



# Accelerating Development Amidst Global Challenges

annual report

06

# Accelerating Development Amidst Global Challenges

*The cover concept depicts movement.  
Movement depicts growth. Growth depicts change.*

This year's theme is: **Accelerating development amidst global challenges.**

Indeed, the Bases Conversion and Development Authority (BCDA) hurdled a lot of challenges in 2006. Yet, BCDA remained steadfast in its mission to accelerate the pace of growth through the sound and balanced conversion of former US military camps and Metro Manila camps. Its flagship project, the Subic-Clark-Tarlac Expressway (SCTEx), is expected to bring in more investments, create more jobs and promote tourism in the Central Luzon region.

The economic gains from the creation of a new international logistics hub in Region III and the development of new business districts in the former Fort Bonifacio and Villamor Air Base are foreseen to spillover and benefit the rest of the country.

With the continued implementation of its development plans and projects, BCDA is driven to accelerate national progress through initiatives that follow the economic vision and strategy of President Gloria Macapagal-Arroyo.

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## Message of Her Excellency Gloria Macapagal-Arroyo President, Republic of the Philippines

The Bases Conversion and Development Authority (BCDA) is definitely in the forefront of efforts to speed up the country's economic growth.

Notably, the BCDA continues to transform former Metro Manila military camps—Fort Bonifacio and Villamor Air Base—into revenue-rich, high-end business, commercial and residential centers. Revenues generated from these projects are earmarked for the modernization of the Armed Forces of the Philippines.

Also noteworthy is the fact that the former US military facilities in Clark, John Hay and Wallace Air Station (now Poro Point) are being transformed into special economic zones and free ports that serve as magnets for investors who put up factories, commercial centers and offices, which, in turn, create jobs for our countrymen.

The BCDA's latest mega-project, the 93.77-kilometer Subic-Clark-Tarlac Expressway (SCTEx), is expected to further stimulate trade and commerce, not only in Central and Northern Luzon, but in the entire country. When completed at the end of 2007, the country's longest expressway—with a project cost of P21 billion—will link two free ports, Clark and Subic, transforming the area as Asia's most modern logistics hub.

This project will pave the way for the convergence of air, land and sea transport creating a portal where investors can conduct trade and commerce with ease and comfort.

The BCDA deserves to be commended for being the country's premier force for economic development. Its performance in 2006 again affirms its corporate capability to deliver on its promise and to translate such remarkable performance for the greater good of the country.

More power and *Mabuhay kayong lahat!*

  
H.E. GLORIA MACAPAGAL-ARROYO

# Message of the Chairman



The 14<sup>th</sup> year of the Bases Conversion and Development Authority was one of the most critical years in the history of BCDA. Despite overwhelming challenges, the BCDA remained steadfast in its commitment to deliver projects that will position the country as a world-class investment haven.

Primary among its commitments is the 93.77-kilometer Subic-Clark-Tarlac Expressway (SCTEx), a flagship project of Her Excellency President Gloria Macapagal-Arroyo, which will soon link the international gateways of the Subic Bay Freeport, the Diosdado Macapagal International Airport in Clark and adjacent industrial zones and transform the area into a first-class service and logistics hub that will serve the entire Southeast Asian region.

In 2007, the BCDA expects to complete the SCTEx and fulfill the promise of providing modern transport infrastructure that will open Central Luzon to economic opportunities and create a new landscape in the development of the country. The SCTEx will become a foundation of progress that will multiply investment and economic opportunities, accelerate economic growth and ultimately benefit the Filipino people.

Another vital infrastructure facility is the 32.2-kilometer NorthRail mass transit system, which is being implemented by the North Luzon Railways Corporation (NLRC). The construction of the Caloocan to Malolos segment of the NorthRail commenced in October of 2006. During the same period, the Investment Coordinating Council (ICC) of the National Economic Development Authority (NEDA) granted approval for the commencement of negotiations between NLRC and its Chinese counterparts for the extension of the NorthRail line from Malolos to Clark.

The NorthRail mass transit system will contribute to the efforts to decongest Metro Manila and broaden accessibility of various local markets to prospective clients—further accelerating economic advancement of the country.

During the last semester of 2006, the BCDA also actively campaigned for the passage of Senate Bills 2259 (Tax Amnesty Bill) and 2260 (Tax Incentive Bill) in response to an earlier Supreme Court ruling which nullified the tax incentives in the John Hay Special Economic Zone and Clark Special Economic Zone. The passage of these legislative measures, coupled with the declaration by the Philippine Economic Zone Authority (PEZA) of BCDA-administered zones as Special Economic Zones, effectively restored investor confidence, and reinforced the BCDA's commitment to its development partners to continue to provide an environment conducive to the growth and expansion of business.

This year has truly been challenging for the BCDA, but it continued to face these challenges undaunted, upholding its reputation for good governance while fulfilling its mandate under RA 7227.

In 2006, the BCDA continued to persevere in its development efforts focused on the sole objective of serving the Filipino nation and its people. In the years to come, I trust that BCDA shall continue to thrive and contribute to national development guided by its core values of corporate excellence, stewardship and committed public service.

A handwritten signature in black ink, appearing to read 'F. S. Rojas, Jr.', written over a white background.

FILADELFO S. ROJAS, JR.  
Chairman

(September 2004 - November 2006)

# Message of the President and Chief Executive Officer



**T**he year 2006 is easily one of the most challenging in the 14-year history of the Bases Conversion and Development Authority (BCDA). In the same vein, the year also afforded us the opportunity to show the world that the BCDA is ready to face up to the most difficult challenges, that it can rise to the occasion and triumph—through its steadfast, focused and principled commitment to serve the public interest above all else.

The year had barely started when the BCDA began its tireless crusade in pursuit of the restoration of tax privileges of locators in the various special economic zones under the Authority which was earlier nullified by the Supreme Court. We had to go on overdrive to find a remedy, what with the foreign chambers of commerce threatening to pull out all their investments if the privileges are not restored immediately.


The efforts of the BCDA and its subsidiaries—Clark Development Corporation (CDC), Poro Point Management Corporation (PPMC), John Hay Management Corporation (JHMC), and Bataan Technology Park, Inc. (BTPI)—thankfully convinced investors that the government is sincere in ensuring stability in policy and not changing the rules of the game in midstream. For this, not one significant locator moved out of the special economic zones. Remedial legislations were introduced in Congress, and it was only a matter of time before a permanent solution was put in place.

The year also saw the full blast construction of the Subic-Clark-Tarlac Expressway or SCTEx, the country's longest tollroad system once completed. Again, the BCDA's resolve was put to the test when various factors necessitated the activation of contingencies to minimize work slippage. Timely management intervention and closer supervision put the SCTEx back on track.

These daunting tasks, not to mention a few minor distractions, were hurdled by the BCDA with plenty to spare. The year saw the Authority realize a cash inflow of Php6.1 billion for 2006, which is 12.9 percent higher than 2005's Php5.4 billion. The robust cash inflows enabled the BCDA to increase expenditures to P5.7 billion from P4.3 billion the year before.

To accelerate trade and tourism initiatives in Northern and Central Luzon, the BCDA sought to upgrade potential major gateways in the region. Preparations are underway for the Php530 million upgrade of the San Fernando Airport that will enable it to accommodate large aircrafts such as Boeing 373 and Airbus 320. The airport will provide vital infrastructure support for business





and tourism activities in the Poro Point Special Economic and Freeport Zone. Further, the BCDA has committed Php250 million for the construction of an interchange that will fast-track the rise of a Regional Central Business District (CBD) inside the Clark Special Economic Zone—similar to the Bonifacio Global City model. BCDA, in partnership with the Clark International Airport Corporation, has pursued the Regional CBD in anticipation of the future demand for space master-planned for commercial and residential facilities outside Metro Manila. The BCDA hopes to transform the Metro Luzon super region into the most economically dynamic area in the country—making the Subic-Clark growth corridor as the best international service and logistics hub in the Asia Pacific.

Revenues generated from successful joint venture agreements under the BCDA's Asset Disposition Program amounted to Php728.5 million. True to its commitment to the government's military modernization program, the BCDA remitted an additional Php131 million to the AFP, bringing its total remittance since 1994 to Php16.3 billion. Of this amount, Php9.4 billion has been spent by the BCDA for the replication of military facilities.

Clearly, the year's gains, painstakingly won against formidable odds, are concrete proof of the BCDA's maturity and resolve to deal with a variety of pressures and situations. The Authority has displayed flexibility and resilience—qualities that are needed if it is to continue its crucial role of being a catalyst for nation-building and sustained economic development, particularly in the former base lands.

Throughout its endeavors, the BCDA remains in full synchrony with the national government in the achievement of President Gloria Macapagal-Arroyo's economic agenda of creating new employment and investment opportunities in the country.

It is to the credit of the men and women of the BCDA that the Authority has not merely overcome, but has triumphed in the face of the challenges of 2006. Carry on.



**GEN NARCISO L. ABAYA (RET)**

President and Chief Executive Officer

A close-up, low-angle photograph of a car's body panel, showing the front fender and wheel. The car is light-colored, possibly silver or white, and the background is a blurred green field. The lighting is bright, creating highlights on the car's surface.

# Delivering the Country's Flagship Projects

The Bases Conversion and Development Authority (BCDA) has pursued with vigor the construction of key road and rail network facilities that will decongest Metro Manila and more importantly, devolve economic opportunities and raise investor confidence that will result to the accelerated development of both North and Central Luzon region. BCDA has aligned its initiatives with the national development goals of the Arroyo Administration which include the opening of new centers of growth in Subic and Clark, and the generation of employment and business opportunities, and the construction of modern transport infrastructure. BCDA continued to value its partnership with national line agencies, local government units, the private sector and local communities—leading to the expansion of the support base for its development projects frontlined by the Subic-Clark-Tarlac Expressway. The firm resolve of the BCDA leadership to complete projects on time manifests the reliability of BCDA in assuring that it delivers infrastructure that would yield optimum benefits for the Filipino people.



