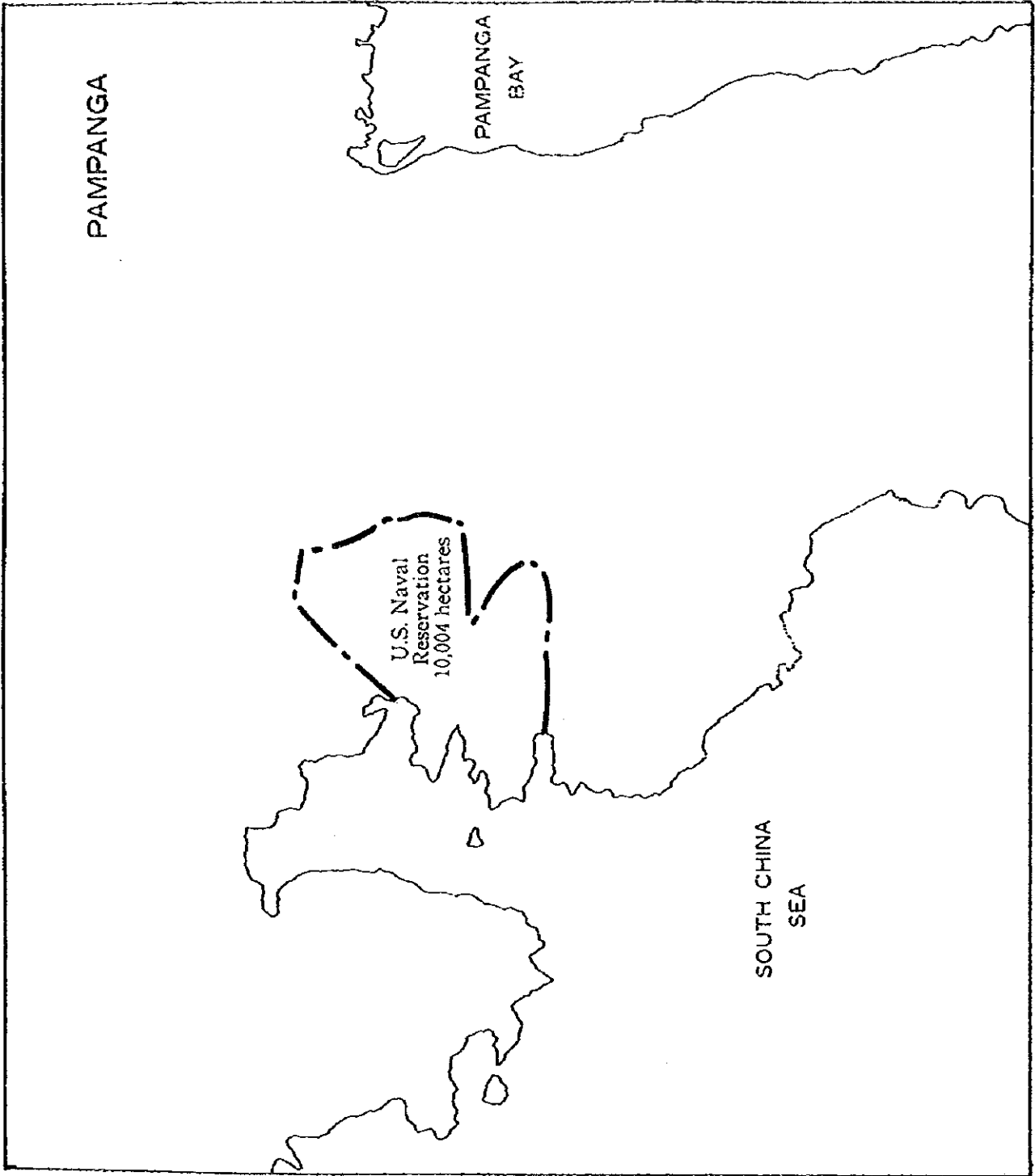


Figure 1.3.2-3 Subic Bay Freeport Secured Area

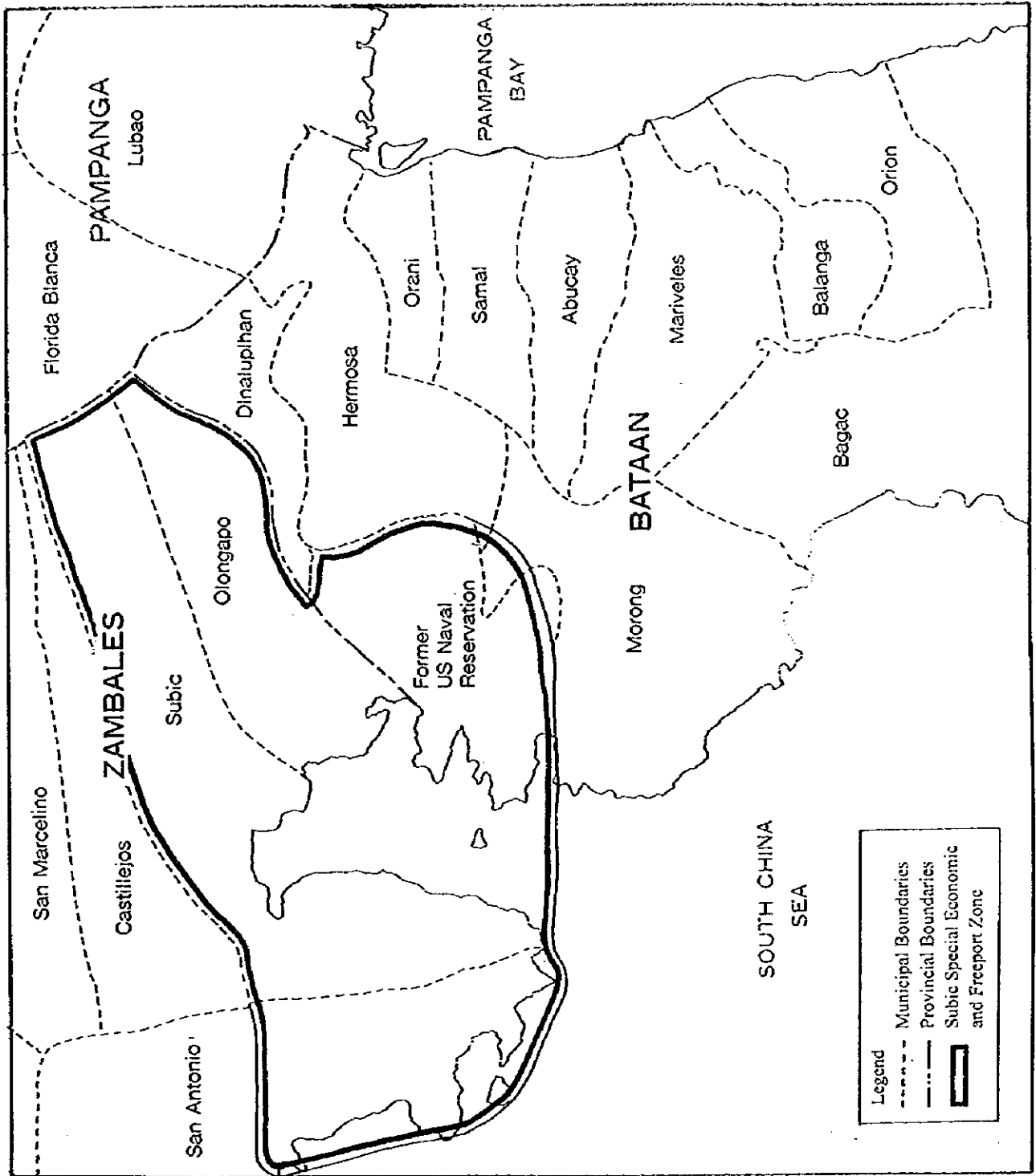


Figure 1.3.2-4 Current Delineation of Subic Special Economic and Freeport Zone

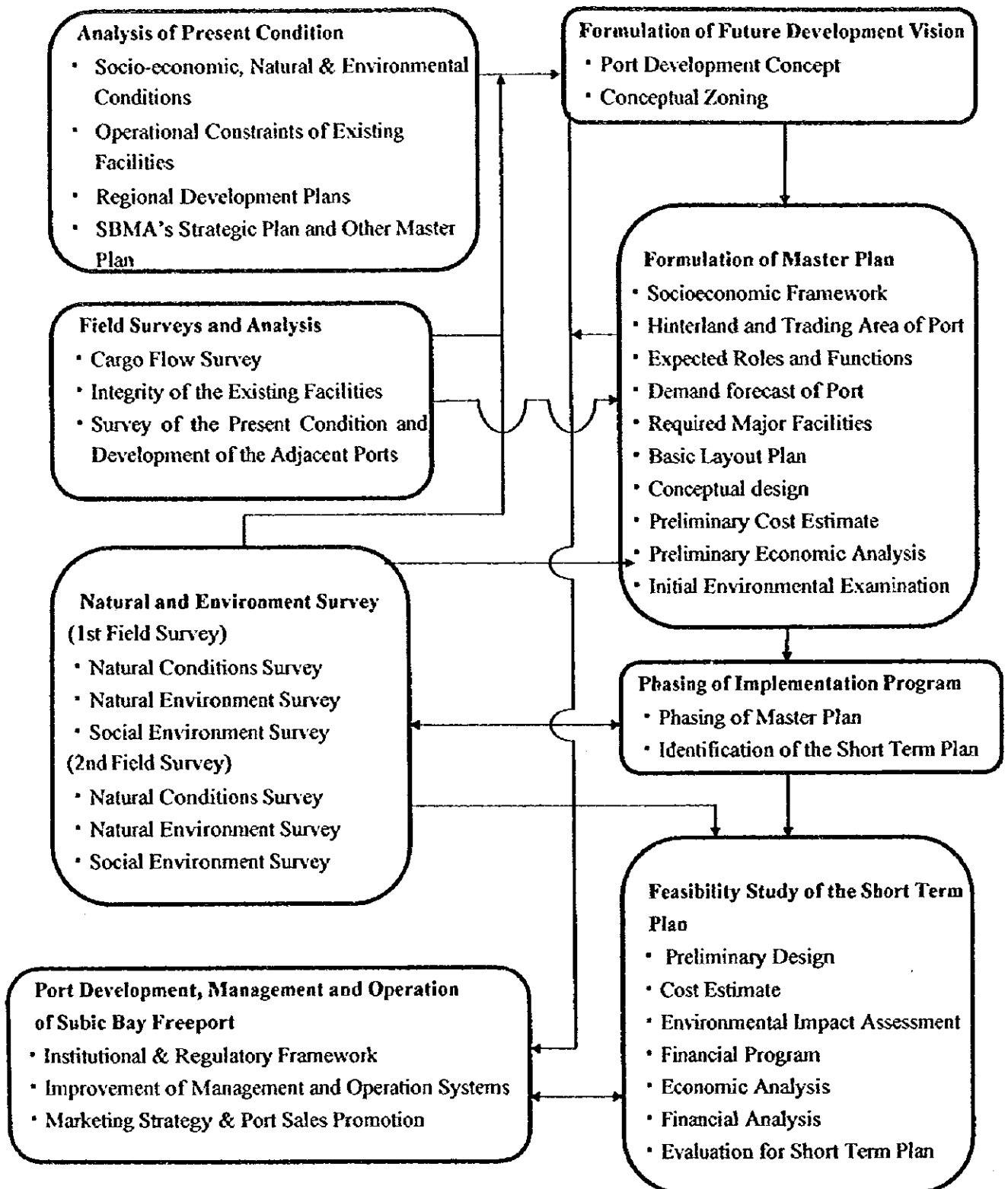


Figure 1.3.3-1 Flow Chart of the Study

2. The Goal of the Subic Bay Special Economic and Freeport Zone Development

2.1 The Subic Bay Metropolitan Authority (SBMA)

2.1.1 Establishment of SBMA

The Subic Bay Freeport and Special Economic Zone was established through the Bases Conversion and Development Act in March 1992 and Subic Bay Metropolitan Authority (SBMA) was designated as an operating and implementing agency to establish the Freeport and to ensure the promotion and development of social projects.

From 1992 to the present, SBMA has focused on the need to secure the former Naval Station, continue to operate and maintain municipal services, and to attract locators to invest.

The current focus is on bringing SBMA, as a government agency, in line with national rules and regulations by the corporatization and/or privatization of services which up to now SBMA has provided. From now on, SBMA will put a greater emphasis on its regulatory and promotional functions.

SBMA has been able to secure the base, and by January 1999 had attracted 306 domestic and international locators to invest more than \$1.2 billion, replacing more than 25,000 of the 42,000 jobs which were lost when the U.S. Navy left the base. As this number grows, the economic benefits of the Freeport will extend to the residents of Hermosa, Morong, Subic, and eventually, to Castillejos, San Antonio and San Marcellino.