## The Subic-Clark-Tarlac Expressway

The construction of the Subic-Clark-Tarlac Expressway (SCTEx), flagship project of the Bases Conversion and Development Authority (BCDA), gained momentum in 2006, reaching above halfway in actual accomplishment and generating more than 3,400 jobs during the period of construction. Upon completion, the 93.77 four-lane divided expressway will assure the economic boom of Central Luzon as it connects three major economic zones—the Subic Freeport Zone in Bataan, the Clark Special Economic Zone in Pampanga, and the Central Techno Park in Tarlac. These zones consisting of 100,000 hectares of commercial, industrial and tourism developments are projected to pave the way for the emergence of an international service and logistics hub in Luzon. Once completed, the SCTEx will not only reduce travel time from Clark to Subic to 30 minutes and from Clark to Tarlac to 20 minutes, but will also lower the cost of transporting goods and services throughout the country.

To assure the timely completion of the SCTEx, BCDA has urged the SCTEx contractors—Kajima-Obayashi-JFE Engineering-Mitsubishi Heavy Industries Co. Ltd. (KOJM) Joint Venture for the Subic to Clark section, and the Hazama-Taisei-Nippon Steel (HTN) Joint Venture for the Clark to Tarlac section—to employ additional workers and use more equipment.

The onslaught of super typhoons which swept the country and submerged areas along the SCTEx alignment prompted the SCTEx Project Management Office to embark on a disaster preparedness and mitigation program that aimed to minimize damage to property and life especially in the communities affected by the SCTEx.

Right-of-Way (ROW) issues involving claims of project-affected people were immediately settled, resulting to a more solid support from local communities living along the project site. Livelihood trainings were conducted to enable the local residents to participate in the expected economic opportunities once the mega highway is completed.

The year also highlighted preparations for the bidding of the 10-year Operation and Maintenance (O&M) contract of the SCTEx. Several reputable companies have shown keen interest in providing the service which includes toll collection, traffic management, roadway maintenance, greening and landscaping.

The SCTEx, designed to serve as the backbone of development and progress in the heart of Central Luzon, is envisioned to transform the area into a super region that would attract investors worldwide.

Known as the country's longest toll road, the SCTEx was funded through a Php20.9 billion loan from the Japan Bank for International Cooperation (JBIC). For its part, BCDA raised Php4 billion to fund contingencies, administrative and ROW costs in the implementation of the highway.

Information dissemination efforts at the national and community levels were intensified to increase public awareness and appreciation of the benefits of the SCTEx to the regional and national economy.

The SCTEx is a crucial part of the national government's plan to build an efficient transport infrastructure that promises accessibility and convenience to all sectors of society. The SCTEx is also envisioned to transform regions into vital gateways that will hasten the growth and progress of the Philippine economy.

# NorthRail Project

Construction of Section I, Phase I (Caloocan to Malolos segment) of the NorthRail Project began in October following the successful relocation of almost 20,000 project-affected families occupying the site of the Philippine National Railways (PNR). The launch was witnessed by the Honorable Vice President Noli de Castro, Ambassador Li Jinjun of China, House Speaker Jose de Venecia, China National Machinery Industry Corporation (SINOMACH) Chairman Ren Hongbin, and local government officials.

Site preparatory works, which included removal of the old PNR rail tracks from Meycauayan to Malolos, Bulacan, were fast-tracked to enable its contractor, SINOMACH (formerly CNMEG), to complete all ground survey works, as well as soil and geotechnical investigation necessary for the preparation of the Project's detailed engineering design.

On March 1, 2006, SINOMACH submitted the Preliminary Design for Section I, Phase I of the Project for review and approval. Fourteen kilometers of construction fencing was also installed along the alignment from Valenzuela City to the towns of Meycauayan, Marilao and Malolos in Bulacan signaling full implementation of the Project's construction phase.

Partnerships with the PNR, National Food Authority (NFA) and the National Housing Authority (NHA) were forged in June to facilitate smooth implementation of the Project. The signing of a Memorandum of Agreement (MOA) with the PNR assured the availability of a location for a depot in Caloocan. Another MOA enabled NLRC to tap NFA's property in Valenzuela as a temporary site to house facilities of the prime contractor. This resulted to the construction of four buildings that will serve as living quarters and offices for technical personnel of the Project. Another agreement forged with the NHA guaranteed prioritization of qualified workers from the displaced families for the Project's manpower requirements.

Implemented by the North Luzon Railways Corporation (NLRC), the 32.2-kilometer NorthRail Project aims to provide efficient transport service between Metro Manila, and Central and Northern Luzon, thus easing the traffic problems of the metropolis. It is expected to accelerate development in the

region by interconnecting and improving access to major transportation facilities in the Manila-Clark-Subic economic triangle. The approval of the Feasibility Study of the Project, showing the viability of the construction of Section 2 (Malolos to Clark segment) of the NorthRail together with Section 1, was also granted in October by the National Economic Development Authority-Investment Coordinating Council (NEDA-ICC) and confirmed by the NEDA Board. This set in motion discussions with the SINOMACH for the design, supply and construction of Section 2. The Department of Finance, on the other hand, began negotiations with the China Export-Import Bank to secure funding for the section.

Also nearing completion is the Topographic Survey of Section 2 which enabled the NHA to finalize its data on affected families occupying the ROW in Section 2. Relocation was expected to be finalized by the first quarter of 2007. Construction of Section 2 is scheduled in April 2007.

The completion of the NorthRail is seen as an attraction for international investors. With efficient transport services in place, greater economic opportunities for Filipinos are expected to follow suit.

## The SCADC (Subic-Clark Alliance for Development Council)

The Subic-Clark Alliance for Development Council (SCADC), formerly known as Subic-Clark Area Development (SCAD), was reconstituted from the former Office of the Adviser on SCAD through Executive Order 504 issued in February 2006.

The SCADC is mandated to develop the Subic-Clark Corridor into a single, contiguous and geographical economic growth area, linking the Subic seaport with the Clark airport, and likewise, connecting the country to key growth areas in Asia and the Pacific.



*Vice President Noli de Castro, Speaker Jose de Venecia, Jr., Chinese Ambassador Li Jinjun, Northrail President Jose Cortes, Jr, Sec. Rene Diaz, and CNMEG Chairman Ren Hongbin during the launch of the NorthRail Project in October.*



*Installation of giant steel girders of the 55-meter high Gumain bridge, the highest bridge of the SCTEx.*

After setting up its offices at the Clark Development Corporation (CDC) Headquarters in March 2006, SCADC Chairman, Secretary Edgardo D. Pamintuan, started benchmarking operations of key logistic hubs in the United States, Singapore and Thailand as probable models for world-class logistics hub within the Subic-Clark Corridor. It also conducted a series of consultations with local business sectors involved in logistics operations, embarked on data-gathering activities and coordinated with international agencies and other entities that can





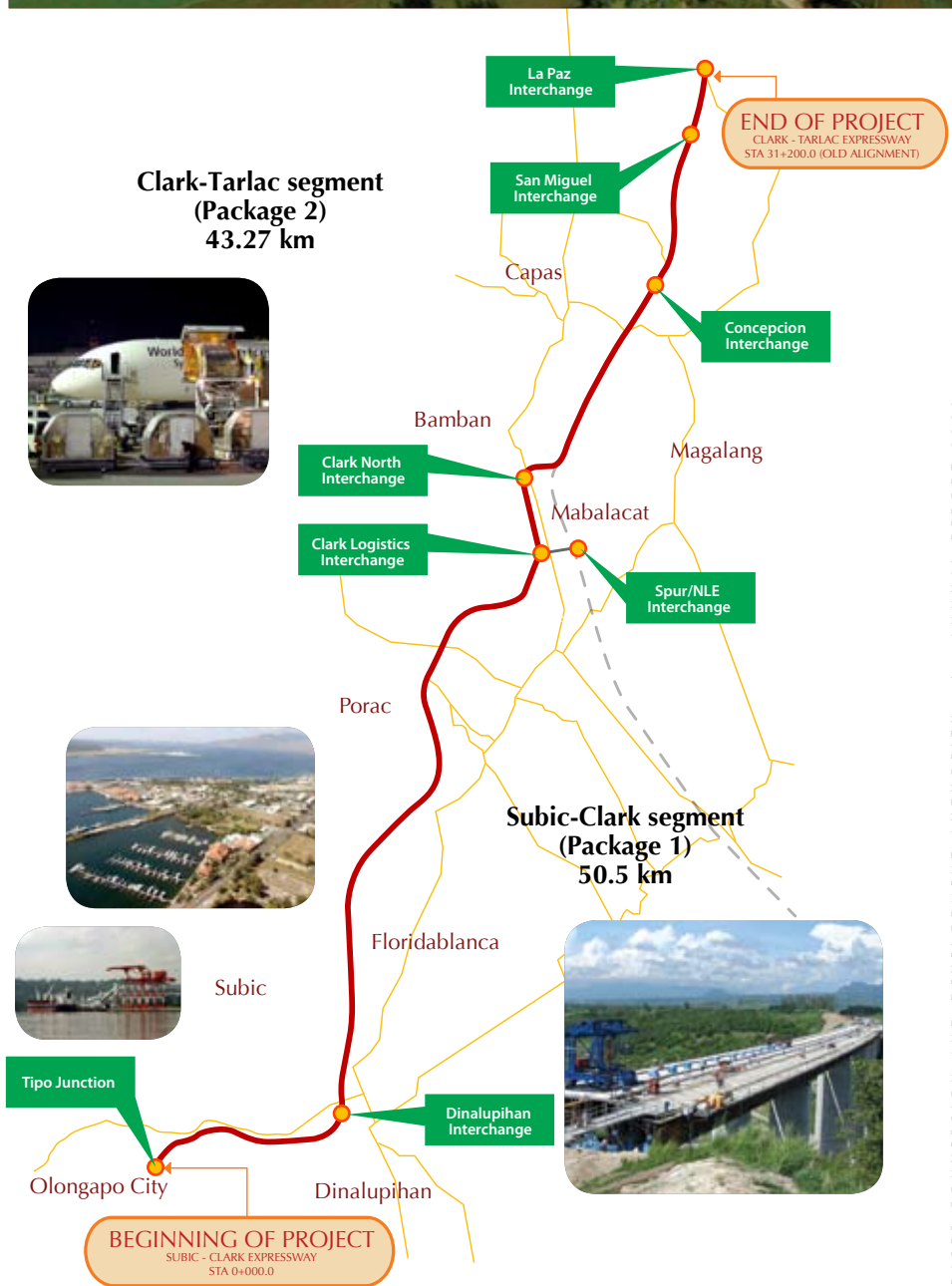
The trumpet-type Dinalupihan interchange

assist in the development of a master plan and a business plan for the Corridor.

In partnership with CDC, SCADC lobbied intensively with Congress for the grant of Freeport status to the Clark Special Economic Zone, as well as the restoration of tax incentives and the exemption from real property tax of its locators.

The year also saw SCADC focusing on the monitoring and support of the development efforts for the major infrastructure components of the Subic-Clark Logistics Hub, namely, the Subic-Clark-Tarlac Expressway (SCTEx), the NorthRail, the Diosdado Macapagal International Airport (DMIA), and the Subic Port Development Projects.

Overall, 2006 was a fruitful year for SCADC after Her Excellency President Gloria Macapagal-Arroyo expanded its mandate, assigning the SCADC Chairman as the "Development Champion" of the Luzon Urban Beltway Super Region. SCADC now oversees and spearheads the development of identified priority infrastructure projects in the biggest of the super regions, covering a large portion of the Central Luzon provinces, the whole National Capital Region, including CALABARZON (Cavite, Laguna, Batangas, Rizal and Quezon) and the provinces of Mindoro and Marinduque.





# Boosting Market Potentials in the Countryside





In support to government's efforts to speed up development in the countryside and create "super regions", the BCDA beefed up its efforts to accelerate the development of BCDA-administered special economic zones—the Morong Special Economic Zone (MSEZ), the Clark Special Economic Zone (CSEZ), the Poro Point Special Economic and Freeport Zone (PPSEFZ), and the John Hay Special Economic Zone (JHSEZ)—and strengthen their potential as economic havens for investors and the Filipino workers.





## Clark Special Economic Zone

### Employment



The Clark Special Economic Zone continues to make waves as one of the premier economic growth centers in the Central Luzon region. The zone's strategic location makes it ideal for various investment opportunities from aviation-related enterprises to tourism infrastructure development. It persisted to thrive as an investment haven inspite of a temporary setback due to a Supreme Court (SC) ruling nullifying the grant of tax incentives to locators located inside the special economic zone. This was realized through the efforts of the Clark Development Corporation (CDC), the estate manager of the CSEZ.

For six consecutive years, CDC realized a positive growth rate in actual year-end employment. Employment inside the zone soared as it registered a total of 47,481 workers employed in 2006, representing a 28.7 percent growth compared to the 2005 figure of 36,883. The increase in workforce is attributed to the entry of large locators—SM Clark which employed some 4,750 employees, Sutherland Global Services with 666 employees and IntelliRisk Management Corporation (IRMC), which hired some 200 call center personnel—and the expansion of operations of businesses inside the zone.

As an interim solution to counter the downside effects of the said SC ruling, President Gloria Macapagal-Arroyo issued Proclamation No. 1035 designating the Clark Special Economic Zone as a PEZA (Philippine Economic Zone Authority) Special Economic Zone. The move was taken apart from the intense and focused lobbying for the passage of legislations that will address the deficiencies of Republic Act 7227 and restore the tax incentives and duty free privileges previously accorded to the zone's locators.

### Net Exports

On the whole, CDC posted significant developments as indicated in the overall performance of the corporation for the year—more jobs generated, increased export earnings, more approved projects, and reduced power rates.

Total exports for 2006 exceeded \$1.16 billion, an impressive 12.7 percent increase from the \$1.02 billion export value in 2005. This is credited to the strong export performance of the industrial sector which accounts for 99 percent (\$1.14 billion) of the total export of the zone. Among the top 10 export performers of the year were Nanox Philippines (US\$728,171,120), Yokohama Tire Phils. (US\$118,745,810), L&T International Group (US\$77,166,270), Smart Shirts (Phils.), US\$39,939,205, SMK Electronics (US\$20,811,673), Peninsula Fashion (US\$20,718,962), L&K Industries (US\$19,560,274), Crismina Garments (US\$19,120,439), Bright Glory Apparel (US\$17,071,486), and Golden Stone Garments (US\$11,991,424).

## Approved Projects

Although the issue of tax incentives and other duty-free privileges for Clark locators still await final legislative solution, the number of approved projects in 2006 still exceeded that of 2005. A total of 101 new and expansion projects were approved in 2006. This is 11 percent higher than the 91 projects signed in 2005. These newly approved projects committed to infuse Php5.1 billion investments and generate around 5,155 jobs on the first year and an additional 1,865 on the fifth year.

Among the notable investments for the year are the opening of the 99,000-square meter, two-level SM Clark on May 12; the entry of the multinational business process outsourcing (BPO) Sutherland Global Services in December which provides support to a global client base, 70 percent of which are included in the Fortune 500 list; and the opening of IntelliRisk Management Corporation (IRMC) in August, which is expected to employ some 600 workers. In collaboration with Cisco System, the IRMC will be one of the first and largest all digital, VOIP developments in the market place.

## Other Developments

- **UPS Clark Intra-Asian Hub**  
US-based United Parcel Service (UPS) implemented its \$1.4 million expansion program officially making UPS Clark its Intra-Asian Hub. To date, UPS-Clark has 48 weekly flights to and from Hong Kong, Cologne, Dubai, Taipei, Kansai, Cebu, Narita, Kuala Lumpur, Penang, Beijing, Shanghai, Singapore, Shenzhen, Incheon and Mumbai.
- **Cebu Pacific**  
Cebu Pacific commenced its daily Cebu-Clark Airbus 319 flight on November 12. By mid-2007, it targets to have additional flights to Cebu and Davao.
- **Financial/Operation Viability of DMIA**  
The CDC granted provisional approval to the petition filed by the Clark International Airport Corporation for an increase in the terminal fee collected from international passengers departing DMIA from Php350 to Php500. Revenues generated will be used to improve airport facilities and services for the convenience of passengers.

- **SCTEx Access Road**

The design of the Subic-Clark-Tarlac Expressway now includes an access road to the CSEZ. The transit access (ingress-egress) will be constructed at the Industrial Estate 5 near Clark's main gate. The access road is also expected to improve traffic situation in Angeles City and Mabalacat, Pampanga.



- **Permanent Site for the University of the Philippines**

The CDC approved a 3.28-hectare land as the permanent site of UP Clark. UP will offer undergraduate and graduate courses on global competitiveness to complement the manpower needs of locators inside the zone. As lease payment, UP will provide research, consultancy and training services to CDC.



- **One-Stop Processing Center (OSPC)**

To assist Overseas Filipino Workers (OFWs) in obtaining permits and other documents, the CDC opened the OSPC which houses satellite offices of the Philippine Overseas Employment Administration, Overseas Workers Welfare Administration, PhilHealth, Philippine Tourism Authority, National Bureau of Investigation and Technical Education for Skills Development Agency.



- **Reduction of Power Rates**

The CDC continued to work closely with the Energy Regulatory Commission (ERC), National Transmission Corporation (TransCo) and other agencies to further bring down power rates to about Php5.27 kilowatt per hour. This is largely due to the ERC approval of the TransCo discount for the Clark power rate effective December 15.







## John Hay Special Economic Zone

The John Hay Management Corporation (JHMC), estate manager of the John Hay Special Economic Zone (JHSEZ), successfully transformed the erstwhile military camp into a premier tourist destination in Northern Luzon, in keeping with its mandate of transforming the JHSEZ into an international eco-tourism destination.



JHMC proved its resilience as it intensified development efforts despite the setbacks brought about by the Supreme Court's reversal of tax incentives and duty-free privileges accorded to the locators in the zone.

A major accomplishment for the year is the issuance of Proclamation No. 1191 which assigns the 301.86-hectare zone under PEZA renaming it—John Hay Special Tourism Economic Zone (JHSTEZ). This is pursuant to Republic Act No. 7916 or the "Special Economic Zone Act of 1995" as amended by Republic Act No. 8748. The PEZA issued a Certificate of Registration to JHMC as Operator/Developer of the JHSTEZ on December 22.

In anticipation of the passage of the amendatory bills, existing Implementing Rules and Regulations (IRR) for the JHSTEZ were amended and forwarded to the Office of the Government Corporate Counsel (OGCC) for final review.

Further, JHMC vigorously lobbied for the passage of bills that will counter the effects of the nullification of tax incentives in the zone. On December 21, the Senate approved on third reading Senate Bill 2259, which provides for a one-time tax amnesty on certain tax and duty liabilities incurred by enterprises operating within Special Economic and Freeport Zones, and Senate Bill 2260, that provides tax incentives to export-oriented enterprises operating in the said zones.



### Locator Relations

Responding to the needs of locators, the JHMC established a One-Stop-Action-Center (OSAC) that will assure convenience in transactions and ensure quick processing of permits and other documents. The Center houses the Social Security System, Department of Labor and Employment, Bureau of Internal Revenue, Department of Health, PhilHealth, and Pag-Ibig.

To complement the OSAC, JHMC also established the Office of Building and Civil Works (OBCW) for permit requests relative to infrastructure and civil works projects inside the JHSTEZ.

In 2006, JHMC generated a total of Php450,793.72 from the processing of 1,568 permits.

A total of 3,461 delivery vehicles and 891 various items were also inspected and released from the Customs Clearance Area (CCA).