(1) Goal of SBMA

Section 2.12 etc. of R.A. 7227 describe Goal of SBMA as follows:-

“As provided for in the Republic Act 7227, otherwise known as the ‘Bases Conversion Act of 1992’, it is hereby declared the policy of the SBMA to develop the Special Economic and Freeport Zone into a self-sustaining industrial, commercial, financial and investment center to generate employment opportunities in and around the Zone, to attract and promote productive foreign investments, to accelerate the sound and balanced conversion into alternative productive uses of the former Subic Naval Base and its contiguous extensions, and to enhance the benefits to be derived from the Zone in order to promote the economic and social development of Central Luzon in particular and the country in general.”

(2) Vision of SBMA

The above goal has been translated into the following vision for better understanding by SBMA in 1993:

1. To create a Freeport environment to attract investments for economic growth within the guidelines of sustainable development.
2. To establish a broad economic base through sectoral development of transshipment, financial, commercial, manufacturing, tourism and service activities.
3. To create employment opportunities and provide for human resource development to meet differing sectoral needs.
4. To improve the quality of life of the residents in and around the Zone.
5. To serve as the catalyst that will revitalize the regional economy.

The above vision is part of the new SBMA strategic planning introduced October 19, 1998. The planning consists of " Vision ", " Mission ", " Core Value ", " Goals and Objectives "and " Next Steps ".