### Business Development

Realizing the need for more revenue-generating opportunities, JHMC revised its five-year Business Plan to incorporate the lease of the JHMC Building, Warehouse and Compound, Area 1, Area 2 and Lot 15 inside Camp John Hay. The revised Plan also integrates a new strategy to gain additional revenues through the enhancement and operation of the Historical Core and the disposition of Camp 6.

Two reputable business organizations have signified keen interest in the projects.

The InterContinental Hotels Group has offered to lease the JHMC Office Building, Warehouse and Compound for the establishment of worldwide customer support center, and deposited Php100,000.00 earnest money for the property.

On the other hand, the Yupangco Group is eyeing operation of the John Hay Historical Core on a profit-sharing basis with JHMC. The project, dubbed as the “Hay Flower Garden” would entail the establishment of eco-tourism projects such as a flower and seed shop, outdoor shows and exhibits area, a garden workshop and a salad restaurant, among others. To captivate nature-lovers, Yupangco also proposed a showcase of multi-themed gardens such as the Zen, Bamboo, Labyrinth, and Fruit Garden.

Another noteworthy accomplishment is the lease of the 6.5-hectare Lot 15 along Loakan Road to PEZA to accommodate expansion projects of PEZA locators. JHMC and PEZA have conducted joint inspection and data-gathering activities for the proposed fencing of the area.

## Environmental Management

As steward of the historical forest reservation, it has been the main thrust of JHMC to preserve the forest cover inside Camp John Hay. Various initiatives are being undertaken to ensure that the Camp’s forest reserve is protected.

Among these are: a) policy formulation regarding Environmental Management and Monitoring which contains provisions on—Guidelines on the Use of Natural Resources, Pollution Control and Waste Disposal, and Environmental Permit Requirements; b) updating of the barangay census and structure survey of the National Housing Authority to get baseline information concerning requests for house repairs within the Camp and to serve as reference for the segregation of barangays; c) inclusion of 130 hectares of the forest reserve under the National Integrated Protected Areas System; d) enforcement of Presidential Decree No. 705 or the Revised Forestry Code of the Philippines to curb illegal activities and to seek deputation of JHMC personnel from the Department of Environment and Natural Resources (DENR); and, e) revival of “Adopt-A-Tree” program which resulted to the adoption of 16 trees by individual and corporate sponsors.

JHMC also improved its capability to protect the reservation against forest fires as well as soil erosion. A total of 42,135 square meters of fire lines were installed throughout the Camp as a joint undertaking with Brgy. Happy Hallow. JHMC maintains that all fire hydrants among other equipment are operationally ready. Further, staff work for the construction of check dams at the Ecosystems Research and Development Service (ERDS) compound was completed.

## Security Measures

Additional security measures have been executed to achieve a unified security and safety plan for the entire Camp. This will ensure responsiveness to the needs of zone enterprises and residents and preservation of JHMC’s assets and business initiatives.

Such measures include the following: formulation of Standard Operating Procedures for Emergencies and Disasters; reorganization of the Security Division to improve management abilities of safety units; inspection of JHMC structures to ensure compliance with fire safety standards; deputation of JHMC personnel to enhance their knowledge on traffic rules and regulations, and help enforce these in the Camp; and, conduct of Disaster Management and Emergency Preparedness Seminar Workshop among security personnel to improve their skills in search and rescue operations, communication flow, collapse structure and basic first aid.

## Community Relations

As a responsible corporate citizen, JHMC continued to foster good relations with the adjoining barangays and the community of

Baguio City through various civic-oriented activities, including the awarding of lots for the beneficiaries of the 15.9-hectare Scout Barrio Project and finalization of guidelines for installment payments for the lots; segregation of barangays Country Club Village, Greenwater, Sta. Scholastica, Hillside, Upper Dagsian, and Lower Dagsian in coordination with the DENR; forest protection awareness campaign and skills inventory of 12 barangays to determine the training needs of residents and match them with manpower requirements of the JHSTEZ enterprises; active membership in the Baguio Flower Festival Foundation, Inc. and participation in the *Panagbenga*; events management and hosting of *Panagbenga@Camp John Hay*, in cooperation with the Camp John Hay Development Corporation, the 13th John Hay Annual Art Contest to highlight the centennial celebration of Baguio City, and the camp-wide Christmas party to foster camaraderie and teamwork among the different enterprises.

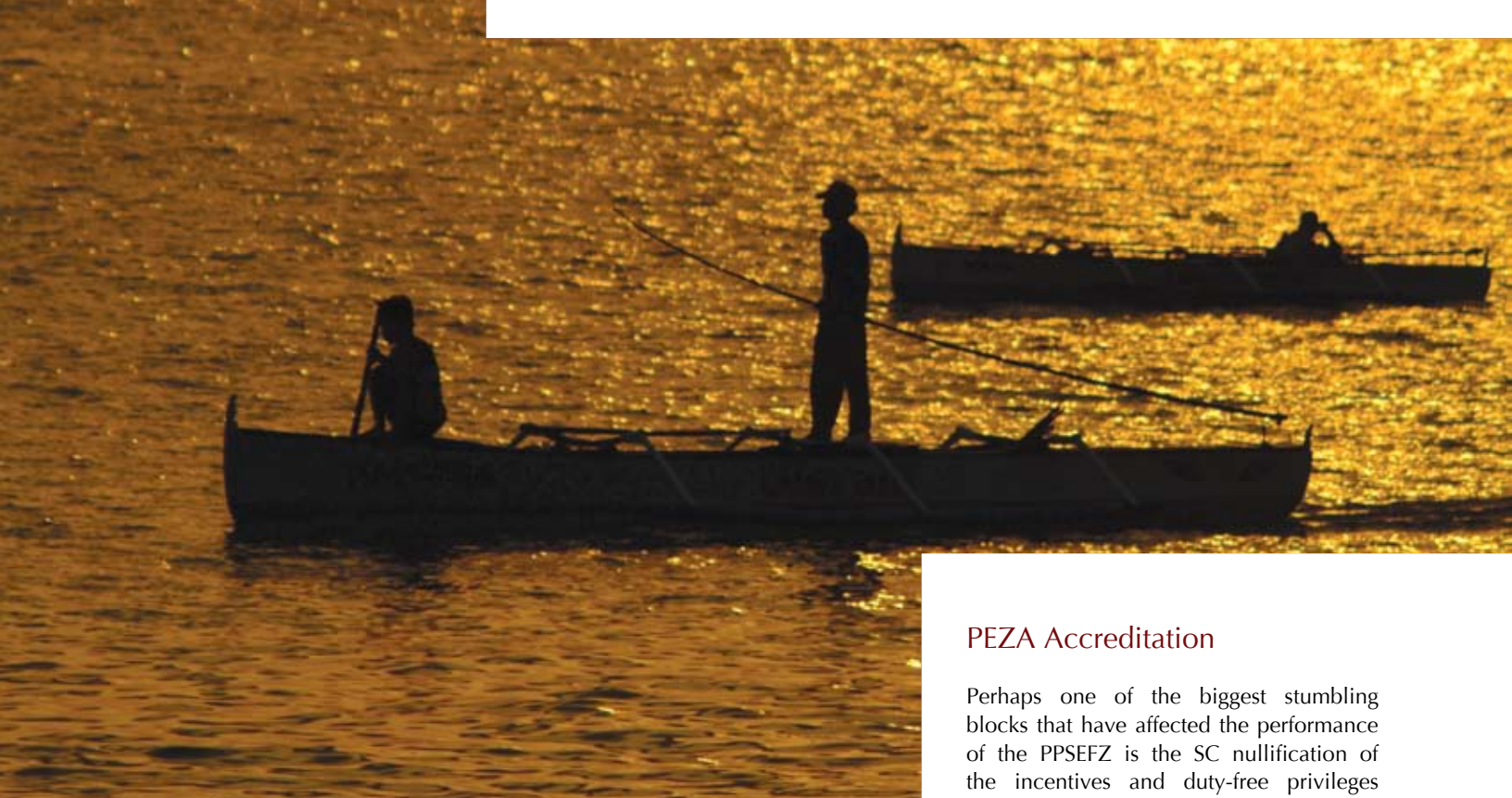
## Other Developments

The JHMC also complied with City Conditionality No. 8 of City Resolution No. 362, series of 1994, which requires that 85 percent of the workforce in the zone are BLIST residents (Baguio, La Trinidad, Itogon, Sablan and Tuba). As of year-end, 93 percent of the 1,220 employees are from the BLIST area.

Another major breakthrough is the formulation and implementation of an Information Systems Strategic Plan (ISSP) in compliance with the directive from the National Computer Center (NCC). The plan was forwarded to the NCC for review and approval. To date, the ISSP is being revised to incorporate comments of the NCC and the BCDA Internal Audit Office.







## PEZA Accreditation

Perhaps one of the biggest stumbling blocks that have affected the performance of the PPSEFZ is the SC nullification of the incentives and duty-free privileges of locators in special economic zones created under Republic Act 7227. In order to address the problem, PPMC actively lobbied for the passage of legislations that will restore the granting of tax privileges to businesses operating inside the zone.

Parallel to its lobbying efforts, PPMC worked on the accreditation of the zone as a special economic and freeport zone under PEZA. This development was achieved through Proclamation No. 1184 issued on December 7.

## Airport Development

The government is currently positioning the San Fernando Airport in Poro Point as a global gateway in the north. Currently, the airport is classified as a secondary airport serving as an alternate to the Loakan Airport in Baguio City.

Preparations for the upgrade of the airport facilities are underway to expand its capacity to accommodate large aircraft such as Boeing 737 and Airbus 300, and to ensure its compliance with Air Transportation Office (ATO) safety requirements.

Toward this end, the PPMC engaged the services of leading engineering firm Schema Konsult Inc. on August 31 to prepare the detailed engineering design of the San Fernando airport. As of end-December, Schema was able to accomplish more than 70 percent of work requirements necessary for the airport's expansion program.

## Poro Point Special Economic and Freeport Zone

After transforming the former Wallace Air Station into another growth area in Northern Luzon, the Poro Point Management Corporation (PPMC), estate manager of Poro Point Special Economic and Freeport Zone (PPSEFZ), shifted to high gear its marketing drive to position the zone as an alternative site for business and tourism.

The PPSEFZ is envisioned as an industrial estate with tourism facilities. The presence of an airport and an international seaport makes it ideal for commerce, distribution center and export-oriented activities. Thus, all efforts are geared towards maximizing the zone's potentials.

The year marked the development and implementation of projects that will bolster the productivity of PPSEFZ. For instance, construction of the tourism complex went full blast and the upgrading of the San Fernando airport to comply with the International Civil Aviation Organization (ICAO) standards is also in full swing.





On September 24, Argealis Construction started putting up the 1,558-meter perimeter fence for the western portion of the San Fernando Airport runway strip.

PPMC continues to work vigorously to achieve compliance with the safety audit requirements of the ATO. To date, PPMC has satisfied 23 of the 40 requirements for ATO clearance resulting to an increase in airport traffic for the year.

In 2006, the San Fernando airport hosted a total of 1,276 aircraft and 2,510 passenger traffics. Commercial airliner Asian Spirit resumed its twice a week Manila-La Union-Manila flights as of May 12 and its thrice-a-week Manila-La Union-Manila flights beginning November 15.

Following are some of the ATO requirements successfully complied with by the PPMC:

- a) provided adequate aerodrome markings and obstacle lightings;
- b) complied with the requirements for aqueous film forming foam and dry chemical powder;
- c) furnished training records of crash, fire and rescue (CFR) personnel and provided basic aviation training to airport security personnel;
- d) minimized airport access points;
- e) illuminated the grounds at both sides of the airport gate/manned the gates 24 hours;
- f) supplied radio communications for use in patrolling the airport;
- g) provided the emergency frequency 121.5 MHZ;
- g) rehabilitated the wind speed indicator and pressure gauge;
- h) provided adequate number of intercoms between the airport tower and the CFR;
- i) provided disabled aircraft removal capacity; and,
- j) observed coordination between Aeronautical Information Services and airport authorities.

## Business Development

A major accomplishment for the year was the opening of Thunderbird Pilipinas Hotels and Resorts, Inc. on April 28 following the issuance of its registration certificate on April 7. The entry of Thunderbird has boosted airport and seaport trade and traffic inside the complex.

Another major locator which will soon start operations inside the ecozone is the Wallace Fuel Storage, Inc.

Employing a more aggressive marketing strategy for its asset disposition efforts, PPMC has generated more than Php61.73 million in revenues.

## Project Development

PPMC continued to implement development projects that are envisioned to make the zone an ideal haven for foreign and local investments.

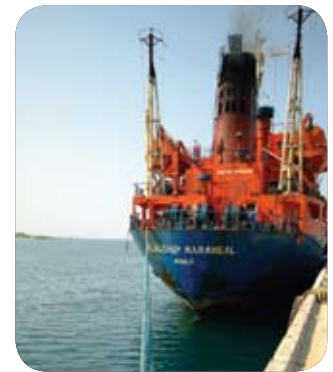
Among the newest infrastructure facilities in the zone is the 1.9-kilometer road network inside Phase I of the Poro Point Tourism, Recreational and Commercial Complex. Already 50 percent complete, this road will provide convenience and greater mobility to visitors of the high-end residential complex, which features an amphitheater/central park, a boardwalk and viewing deck, a cultural and civic center, business and entertainment centers, as well as world-class condominium/hotel accommodations.



## Community Development

Apart from efforts to transform the PPSEFZ into a destination of choice for tourism, recreation, commercial and light industrial purposes, the PPMC also took social development initiatives aimed at improving the quality of life of the people affected by its development programs.

Through the PPMC Labor Center, employment rate among San Fernando residents has increased with 872 people joining the workforce as of end-December. The Center gathers the profile of skilled applicants in a database and matches these with the job requirements inside the zone.





## Bataan Technology Park

Since its transformation from a refugee processing camp in the '80s, the Bataan Technology Park (BTP)—the main zone of the Morong Special Economic Zone (MSEZ)—is slowly evolving into a beehive of economic activities in Central Luzon. Its location and accessibility make it ideal for businesses looking for alternative investment sites.

Management of the BTP was reverted to the BCDA from the Subic Bay Metropolitan Authority in April 2006. Since then, the BCDA, through the Bataan Technology Park, Inc. (BTPI), estate manager of BTP, started instituting measures to make the park another investment and tourism haven in the country.

The development of BTP is crucial as it will complete the landscape of progress of the entire region complementing the developments in other special economic zones such as the Subic Bay Freeport Zone, the CSEZ, and the Central Technopark in Tarlac.

The BTP is currently being planned as a tourism, leisure and retirement park. Toward this end, BCDA has started marketing the Park as an ideal location for the establishment of retirement and nursing villages for foreign and local retirees—complete with leisure, sports and institutional facilities for education, hospital and commercial areas.

### Tourism Development

More than 4,000 visitors were recorded to have visited the BTP for accommodation, eco-tourism treks and organized tours. Private companies have conducted ocular inspections of the Park which is emerging as a popular venue for teambuilding activities, workshops, seminars and planning sessions.

Since the BTP is being developed as a prime tourist destination in Bataan, the BTPI properly maintained and preserved its 11 symbolic monuments and shrines constructed by the former Indo-Chinese refugees. The boat which was used by the Vietnamese refugees was transferred from the Freedom Park to the BTPI museum to ensure its protection from wear and tear. The BTPI also continues to invite donations



*Turnover of BTPI Chairmanship and Presidency to Mr. Antonio Habana in May. Leading the rites is BCDA Executive Vice President Isaac Puno III.*



of artifacts and memorabilia for display in its museum. Plans have been developed to preserve the legacy of the former Philippine Refugee Processing Center since this is the main attraction inside the BTP.

To ensure proper management of the Park, the BTPI endeavored to be a member of the Greater Subic Tourism Bureau which educates its members on the latest trend in the tourism industry and guides them in upgrading tourism facilities and services.

### Business Development

To date, a total of five locators are operating inside the 365-hectare Bataan Technology Park. These are the Bataan Center for Innovative Science and Technology, Inc. (BCISTI), Department of Public Works and Highways (temporary stockyard for the President's Bridge Program), Hokei Subic Corporation, Barnston Herbs International, and Cosmos Biotech Co. Ltd.

In mid-2006, China's Minister of Commerce Bo Xilai and Assistant Commerce Minister Chen Jian and their delegation visited the Park to consider the possibility of developing the entire BTP for agricultural investments and light industries.

Negotiations with the Philippine Retirement Authority have commenced to promote the BTP as an alternative investment site for retirement and nursing homes of foreign retirees.

### Human Resource Development

The BTPI consists of a lean and mean workforce to effectively and efficiently carry out its day-to-day tasks and achieve its plans and programs for the Park. Key personnel are enjoined to attend seminars and training activities sponsored by local government units and line agencies to provide them with the necessary knowledge and skills specifically on tourism and hotel management.

A Code of Conduct was also drafted and implemented to guide the actions of the employees, particularly in dealing with clients and visitors.

### Social Development

To strengthen community relations, BTPI has extended the following services to the populace of Morong: a) construction of recreational and sports facilities for the community; b) participation in socio-civic projects and awareness campaigns in coordination with the Morong municipal government; c) employment of Morong residents as stipulated in a resolution of the Sanggunian Bayan of Morong; d) providing support for the activities of the Morong National High School, Department of Social Welfare and Development and the Provincial Agriculture Office of Bataan.



# Opening New Business Districts in the Metro



BCDA, with its private business development partners, laid the groundwork for the emergence of new business districts in the metropolis through its Asset Disposition Program (ADP). Disposition proceeds for the year amounted to Php713 million—majority of which came from successful joint venture projects forged with real estate leaders Ayala Land, Inc. (ALI) and Megaworld Corporation.



# Asset Disposition Program

## Fort Bonifacio

### Bonifacio Global City

The BCDA has envisioned a globally competitive business district to rise at the Bonifacio Global City—a premiere development jointly managed by the BCDA and the Fort Bonifacio Development Corporation (FBDC), which is controlled by the powerhouse consortium of ALI and the Campos Group.

To pursue this, the strategic alliance among FBDC, the BCDA, the ALI-Campos Group, and the City of Taguig, mapped out a new master development plan that will position Fort Bonifacio as one of Metro Manila's most promising financial centers.

The new master plan highlights the predominance of office spaces, and covers four critical areas: a) the road network and grid layout allowing efficient traffic management; b) a well-managed transit loop with dedicated bus lanes for commuters; c) pedestrian walkways that link buildings to parking areas; and, d) other transport systems. Launched in May, the Plan is expected to promote an atmosphere of innovation, creativity and work-life balance among businessmen and professionals in the 240-hectare Bonifacio Global City.

Aligned with this, BCDA is pursuing its goal of yielding 1.6 million square meters of office, residential and retail spaces in Fort Bonifacio over the next three years.

At the same time, BCDA-owned lots formerly privatized in partnership with ALI generated recurring revenues representing the biggest share in the year's earnings. The lease agreement for Lot C which is the present site of the 9.7-hectare Market! Market! mega-retail center generated some Php158 million for BCDA. Market! Market!, considered the first of its kind in the country, allows traditional and non-traditional retailers and wholesalers to come together in an indoor-outdoor mall setting. Planning and preparations for Phase 1C, an expansion of the five-level mall, also began during the year assuring bargain-hunters a more thrilling shopping experience.

On the other hand, the disposition of the 11.66-hectare Lot B, showcasing the high-end residential complex known as Serendra, has assured pre-selling revenues amounting to Php120 million. Serendra features clusters of low- to mid-rise condominium buildings, and devotes about 65 percent of its 12-hectare land to spacious gardens. Projected disposition proceeds for the 15-year Joint Development Agreement with ALI and Community Innovations, Inc. (CII) amounted to Php11 billion. To date, remittances to BCDA from the Serendra project has reached Php914.63 million since 2003.