Vision

It is declared that SBMA is similar to an ideal state as well as a desired state, and as examples, the following sentences are added:

" SBMA shall be at the forefront of the Philippines' pursuit of enviable economic and social progress into the next millenium; capitalizing on Subic Bay's strategic location and inherited infrastructure while continuously developing its facilities into a world-class freeport with a highly competitive, customer driven workforce. "

" Subic Bay Freeport shall become the premier economic hub and gateway to and from the Asia/Pacific Region "

" Subic Bay – the next Hong Kong of the new millenium "

Mission

The word " Mission " is defined as follows:

- 1) Mission statements clarify the institution's long-term goals as well as the intermediate objectives.
- 2) It is the strategic statement of the institution's purpose and focus over the intermediate and long term pursuit of its vision.
- 3) It defines the beneficiaries as well as core competencies it must build.
- 4) The statement should be broad enough to facilitate growth, and focused enough to lead the

institution to what it does best.

- 5) The mission statement encompasses: the purpose, scope, objectives and performance and impact indicators.

The examples are as follows:

“ At SBMA, our mission is to make Subic Bay Freeport the premier economic hub and gateway to and from the Asia/Pacific Region. We will be recognized as the model and example for the rest of the nation to emulate. This shall be accomplished by developing the harbor and air port into world-class transshipment facilities: expanding land use to include the cluster of communities contiguous with the Freeport serviced by efficient transportation and telecommunication systems and developing its human resources. “

Core Value

Core Values are comprised of six words. They are “ Freeport First “, “ Integrity “, “ Excellence “, “ Cooperation “, “ Responsibility “ and “ Transparency “. They are all metaphysical or philosophical expressions and expected to become a mental backbones of SBMA.

Goals and Objectives

Vision, Mission and Core Values are rightly mingled with to Goals and Objectives in a very concrete expression as follows.

- 1) Develop the harbor and its seaport facilities into a world-class, privately owned transshipment operation by 2000.
- 2) Expand the airport to handle expanded air cargo operations by the year 2000.
- 3) Expand the Freeport beyond the mountain ranges to avail of the flatlands in the cluster of communities within the Subic Bay Economic Zone beginning in 1999.
- 4) Develop tourism facilities to attract local and international tourists and visitors at the rate of 10 % per year.
- 5) Develop a world-class IT infrastructure to make the Freeport a true Cybercity by the year 2000.
- 6) Protect and preserve the God-given forests and harbor that will make Subic Bay a unique

blend of economic and ecological miracle.

- 7) Develop its most important assets-its human resources, tapping and utilizing their creative and innovative talents as IT knowledge-based workers of the new millenium.
- 8) Develop a Central Luzon wide area and road linkage to serve the transshipment needs of manufacturers within the corridor.
- 9) Successfully implement the World Bank Projects on time and within budget.

Next Steps

This is the first item appearing in “ Vision “ and “ Mission “ and exactly in line with the way of doing business by “ Plan “ , “ Do “ and “ See “. These steps are as follows:

- 1) Review and approval of Vision, Mission statements, Core Values and Goals and Objectives by the Board of Directors.
- 2) Each DA (Deputy Administrator) Group develop specific, measurable objectives to support overall SBMA Goals and Objectives.
- 3) Each Department develop Tasks, Activities, Actions to support objectives.
- 4) Identify resources needed to accomplish tasks and action plan, budget, personnel and time lines.

2.1.2 Present Institution and Competence of SBMA

(1) Institutional Framework

The Subic Bay Metropolitan Authority was created by RA 7227 as the sole governmental authority charged with developing and operating the Subic Bay Special Economic Zone and Freeport. Under the provisions of the Act, the SBMA is a public corporation, acting as an “operating and implementing arm of the BCDA.” Overall, the Act vests the SBMA with broad powers to establish a Freeport regime and to ensure the promotion and development of socioeconomic projects and activities.

Despite the innovative structure and broad authority conferred to the SBMA, the first and second World Bank reports raised a number of issues that potentially impede it’s ability to effectively implement the Freeport regime. Among the most serious concerns raised by that report were the following:

- the high degree of overlap and redundancy in the powers and functions of the SBMA and the Bases Conversion Development Authority;
- lack of clarity in the respective responsibilities of the SBMA, national and local government units in the day-to day administration of the Freeport regime;
- the potentially restrictive impact of the requirement for mandatory pre-audits by Commission on Audit (COA) for any significant alienation of property;
- the limitations posed by the fact that the SBMA is a public corporation, and therefore subject to remuneration ceilings and other civil service limitations;
- potential uncertainty caused by the fact that all Board members of the SBMA and the BCDA served only in an interim capacity, unless reappointed by the President; and,
- ambiguity about the ability of SBMA to independently issue franchise licenses to private companies to provide utilities and other services to freeport companies and residents.

The access of the SBMA to sufficient financial resources to purchase surplus equipment and meet operating expenditures was another concern highlighted by the earlier World Bank study. Under RA 7227, the SBMA has P-20 billion authorized capital, paid up through lands and other transferred assets, and repaid through preferred shares issue; the operating budget was to be met by an annual cash transfer of P-300 million from the GOP budget, for an initial three-year period. However, given the budgetary constraints of the Philippine government, it was unclear whether sufficient resources could be acquired rapidly enough by the SBMA.

(2) Competence of SBMA

Basic legal capacity of SBMA is defined by those fundamental acts, proclamations, orders etc. as shown in Table 2.1.2-1. While the basic nature of SBMA and its policy framework as well as day to day business tools such as the Port Tariff have been quickly consolidated, interfacing with other national organizations and municipalities in terms of agreements and understandings has been delayed.

The national organizations with which SBMA needs to improve relations in the interest of mutual cooperation are as follows:-

AFP	Armed Forces of the Philippines
NEDA	National Economic and Development Authority

BIR	Bureau of Internal Revenue
BI	Bureau of Immigration
BOC	Bureau of Customs
DENR	Department of Environmental and Natural Resources
CB	Central Bank of the Philippines

It is also important to pave the way for mutual understanding and reliance with Olongapo City and Municipalities of Subic, Morong, and Hermosa which are included in the SBF territory.

Table 2.1.2-1 SBMA Fundamental Documents

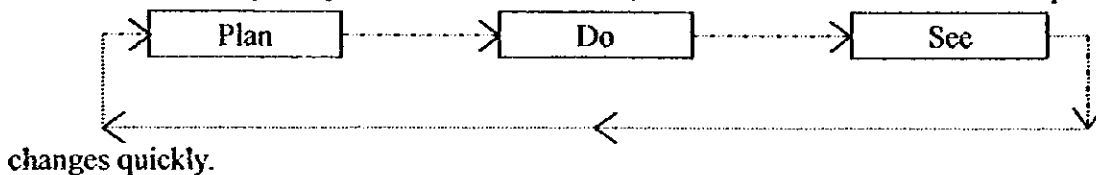
1	R.A. 7227	(Proposed 1991- 7-22)
		(Approved 1992- 3-13)
2	Proclamation No. 50	1992- 9-18
3	Rules and Regulations	1992-11- 3
4	Executive Order No.97-A	1993- 6-19
5	Port Tariff	1994- 4- 1
6	Proclamation No.532	1995- 2- 1
7	SBMA Strategy	1997- 4- 4

Source: SBMA/JICA Study Team

(3) SBMA Management Cycle

As we have seen already there are many hurdles to clear for SBMA to attain the Goals and also to establish a financially sound organization.

The above fact points to the mutual reliance and sense of being one felt among many national and related organizations. At the same time, there is a danger that the SBMA organization could become overly complicated and bureaucratic; this would make it difficult to respond to



To prevent SBMA from becoming this type of dull organization, the management cycle of PLAN-DO SEE method is proposed here.

Fig. 2.1.2-1 shows how the management cycle of SBMA should work.

In this fig., each group (six groups in total) must have its own management cycle.

An organization can be said to resemble the human body in that it is the sum of its parts. If ever one organ of the body, such as a kidney, lung, etc., is damaged, a person cannot be

healthy. The SBMA must also ensure that all of its parts are healthy.

If Transportation and Communication Group suffers a big loss, SBMA as a whole suffers. Therefore, management cycle for each group must rotate to build a healthy SBMA.

SBF has to compete with various leading ports in the world to become a hub port for customer shipping lines. To develop SBF as a self-sustaining industrial port is the mission of SBMA. To become “self-sustaining economically”, SBMA must be “self-sustaining spiritually”, and management cycle philosophy is a powerful tool to attain this objective.

It goes without saying that it is of great importance for the top leadership to pull and encourage organization members, however, the basic condition for development is that all members of all units of an organization have the will to think and stand by themselves, so that each unit management cycle can get started.

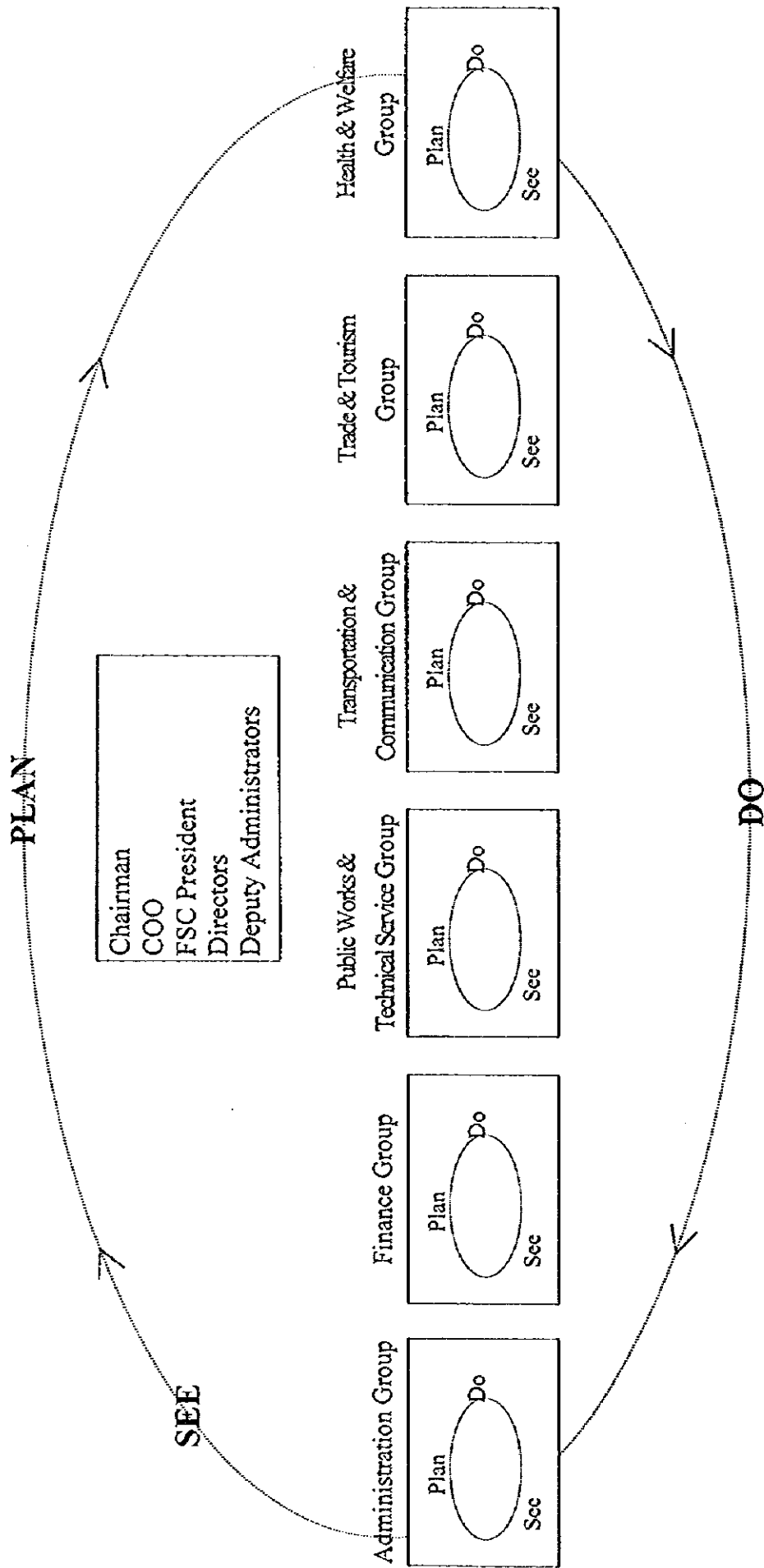


Figure 2.1.2-1 Management Cycle of SBMA

Source: OCIDI

2.2 Strategic Plan of SBMA

SBMA has been created to undertake the conversion and development of the former Subic Naval Base and its neighboring areas, the Subic Special Economic and Freeport Zone (SSEFZ), into a self-sustaining industrial, commercial, financial and investment center. SBMA anticipates a gradual process of Freeport expansion with Olongapo City and Subic Town as the initial areas targeted for immediate development; but until these plans are realized, SBMA will continue to focus its efforts in optimizing development in Subic Bay Freeport (SBF).

2.2.1 Target Industries

SBMA's target industries define the type of industries that it wants to attract in SBF. The target industries will help achieve SBMA's vision for SBF to become a major regional hub of transportation, production and commerce. More specifically, SBMA envisions the SSEFZ as a hi-tech industrial center, transshipment hub, financial center and tourist destination.

Generally, SBMA seeks to attract any attractive industry based on the following criteria:

- Employment creation
- Skill development
- Investment generation
- Export generation
- Service demand generation
- Use of the seaport, airport and information technology
- Value-added
- Property development or infrastructure upgrade
- Environmental impact
- Strategic importance

SBMA's target industries include the following:

(1) Industry Sector

1) Property Development

Construction or property development is important in the formation of the physical capital of an economy. This refers to the building of commercial structures, residential buildings, office facilities, etc. It creates a productive capacity by providing space for the production of goods and services.