ALI launched in October 2006 an innovative retail center called, "Shops at Serendra"—a 6,400-square meter dining and retail hub that seeks to promote a fusion of cultures highlighting food, specialty retail and services in a two-level indoor-outdoor environment. It is located at One and Two Serendra and is adjacent to Market! Market! Shopping Center. BCDA is expected to generate some Php10 million in lease revenues in its first year or at least Php250 million over the next 25 years.

In addition, the lease of the Institutional Area resulted to combined revenues of Php41 million, with the International School holding majority share at Php25 million. Other lessees are the British School, Manila Japanese School, Every Nation Leadership Institute and Summit School.

Altogether, these developments manifest a strong real estate growth at the Bonifacio Global City, which showcases the effective partnership between government and the private sector, and the sustained investor confidence in the Arroyo government.

### Bonifacio Global City Environs

McKinley Hill Village (formerly the 25-hectare Lawton Parkway), BCDA's joint venture project with Megaworld, assured disposition proceeds amounting to Php108 million. McKinley Hill, is a first-class subdivision which offers prime residential lots at the center of cosmopolitan conveniences. It is connected to Makati's business district through the Upper McKinley Road, and is accessible via South Superhighway and C-5 Road. As of end-2006, revenues generated from McKinley Hill Village totaled Php1.16 billion.

On the other hand, disposition of the 9.1-hectare Self-Reliance and Development Program (SRDP) Complex to Megaworld, the





country's largest residential condominium developer, yielded the second biggest revenues for the year through their annual installment totalling Php124 million. The area would soon be developed as a commercial component of the McKinley Hill development.

BCDA continues to develop and market Heritage Park, a 68.9-hectare multi-use memorial and public park complex at Fort Bonifacio. To lengthen the Park's list of clients, BCDA accredited F.S. Dulalia Realty, Inc., First Mandaluyong Property Network, Inc., Garden of Memories Memorial Park and Chapel, Wesar Properties, Inc., Rosehills Memorial Management, Inc. and some individuals as brokers for Heritage Park Investments Certificates (HPICs) in the 55,000 square meter Area 2. The sale of HPICs yielded Php35 million.



President Gloria Macapagal-Arroyo inaugurates the Philippine Air Force (PAF) Airmen's Dormitory Building. With the President are BCDA President and CEO Narciso Abaya, AFP Chief-of-Staff Lt. General Generoso Senga and PAF Commanding General Lt. General Jose Reyes.

Moreover, BCDA coordinated with Rosehills Memorial Management (Philippines), Inc., an affiliate of the US-based Rose Hills-California, for the redesign of the 12-Plot Estates, 5-Plot Walled Estates, 3-Plot Walled Estates, 4-Plot Family Garden Lots, and the 2-Plot Family Garden Lots. In the next three years, net sales are expected to reach Php750 million. The Heritage Park Project is jointly managed by Rosehills Philippines and the Heritage Park Management Corporation. It remains to be among the last large-scale green open space developments in Metro Manila.

### Villamor Air Base

Construction works for the first phase of the 25-hectare Newport City are in full swing at the Villamor Air Base in Pasay City. Dubbed as Metro Manila's first and only paradise resort residences scheduled to open in 2008, this Megaworld project will not only feature residential buildings, but will also host the posh Marriott Hotel, and several commercial and recreational facilities, including a convention center, a sports complex, and an aviation-related business park. These are expected to complement the new international passenger terminal of the Ninoy Aquino International Airport (NAIA). Remittances from the sale component of BCDA's joint venture totaled Php94 million in 2006, bringing the proceeds from the Newport City project to Php365.67 million.

Through this joint venture agreement (JVA), BCDA completed the replication and relocation of Philippine Air Force (PAF) structures and support facilities worth Php294 million. In November, six facilities that can house a thousand PAF personnel

were turned over to the Department of National Defense. The cost of replication is estimated at Php889 million to be advanced by Megaworld. Over the past 15 years, the BCDA has replicated some Php9.4-billion worth of military structures mostly located in Fort Bonifacio.

### Future Disposition Plans

#### JUSMAG & the NOVAI Area

Considered as some of BCDA's milestone achievements for the year are the recovery of the 35.5-hectare JUSMAG area and the reversal of a previous court decision on the ownership of the 47.5-hectare Navy Village in Fort Bonifacio.

In November, the Supreme Court reversed the decision by the Court of Appeals (CA), which earlier ruled in favor of the Southside Homeowners Association's claim as owners of the JUSMAG area. The property is worth at least Php50 thousand per square meter, if developed, for a total of Php17 billion. The prime property, strategically located at the back of posh subdivisions South Forbes and Dasmariñas Village, is ideal for mixed-use development with low to medium density, high-end residential units. Top real estate developers have already expressed their interest in developing the said property.

In another case, the CA has declared null and void an earlier Regional Trial Court decision which favored the ownership claim of the Navy Officers Village Association, Inc. (NOVAI) over the area where the Navy Village is located. Developments within these two areas, however, can only commence following their formal transfer from the Armed Forces of the Philippines (AFP) to BCDA. However, the BCDA would first replicate facilities to be affected by future developments, as part of its commitment to the AFP.

Altogether, these developments assure the substantial inflow of future disposition proceeds of Phase 3 of the Asset Disposition Program (ADP-3).

### Campus Gateway

Efforts for the disposition of BCDA's remaining assets were launched in 2006. The 2,632 square meter-Campus Gateway is strategically located at the entrance of the Institutional Area and is along 32nd Street, one of the main avenues of the Bonifacio Global City. Proposed use for the property are retail, commercial or institutional developments. BCDA expected to earn Php100 million from the lease of the property over a 25-year term, based on a price of Php45,000 per square meter.

### North Bonifacio

The disposition of the 15-hectare North Bonifacio lots was rescheduled from June 2006 to 2007. This will give way to BCDA's joint venture planning with Metropolitan Bank and Trust Co, (Metrobank), who owns an adjacent 10.5-hectare area. The master plan was undertaken with the assistance of Hongkong-based Hellmuth, Obata and Kassabaum (HOK) International Ltd. and further added value to the North Bonifacio property with the better configuration of the lot parcels and the more efficient road networks as drawn in the plan. Major property developers have expressed keen interest on the said property.

### Expanded Big Delta Lots

Another prime property lined up for disposition under ADP-3 is the 1.2-hectare Expanded Big Delta Lots (formerly the Government Center for Investments). It is located right at the gate of the City Center along 5th Avenue. The property is expected to earn Php1.8 billion over time, based on a floor price of Php150,000 per square meter. Disposition of the property is deferred to the middle of 2007.

### Other Metro Camps

Several developers have also signified their interest in a joint development of the 5-hectare Camps Melchor and Atienza and the 6,000 square meter Philippine Navy Headquarters in Fort Abad. These assets assure the BCDA of significant additional revenues when converted into centers of economic opportunities.

The priming of BCDA's remaining assets for disposition, coupled with keen investor interest in BCDA properties, strongly projects BCDA as a reliable business development partner. Continued investor confidence in BCDA translates

to significant development projects that will help propel the country's economy.

## Infrastructure Development

To complement the new master plan and re-launching of the Bonifacio Global City, BCDA provided the necessary infrastructure facilities that will enhance access to the City and position it as the most innovative business center in the country.

### Sampaguita Bridge Project

Upon the completion of the Php254.4-million Sampaguita Bridge and Ramps Projects, several activities were undertaken in preparation for the turnover of the said facilities to appropriate authorities. Among these are the following: a) finalization of documentary requirements for the 50-meter Sampaguita Bridge resulting to the issuance of the Certificate of Completion and preliminary acceptance of the project by the Department of Public Works and Highways (DPWH) in November 2006; and, b) implementation of corrections to the West Ramp by the Manila Development Corporation (MDC), in compliance with BCDA's evaluation. The project is located near the south side of Market! Market! and is a major access point for vehicles bound for the BGC and C-5 Road.

On 26 October, BCDA turned over several projects in the Bonifacio Global City to the Bonifacio Estates Services Corporation (BESC), following the completion of such activities as installation of permanent power supply for the streetlights of the West Ramp Project, and in Serendra and Market! Market!; relocation of the transformer pad as requested by the government of Taguig City, and repainting of lampposts along 26th Street McKinley Parkway.

These projects are expected to increase the capacity of the bridge in anticipation of heavier traffic, and provide illumination and safety to motorists and pedestrians between the BGC and the West of C-5 Road.

**10th & 11th Avenue, North Bonifacio**  
Bidding and award for the Construction Management Services (CMS) for the Construction of 10th & 11th Avenues in the Bonifacio Global City were concluded in March. Consultancy services for the Php4.4-million project were awarded to Proconsult. With the consultant on board, BCDA will be able to implement the project with the necessary expertise and management capabilities required for the construction works. Relative to this, the Php52.8-million construction of both avenues at the Bonifacio Triangle in Bonifacio Global City commenced in September. It entails site formation; construction of roads and drainage, curbs and gutters; installation of sidewalk and irrigation pipeworks, 34.5-KV underground power distribution system; supply and installation of streetlights, water, sewer and telecommunications systems, including softscape and hardscape. These are in fulfillment of BCDA's commitments to FBDC, and will jump-start development in the North Bonifacio area, thereby increasing land values in the area.

Through the years, BCDA's Asset Disposition Program has assured the country of the sound conversion of former military baselands in Metro Manila into vibrant world-class business centers. To date, BCDA has already disposed and developed 493 hectares out of 640 hectares in Fort Bonifacio, and 263 hectares in the Villamor Air Base in Pasay City. In the next five years, BCDA expects to successfully dispose or start disposition of at least 109 hectares of prime land which will generate more revenues needed to pump prime BCDA's development initiatives as mandated in RA 7227.