- Resorts
- Hotels
- Condominiums

- Commercial centers
- Office buildings
- Convention centers
- Entertainment and recreational facilities
- Schools
- Medical and health facilities
- Housing facilities
- Urban regeneration of Olongapo City

2) Manufacturing

Manufacturing comprises diverse activities, including the processing of basic agricultural products and primary minerals, the production of final consumer goods, and the manufacture of equipment and machinery.

- Electronics and IT (Information Technology)-related
- Telecommunications hardware and software
- Light to medium manufacturing for the automotive, aviation and shipping industries
- Precision-engineered products
- Products requiring high skills levels
- Printing and publishing

(2) Service Sector

1) Financial Services

SBMA has been requesting assistance from the Philippine government in acquiring the necessary incentives and legislation for SBF to become a Financial Center. Although SBF was initially envisioned in Republic Act No.7227 to be a financial and investment center, no specific legislation has been established to realize this aim.

Though the development of the legislation to enable SBF to become a financial center may not be achieved in the short-term, SBMA will promote the establishment of various financial services in SBF to the extent possible under the current law.

a) Offshore Banking

Offshore banking refers to the conduct of banking transaction in foreign currencies involving the receipt of funds principally from external sources and internal sources and utilization of such funds.

b) Commercial Banking

Commercial banking handles the everyday financial transaction of businesses(as through demand deposit accounts and short-term loans).

c) Insurance

Insurance companies are organized to provide coverage for death, retirement, illness, fire and other serious accidents.

d) Fund Management

Fund management is engaged in locating funds in various investment projects and financial ventures to generate interest.

e) Others

Other activities under financial services are welcome to set-up in SBF.

2) Information Services

Information services are activities that primarily require an educated workforce, high use of Information Technology(IT) and good communications facilities.

- Software development
- Financial information services such as credit rating services, financial news agencies
- Data / image processing
- Data entry for volume transactions
- Satellite telecommunications and broadcasting services
- Mass media Production
- Film production

3) Regional Headquarters

A regional headquarters of a multinational company is an administrative branch, which principally acts as a supervision, communications and coordination center for the subsidiaries, branches or affiliates of a multinational company in the Asia-Pacific region. All its expenses are financed by the head office or parent company.

4) Research and Development

Research and development activities are high value-added, promote skill development, and are a significant support to various industries.

- Research and consulting
- Training centers

5) Transportation Services

The presence of international ports in SBF will be greatly emphasized with the proliferation of transportation services supporting SBF's campaign to become a transshipment hub.

- Airlines
- Shipping lines
- Ferries

6) Warehousing and Transshipment

Likewise, warehousing and transshipment activities, which make heavy use of SBF's international ports, will realize SBMA's vision of a transshipment hub.

- Logistics including break bulk, storage, repackaging and dispatch
- Trading
- Distribution

7) Tourism

SBF's unique natural environment enables the development of the area into a tourist destination. The availability of an extensive range of activities and recreational facilities is considered to be an important element in the enhancement of SBF's "quality of life" environment and in the attraction of tourists.

- Resort
- Hotels
- Restaurants
- Entertainment, recreational and facilities operators
- Package tours
- Conventions
- Passenger cruises
- Retirement villages and vacation homes

2.2.2 Conversion and Development Strategy

The conversion and development strategy aims to provide SBMA's strategy for the conversion and development of the former Subic Naval Base. It will give details on SBMA's latest development plans for SBF. Map of Subic Bay is shown in Figure 2.2.2-1

(1) Key Sites for Immediate Investment

1) The Central Area

SBMA is actively promoting and marketing the Central Area to create a new Central Business District for SBF with mixed commercial and tourism uses on 181 hectares of land. The urban design guidelines of the Kenzo Tange Associates Master Plan provide a quantifiable guide to development in the Central Area.

SBMA is seeking to attract and secure development agreements with developers and investors for the construction of new hotel, office, leisure and entertainment facilities to provide full range facilities and amenities associated with a model metropolis for the next millennium. The initial focus of the development is on creating additional resort hotels along the waterfront. Several parcels for new entertainment, commercial, office and mixed-use developments are also available for immediate development.

2) Subic Bay Industrial Park

The Subic Bay Industrial Park (SBIP) is a 300 hectare industrial estate project by the Subic Bay Development and Management Corporation (SBDMC), a joint venture between the United Development Corporation of Taiwan - Century Development Corporation and China Development Corporation - (51%) and SBMA (49%). SBIP is divided into three phases of development: Phase I - 105 hectares, Phase II - 55 hectares and Phase III - 140 hectares. SBDMC is currently developing Phase II of the project. Acer, Taiwan Hitachi Group, Teco Electric and Machinery Company, GVC Corporation, Yow Ming Industrial Company and First Resistor Company are just some of the locators at SBIP. SBIP is targeting non-pollutant light to medium industries that are high technology and high value added.

3) Subic Technopark

The Subic Technopark (STEP) is a 60 hectare industrial estate project by STEP Corporation, a joint venture between JAIDO (33%), Toyo Construction Inc. (33%), Kawasho Corporation (approx.1%), Bank of Tokyo Mitsubishi (approx.1%) and the SBMA (33%). STEP features a Technocenter (Area A) with two standard factory buildings and an industrial estate, Technopark (Area B). Omron Corporation, Nihon-Inter Electronics and Philippine Italian

Synthetic Leather Corporation are the locators at STEP. STEP is targeting small to medium supporting industries that are non-pollutant, high technology and high value added.

(2) Future Opportunities Subject to Master Plan

1) Naval Magazine

The Naval Magazine (NAVMAG) is open to development compatible with the preservation of the National System. Under the Master Plan for the Freeport, NAVMAG was designated for recreational and tourism uses. The proposed development concept for NAVMAG includes a Subic Bay Nature Park, a low density and high value resort complex, adventure tourism, a Marine Park and areas for future low impact industrial or warehousing uses.

2) Grande Island

Grande Island is a 44 hectare island ideal for resort development with conference facilities, water-based attractions, beaches and historic forts and trails.

3) Olongapo City

With the anticipated Freeport expansion, investment opportunities for urban redevelopment for various commercial, residential and mixed-use facilities in Olongapo City are foreseen to grow.

(3) SBMA Strategies for Property Development

- Move from Direct Participant to Administrative Role
- Create a Competitive Real Estate Market
- Emphasize Long-term Revenue Streams from Property Leases
- Establish a Flexible System of Development Controls