McKinley Hill Village



A view of C-5 Road from Sampaguita West Ramp 2



# Forging Partnerships with Local Communities

BCDA acknowledges its role as an engine of empowerment for people affected by its various projects. It has pursued its corporate social responsibility (CSR) program with much vigor in order to respond to the various needs of local communities.

## Advocacy and Community Dialogues

To enhance awareness and support for the construction of the 93.7-kilometer Subic-Clark-Tarlac Expressway (SCTEx), the BCDA embarked on communication and advocacy campaigns as well as dialogues among local government units (LGUs) and business leaders in Central Luzon. This endeavor was crucial in generating support from the grassroots. The BCDA also closely coordinated with the Pampanga Chamber of Commerce and Industry (PamCham) and the Advocacy for the Development of Central Luzon (ADCL) in generating mass support for the SCTEx.

## Disaster Preparedness and Rescue Operations

Heavy rains brought by Typhoon Glenda led to the overflowing of the Pentor-Daang Bago River and damaged a 200-meter portion of the dike in Pentor, Dinalupihan in Bataan causing massive flooding in many parts of Central Luzon.

In response to this, the BCDA created a Disaster Preparedness Group dubbed "Task Force: Bantay SCTEx", composed of the BCDA, the Armed Forces of the Philippines (AFP) and SCTEx contractors. The group was created to provide support in search and rescue operations in disaster and calamity areas undertaken in coordination with the various LGUs, PAGASA, DPWH, Regional Disaster Coordinating Council and the Municipal Disaster Coordinating Council.

Task Force: Bantay SCTEx assisted the local government of Dinalupihan in the distribution of relief goods to affected residents and in the rescue and evacuation operations. Aside from donating some 100 cavans of rice to the victims, BCDA, in cooperation

with the SCTEx Package I contractor, Obayashi Corporation, donated to the municipality 14 truckloads of sand for sand-bagging operations along the shoulder of the Sta. Isabel road and the breached dike in Pentor. It also cleared a portion of the Olongapo-Gapan Highway blocked by a landslide.

## Assistance to Local Governments

To provide greater accessibility to Bataan and help spur the accelerated development of the province, BCDA embarked on the widening of the Gapan-San Fernando-Olongapo Road. For this purpose, BCDA received clearance from PENRO/CENRO for the cutting of trees affected by the road-widening, and facilitated the initial release of Php27 million to the DPWH in October and December. The Php30-million project started on April 25.

## Strengthening PGMA's National Shelter Program

BCDA turned over 24 hectares of land to the Housing and Urban Development Coordinating Council (HUDCC) in support of the National Shelter Program that provides socialized and affordable housing to deserving and qualified families.

The committed property, located at the Bonifacio Housing and Information Technology (BHIT) Park Area, is in addition to the properties that the BCDA is obligated to turn over under Executive Order No. 70.

Under EO 70, the BCDA is mandated to declare portions of its property in Fort Bonifacio and its environs as socialized housing sites, and provide for the disposition of said lands to qualified beneficiaries. The lands include Lupang Katuparan (48 hectares), Centennial Village

Area (13.08 hectares), and 35 hectares of the BHIT Park Area. An Executive Committee to implement EO 70 was created with the HUDCC as chair. To immediately implement the donation, the BCDA already drafted and submitted to the Office of the President the necessary amendments to the issuance.

The BCDA also allocated housing units to families affected by its other developments in Fort Bonifacio. The housing projects consisted of the Northside Strip Housing Project (formerly Fort Bonifacio Summit Housing Project), Diego Silang, Pabahay 2000, Kalayaan, Villamor Airbase, and Scout Barrio in Baguio.

## Social Empowerment Programs

As a follow through to its housing projects, the BCDA continued to address the social needs and concerns of the family beneficiaries in the various housing sites.

These included leadership and skills training workshops such as *Angat Buhay*, meant to uplift the quality of life of affected communities; *Angat Kamulatan*, designed to enlighten the consciousness of its stakeholders; and *Angat Pagtutugunan* whereby BCDA and the partner communities affirm reciprocity and pro-active participation through the establishment of priority values to foster stronger and dynamic partnerships.

## Medical/Dental Missions

BCDA, in partnership with the respective municipal and provincial governments of Porac and San Fernando, Pampanga, conducted two separate medical and dental missions that benefited over 1,000 indigent patients. The BCDA also launched "Operation Tule" in Floridablanca, Pampanga where 143 boys got free circumcision.



# Enhancing Organizational Capabilities to Meet Global Challenges

BCDA, as an engine for growth, is aware that it cannot cope with the challenges of an ever-changing environment unless it reinvents itself. Thus, BCDA is always in a development mode, consistently taking steps towards strengthening its organizational capabilities.

## Development of Personnel Knowledge, Skills and Orientation

In 2006, BCDA updated its analysis of the organization's capability requirements. Managers and executives were requested to provide inputs to a training plan that will provide an effective roadmap for elevating the knowledge and creativity level of its people. This effort not only served to motivate BCDA employees to further enrich their intellectual capabilities, but also redirected current systems and practices towards an innovative and proactive organizational culture.

To cite a few, an in-depth study of the new Philippine Procurement Law enabled the organization to fully adopt procurement planning—it also occasioned the revision of procurement signing authorities and the full institutionalization of electronic posting as the signal for beginning the procurement process. The seminar on the New Government Accounting System brought positive changes to some financial processes, as it also rationalized the reporting and recording of assets and inventories. The Balanced Scorecard for Executives brought in a new perspective in evaluating institutional performance.

There were other human resource development efforts which further strengthened internal capability: Orientation to Risk Management, Updates

on Information Technology, Seminar on Market Research, Real Estate Investments Patterns, and a course on the Appraisal and Disposal of Government Properties, and other short programs.

## Compliance With the Government Energy Program

The year saw BCDA's more active response to President Arroyo's call for energy conservation. After coordinating with the Department of Energy (DOE) on other parameters of the program, BCDA developed a set of policies geared at further reducing energy consumption. Among the new measures adopted was a 10 percent reduction of airconditioning systems in the corporate office. In August 2006, after a thorough audit of BCDA records and practices on energy use, the DOE gave BCDA a rating of 97 percent for successful compliance with the program. BCDA continues to pursue with undiminished enthusiasm the various strategies it adopted for conserving energy.

## Property Management

To effectively manage BCDA properties in Subic, Poro Point, Baguio and Clark, apart from those in the corporate headquarters and satellite offices in two areas within the Bonifacio Global City, BCDA's Property Division embarked on innovative measures to strengthen in-house capabilities of BCDA and its subsidiaries on aspects of property management. Successfully completed in

2006 were the preparation and actual disposal of properties at the former Sacobia Development Authority which were previously transferred to BCDA; the transfer of Geographic Information System hardware and software to BCDA subsidiaries; the documentation for insurance coverage of additional properties in Subic, John Hay and Clark; the preparation and submission of property delivery reports as prescribed by the Commission on Audit; and the documentation of property donations to other government offices in need of used moveable assets.

## Records Management

The year also saw the expansion of the coverage of BCDA's Records Management System. The additional work entailed a review of the nature and extent of records on the SCTEx Project and necessitated the frequent monitoring of records handling and storage at the project site in Clark, as well as the updating of the BCDA database. Among other activities were the protection of vital records; replication of the electronic document-tracking system at the project site; and, hiring of additional manpower in the Records Management Division (RMD). Overall, 1,500 additional documents were turned-over to the RMD.

By year-end, preparations for a fully electronic Integrated Records Management System have been finalized.

# Financial Report

## Balance Sheet

(In million pesos)

	2002	2003	2004	2005	2006
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalent	1,144	1,701	1,579	2,571	2,785
Receivables	4,834	1,898	1,740	830	400
Inventories	874	814	745	877	763
Prepayments				7	328
Other Current Assets	122	117	116	111	12
<b>Total Current Assets</b>	<b>6,973</b>	<b>4,530</b>	<b>4,180</b>	<b>4,396</b>	<b>4,288</b>
<b>Investments</b>	<b>28,243</b>	<b>28,099</b>	<b>26,968</b>	<b>24,379</b>	<b>24,454</b>
<b>Other investments</b>				2,859	2,823
<b>Long-term Receivables</b>				2,404	3,073
<b>Property and Equipment</b>	43,469	44,357	45,477	45,016	49,485
<b>Other Non-Current Assets</b>	98	3,136	2,671	9	2
<b>TOTAL ASSETS</b>	<b>78,783</b>	<b>80,123</b>	<b>79,295</b>	<b>79,062</b>	<b>84,126</b>
<b>LIABILITIES AND CAPITAL</b>					
<b>Current Liabilities</b>					
Accounts Payables	1,486	1,716	1,996	758	524
Bonds Payables				1,200	1,200
Inter-agency payables				1,896	1,917
Intra-agency payables				218	231
Trust Liabilities	1,692	1,906	1,560		
<b>Total Current Liabilities</b>	<b>3,178</b>	<b>3,622</b>	<b>3,556</b>	<b>4,072</b>	<b>3,872</b>
<b>Non-Current Liabilities</b>					
Loans Payable	1,200	1,496	1,851	4,083	6,678
Deferred Credits	1,148	2,134	2,042	2,375	3,628
Other Long-term Liabilities				179	160
<b>Total Liabilities</b>	<b>5,526</b>	<b>7,252</b>	<b>7,448</b>	<b>10,710</b>	<b>14,338</b>
<b>Capital</b>					
Equity from the National Government	68,542	68,660	69,959	66,766	66,966
Contingent Capital	1	1	1		
Donated Capital	1	1	1	1	1
Retained Earnings	4,712	4,209	1,886	1,584	2,821
<b>Total Capital</b>	<b>73,257</b>	<b>72,871</b>	<b>71,847</b>	<b>68,352</b>	<b>69,788</b>
<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>78,783</b>	<b>80,123</b>	<b>79,295</b>	<b>79,062</b>	<b>84,126</b>

## CY 2006: Financial Condition

The total assets of BCDA increased by P5.064 billion, from P79.062 billion in 2005 to P84.126 billion this year, or equivalent to a 6% escalation in terms of percentage change. Such increment is attributed largely to the capitalized construction cost of the Subic-Clark-Tarlac Expressway (SCTEx) Project. In addition, *prepayments*, particularly *input tax and creditable withholding tax*, increased considerably from a mere P7 million in 2005 to P328 million.