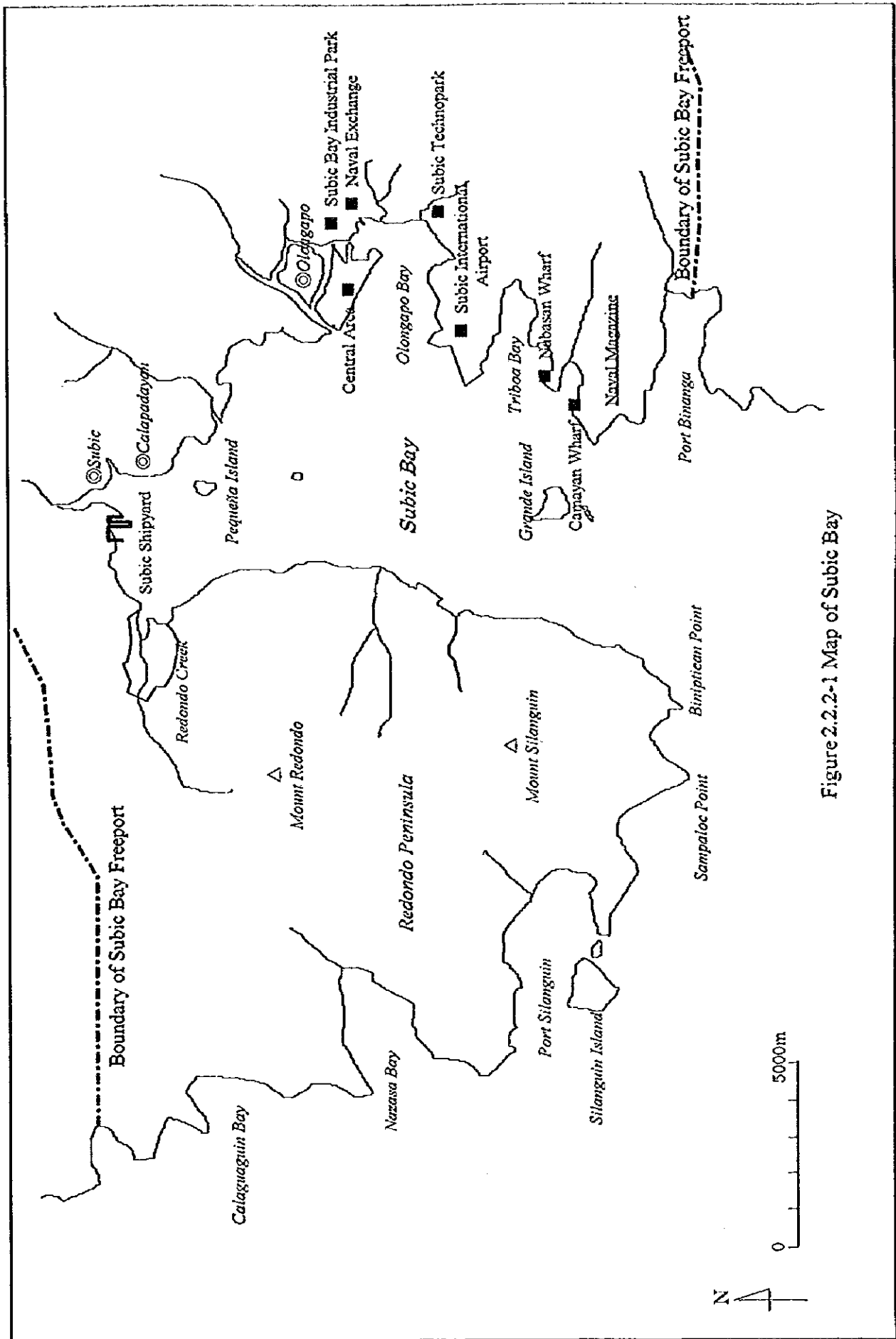


Figure 2.2.2-1 Map of Subic Bay

2.3 Existing Master Plans of the Subic Bay Freeport Zone (SBFZ)

There have already been some master plans in Subic Bay as follows.

2.3.1 The Subic Bay Freeport Development Urban Design Guidelines (Kenzo Tange's Master Plan)

SBMA commissioned world-renowned architects and urban planners - Kenzo Tange and Associates - to provide the physical framework and urban design guideline for the development of a model metropolis for the future.

The Central Area Master Plan of the Subic Bay Freeport designed by Kenzo Tange Associates has been systematically codified into a series of volumes under the general title of "The Subic Bay Freeport Development Urban Design Guidelines". The Urban Design Guidelines are intended to be utilized by the Land Management Department of SBMA as a general guide for the control of development of land under its jurisdiction.

The SBMA's control over development will be exercised through the SBMA's Land and Estate Management department. The department will review all development within the Subic Bay Central Area based on the criterion, on a case basis and will be the principal mechanism for control over issues related to the design of buildings, structures and public spaces.

(1)General Goals

At a humanistic level there are three basic urban concerns that must be carefully taken into consideration and appropriately addressed by all development in the Central Area.

- 1)Improvement in the quality of life
- 2)Economic growth and stability
- 3)Accommodation of the anticipated growth

(2)Planning Considerations

In conjunction with the previously stated overall goals, a number of specific goals related to the physical environment should be given thorough consideration.

- 1)Enhancing and utilizing the existing natural resources
- 2)Creation of a functional and efficient urban structure
- 3)Embodying the area's regional history
- 4)Establishment of a viable Central Business District
- 5)Encouraging further development in Olongapo City

- 6) Establishing a comprehensive open space network
- 7) Diverse mixed use districts

(3) Design Concepts

The Master Plan of the Central Area proposes that a series of “Connections” be created to link the many aspects and amenities of the area together and that will also serve as symbols of a highly visible united community.

- 1) The green civil axis- (Magsaysay Mall)
- 2) The east-west boulevard- (Dewey Avenue / Burgos Street)
- 3) A public waterfront

(4) Planning Principles

The following planning principles are intended to address specific urban design issues and further explain the conceptual ideas underlying the Master Plan of the Central Area.

Linkage, Circulation, Open space, Land use, Scale, Density, Height and bulk control, Site features, Landscaping, Energy conservation, and Utilities

(5) Land Use

The Land Use strategy as it relates to the urban design concept seeks to achieve a number of objectives. These objectives include the following;

1) Office tower

To provide a mixed use of office, commercial and flexible use space in the lower levels of the buildings along the principal streets in the Central Area. Office towers will form clear landmarks and be treated as the walls of grand civic spaces that invite people to the Central Area from various directions.

2) Retail

To encourage activity and vitality for both the Central Area retailers and for shops in the existing downtown of Olongapo City during both day and night in order to create a viable pedestrian movement corridor extending from the existing downtown area to the waterfront.

3) Destination Retail (large scale shopping mall)

To establish a large-scale retail destination along the Inner Basin in order to attract visitors and local residents to the area. These structures could contain a number of individual stores typically organized side by side into a bar. A shopping area with a unique Philippine/Olongapo flavor featuring small shops could be connected via an outdoor courtyard system taking advantage of the tropical weather.

4) Resort Hotel Development

To complement each other a number of resort activities have been concentrated along Dewey Avenue in the Central Area. Resort hotels and resort shopping districts are intended to help stimulate each other and the overall resort business potential of the Central Area.

5) Recreation

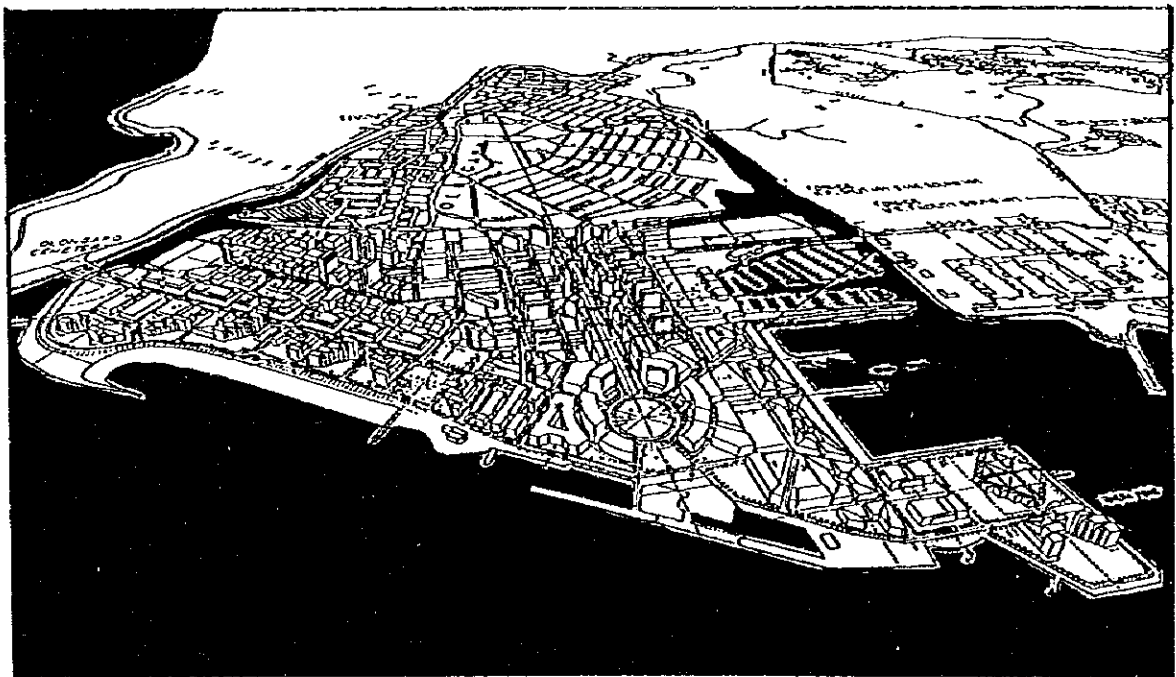
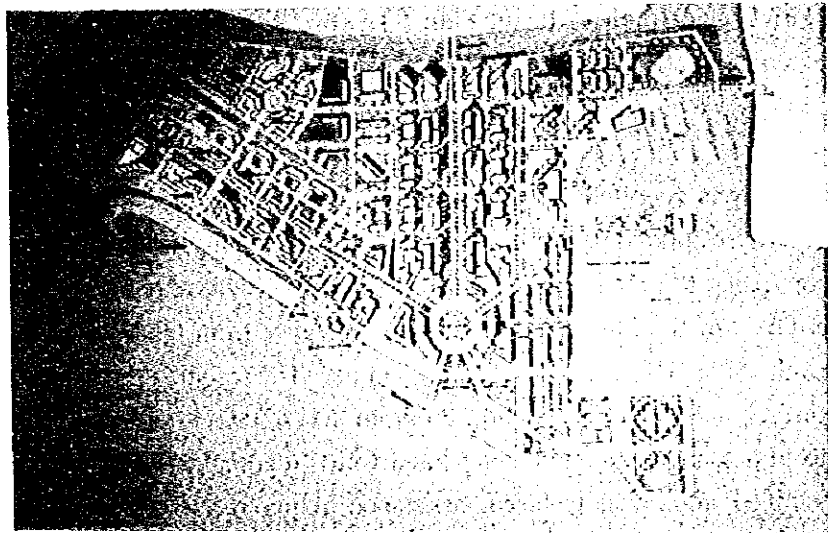
To provide recreation facilities and parks of various types and sizes distributed throughout the entire Central Area.

6) Institution/Government

To provide an identifiable government center that is located in a prominent and prestigious location. The government center should be easily accessible to the general public and well linked to other adjacent public amenities.

(6) Image of Central Area

The image of the Central Area is shown in Figure 2.3.1-1. In the design program, total required building area is 1,746,060 gross square meters and estimated population is 51,087.



Source: Subic Bay Freeport Development Urban Design Guidelines, Kenzo Tange Associates

Figure 2.3.1-1 Image of Central Area

2.3.2 Strategy for Conversion of the Subic Bay Naval Base into a Special Economic Zone and FreePort (The World Bank's Master Plan I)

(1) Background

This strategy was reported in January 1993. The report summarizes the results of the various technical analyses undertaken by a World Bank consulting team which has been assisting the SBMA in converting the Subic Bay Naval Base into the Subic Bay Freeport(SBF). In early 1992, the Government of the Philippines requested assistance from the World Bank in planning the conversion of the Subic Bay Naval Base to civilian use. The resulting report (Subic's Industrial and Tourism Conversion Strategy and Action Program, May 1992) verified the basic feasibility of developing a mixed-use, industrial, commercial and tourism complex operating under a freeport regime, and identified additional technical assistance requirements which were subsequently requested by the newly formed SBMA. The results of this technical assistance forms the basis of this report. Work was initiated in July 1992, and numerous technical inputs have been provided by the consulting team and refined in conjunction with the SBMA on an ongoing basis. The situation continues to evolve concerning the SBF. This report presents the status as of the end of 1992, which marked the completion of the technical assistance effort. Much of the information presented here has been previously submitted to the SBMA in different formats.

1) Organization of the Report

(a) Findings of the SBF Legal and Regulatory Framework Analysis

- a) Status of Efforts to Resolve Legal Deficiencies**
- b) Outstanding Legal and Policy Issues**

(b) Findings of the SBF Institutional Analyses

- a) Background on the institutional Framework**
- b) Status of SBMA Structure and Services**
- c) Issues to Be Resolved**

(c) Assessment of Existing Physical Plant

- a) Previous Land Use Areas**
- b) Evaluation of Buildings and Structures**
- c) Assessment of Existing Utilities and Infrastructure**
- d) Evaluation of Transportation Infrastructure and Facilities**

(d) Strategy for Conversion of Subic Bay Naval Base

- a) Conversion of Military Installations**
- b) Principles and Objectives Underlying the Conversion Strategy**
- c) Alternative and Optimal Redevelopment Concept**

- (e) Proposals for Development of the Subic Bay Freeport
 - a) Proposed Land Use Master Plan
 - b) Detailed Area Level Physical Development Proposals
 - c) Demand for Transport Services in the SBF
 - d) Transport Facilities Development Proposals
 - e) Utilities Facilities Development Proposals

- (f) Privatization Strategy and Financial Plan
 - a) General Considerations
 - b) Recommended Privatization Approach for Core Assets

2) Land Use Plan

The land use proposals for the planning area are based upon a careful consideration of the constraints and opportunities unique to the site. It is clear that the conversion of the Subic Naval Base offers a unique opportunity for the creation of an outstanding Subic Bay Freeport with a diverse range of activities. As anticipated in the redevelopment concept, the proposed land use plan calls for a multi-use and inter-connected freeport complex, with a revitalized Central Area as the core of the redeveloped facility. The focus of land use proposals is a multi-use complex at a central location on the waterfront. This main compound of the old Naval Base has been planned as the heart of the industrial, commercial and trade-related activities. Positioning of other activity areas has been determined by the twin objectives of complementing the proposed activities in the central area while integrating the base complex with Olongapo City in a mutually beneficial manner. An important aspect of this new relationship is that it will be a partnership which fosters unified growth of the sub-region. In the proposed concept, the baselands and Olongapo City would become an integral part of each other, and interact in a barrier-free environment, other than that required to secure the freeport.

The land use plan depicted in Figure 2.3.2-1 and summarized in Table 2.3.2-1, consists of the following proposed land uses:

- (a) Allocation of 284 ha. of land for light and medium industry in several pockets including larger land parcels earmarked for the development of integrated industrial estates;

- (b) Designation of 181ha. of the Central Area as a special multi-use zone to house commercial, trading and tourism-related facilities as well as light industrial activities. This will be the centerpiece of conversion proposals and act as a catalyst for unified growth and development of Olongapo City and Naval Base areas, while ensuring the conservation of important monuments and historic landmarks;

- (c) Provision of 358ha. of land for housing including conversion of residential areas at Binictican and Kalayaan, and densification/redevelopment of selected pockets, with planned increased of approximately 6,000 dwelling units;
- (d) Allocation of Naval Magazine Area for a Nature Park dedicated to environmental preservation;
- (e) 285 ha. of land for conversion of the Military Airport into a Civilian International Airport;
- (f) Proposal for a future General Cargo Port at the site of the Naval Supply Depot;
- (g) Recommendation to build new bridges to facilitate integration of Naval Base Area and Olongapo City, and to reduce conflict between heavy industrial and light vehicular traffic;
- (h) Recommendation for development of new utilities facilities to accommodate growth and development within a unified framework;
- (i) Designation of selected areas as Land Reserves to provide flexibility in time and space.

Source: Strategy for Conversion of the Subic Bay Naval Base into a Special Economic Zone and Freeport

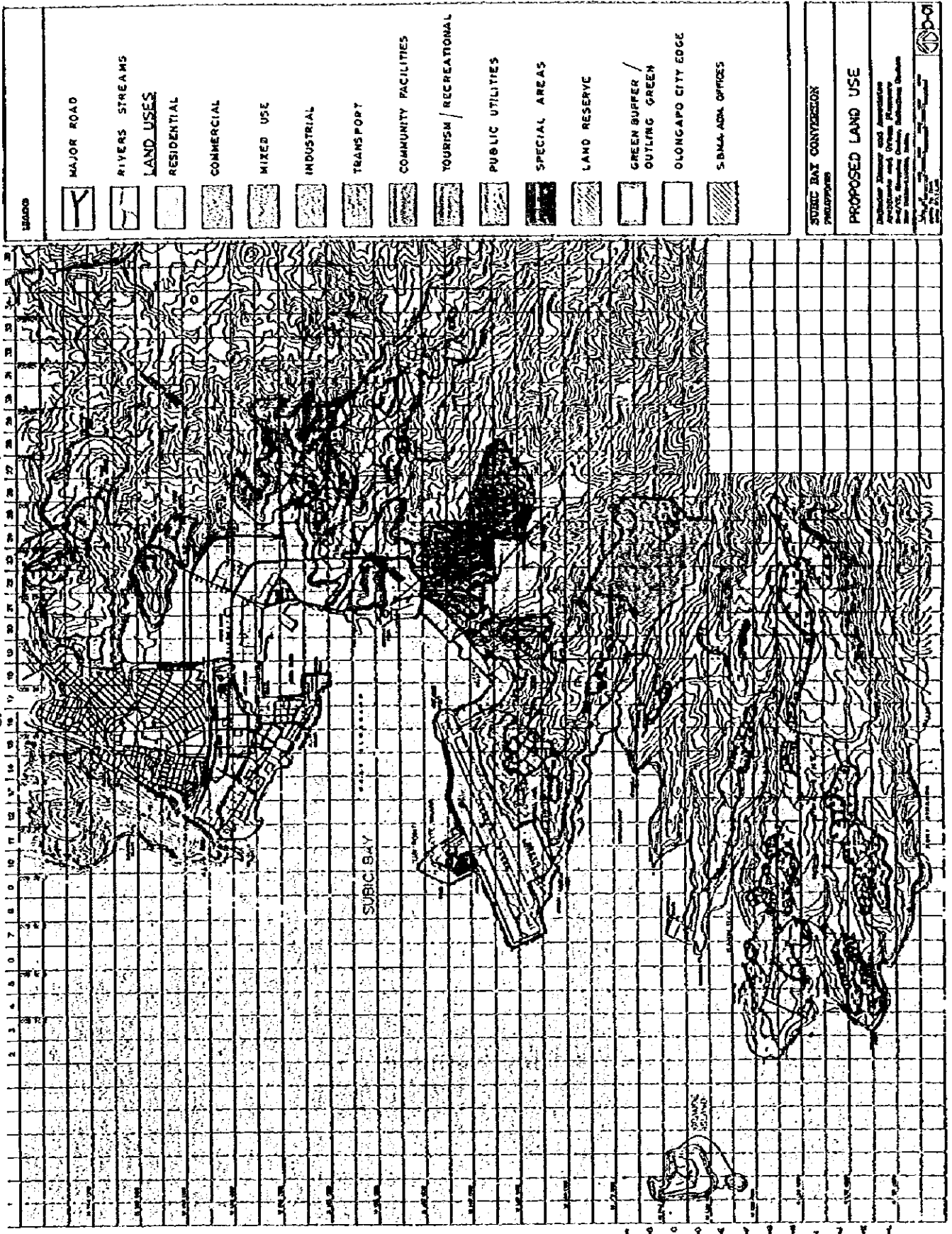


Figure 2.3.2-1 Proposed Land Use

Table 2.3.2-1 Proposed Land Use for Subic Bay Freeport

Zoning	Location	Area (ha.)	Zoning	Location	Area (ha.)
Industrial	Public Works Center	23	Community Facilities	Naval Hospital	176
	NSD Core Area	15		George Dewey H.S.	24
	NSD East	102		Kalayaan Elem. School	14
	NSD North	100		Binictican School	9
	Boton Wharf Areas	44		Binictican Area	9
Commercial/ Mixed Use	Central Area	28	Special Areas	POL Facilities	170
	Ship Repair Facility	26		Upper MEF Camp	16
	Naval Exchange	12		PAF Area	7
	Cubi Point	24	Utilities	Binictican Filtration Plant	15
	Local Commercial	--		Subic Power Plant	11
Tourism/ Recreation	Grande Island	47	Utilities in East Cubi Housing Area	30	
	Binictican Golf Course	152	Strip of Land Between NAVMAG & Cubi Housing	4	
	Area North of SRF	21	Central Area	4	
	Beach South of Cubi	25	West of Kalayaan Housing Area	4	
	Central Area	53			
	Naval Magazine	2,000			
Residential	Kalayaan Housing	183	Green Buffer	Area Between Cubi Airport & Cubi New Housing Areas	113
	Binictican Housing	134		Area Between North Boton & Binictican Housing	33
	Cubi Point Housing	31			
	Central Area	10			
Transportation	Cubi Point Airport	285			
	Roads	--			
	Cargo Port at NSD Area	29			
	POL Pier	11			

Source: Strategy for Conversion of Subic Bay Naval Base into a Special Economic Zone and Freeport