Total liabilities grew by P3.628 billion, from P10.71 billion to P14.34 billion, due to the increase in *loans payable* ensuing from bigger loan drawdown from the Japan Bank for International Cooperation, as part of the loan extended to BCDA for the funding of the SCTEx Project. Likewise, *deferred credits* increased due to the tax subsidy issued by the Department of Finance for the tax portions on contractors' billings for the SCTEx. The tax subsidy which amounted to P1.232 million is recognized as deferred income and will be amortized over a period

of 20 years, the standard useful life of the asset. Amortization will commence upon completion of the project.

Total Capital climbed to P69.788 billion from P68.352 billion in 2005. This resulted from the 78% increase in retained earnings equivalent to P1.236 billion, as well as the P200 million increase in equity from the National Government. Retained earnings increased due to the substantial net income generated this year.

\* It should be noted that the financial statements for the year 2006 were prepared using the New Government Accounting System (NGAS) Revised Chart of Accounts prescribed by the Commission on Audit (COA). This change also warranted a restatement of the 2005 financial Statements.



## Statement of Income and Retained Earnings

(In million pesos)

	2002	2003	2004	2005	2006
<b>REVENUES</b>					
Joint Venture Income	(19)	52	74	445	<b>606</b>
Seaport/Airport Income	50	45	46	46	<b>32</b>
Lease Income		243	374	247	<b>226</b>
Miscellaneous Income	80		13	10	<b>6</b>
<b>TOTAL REVENUES</b>	<b>111</b>	<b>340</b>	<b>507</b>	<b>748</b>	<b>870</b>
<b>EXPENDITURES</b>					
Personal Services	87	104	107	108	<b>105</b>
Maintenance & Other Operating Expenses	359	269	1,069	846	<b>841</b>
<b>TOTAL EXPENDITURES</b>	<b>446</b>	<b>373</b>	<b>1,177</b>	<b>954</b>	<b>946</b>
<b>Net Income (Loss) from Operations</b>	<b>(335)</b>	<b>(33)</b>	<b>(670)</b>	<b>(206)</b>	<b>(76)</b>
<b>Other Income (Expenses)</b>					
Gain on Foreign Exchange				-	<b>759</b>
Equity in net income of subsidiaries/affiliates	(1,130)	(253)			
Interest Income	129	68	160	183	<b>163</b>
Dividend Income				384	<b>180</b>
Interest Expense	(147)	-	-		
Loss on disposal of properties			(143)	(125)	<b>(4)</b>
Financing and Administrative Charges	(5)	(195)	(123)	(253)	<b>(235)</b>
<b>Total Other Income (Expenses)</b>	<b>(1,153)</b>	<b>(380)</b>	<b>(106)</b>	<b>190</b>	<b>862</b>
<b>Net Income Before Tax</b>	<b>(1,488)</b>	<b>(413)</b>	<b>(775)</b>	<b>(15)</b>	<b>786</b>
<b>Provision for Income Tax</b>	<b>(2)</b>	<b>(7)</b>	<b>(10)</b>	<b>(15)</b>	<b>(17)</b>
<b>NET INCOME</b>	<b>(1,490)</b>	<b>(420)</b>	<b>(785)</b>	<b>(30)</b>	<b>768</b>
<b>Retained Earnings, Beginning</b>	<b>6,205</b>	<b>4,712</b>	<b>4,208</b>	<b>1,886</b>	<b>1,584</b>
Correction of Fundamental Errors	(2)	(85)	(1,538)	(271)	<b>474</b>
Dividend Remittance to BTR					<b>(6)</b>
<b>Retained Earnings, End</b>	<b>4,712</b>	<b>4,208</b>	<b>1,886</b>	<b>1,584</b>	<b>2,821</b>

## CY 2006: Results of Operations

BCDA generated total revenues of P870 million, which is 16% higher than that of the previous year's revenues of P748 million. *Joint venture income* which comprised 70% of total revenues, posted the biggest increase of P161 million, from P445 million in 2005 to P606 million this year. This increment is due to the annual revenue shares from Serendra and McKinley Hill projects, which are both focused on residential development. *Lease Income*, on the other hand, which make up 26% of total revenues, totaled P226 million showing a decrease of P21 million from P247 million generated in 2005.

Operating expenses, which amounted to P946 million, is about 1% lower than last year's P954 million. Personal Services

totalled P105 million registering a 2% decrease from that of P108 million in 2005. *Maintenance and Other Operating Expenses* (MOOE) likewise dropped from P846 million in 2005 to P841 million in 2006. Among the MOOE, significant variations are posted in *advertising and promotion expenses* which decreased to P58 million from P120 million in 2005; and in *depreciation expense* which fell to P182 million from last year's P218 million caused by the revision/shortening in useful life of the assets in accordance with COA issuances. It is also worthy to note that expenses on *donations and subsidies* rose by P54 million from P211 million last year to P265 million due to increased donations of BCDA for infrastructures projects in various municipalities in Central Luzon, as well as contributions to the AFP modernization.

To summarize, with P870 million in recorded revenues as against P946 million operating expenses, BCDA registered a net loss from operations of P76 million this year. This is 63% better than the P206 million net loss from operations in 2005. BCDA, however, recorded P768 million *net income after tax* after considering *other income and expenses*, the biggest chunk of which is contributed by the *gain on foreign exchange*. This gain resulted from the difference in exchange rate at the time of recording the JBIC loan drawdowns for civil works and detailed engineering design of the Subic-Clark-Tarlac Expressway Project, and the re-measurement of these foreign currency transactions at each balance sheet date using the closing rate.

## Statement of Cash Flows

For the Year Ended December 31, 2006

(With Comparative Figures for the Year Ended December 31, 2005)

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net cash from operating activities	<b>699,896,199</b>	757,015,818
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash used in investing activities	<b>(3,382,956,049)</b>	(3,592,333,667)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net cash from financing activities	<b>3,166,713,176</b>	3,082,456,583
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>483,653,326</b>	247,138,734
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>531,119,014</b>	283,980,280
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>1,014,772,340</b>	531,119,014

### CY 2006: Cash Flows

Net cash from *operating activities* of BCDA amounted to P699 million. The largest cash receipts came from the various lessees which amounted to P256 million, and from the McKinley Hill project amounting to P214 million. This is followed by proceeds from collection of receivables, sale of PPTI condominium units, Asset Disposition Program, and from the Serendra project. On the other hand, the biggest shares of cash usage were for payments made to suppliers/creditors,

remittance of contribution to the AFP modernization, and estate management expenses.

From *investing activities*, cash inflows come from short-term investments, and dividends from FBDC, BMHI and BESC. Outflows, on the other hand, were for the SCTEx-related acquisition of property and equipment and other payments for various infrastructure projects. Net cash used/ outflows amounted to P3.383 billion.

Net cash from *financing activities* totaled P3.166 billion, contributed primarily by the loan drawdown from JBIC.

Consequently, the net increase in cash and cash equivalents at yearend totaled P483 million which is 96% higher than that of last year's P247 million. The ending cash balance for 2006 of P1.015 billion is almost twice that of the ending balance of P531 million in 2005.



# Asset Disposition Report

BCDA is one of the key corporations of the national government which generates revenues to fund development projects of the Arroyo administration. It is building the Subic-Clark-Tarlac Expressway, a modern four-lane toll way that will provide vital infrastructure support to the country and accelerate the creation of new economic opportunities for Filipinos.

Mandated to transform former US military bases into alternative civilian use, BCDA has remained as a strong pillar of the country in the modernization of the Armed Forces of the Philippines.

## Disposition Proceeds from BCDA's Asset Disposition Program

Since 1994, BCDA has generated a total of Php37.544 billion from the disposition of Metro Manila camps. Of this amount, 81 percent or Php30.360 billion was derived from the sale of a large portion of the Bonifacio Global City (BGC) to the Fort Bonifacio Development Corporation (FBDC). Proceeds from lease and joint ventures represented 11 percent or equivalent to Php4.167 billion. Revenues from sale and securitization of properties represented five percent (Php1.780 billion) and three percent (Php1.237 billion), respectively.

In 2006, the total disposition proceeds amounted to Php713.874 million. The biggest source of proceeds for the year came from lease and joint ventures agreements made with real estate leaders Ayala Land, Inc. and Megaworld Corporation, which yielded Php459.877 million or 64 percent. The sale of former baselands, on the other hand, generated Php218.161 million or 31 percent. The balance of Php35.837 million this year came from the securitization or public sale of Heritage Park Investment Certificates.

## Distribution of Disposition Proceeds

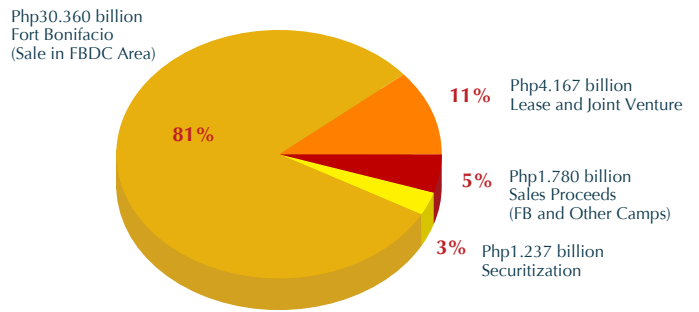
Annual proceeds from the disposition of Metro baselands are remitted to the Bureau of Treasury (BoT) and utilized by government agencies as mandated in the BCDA charter. For the period of 1994 to 2006, the AFP has received 43 percent of BCDA's disposition proceeds. Of the Php16.307 billion AFP share, Php6.811 billion has been remitted for the AFP modernization program while Php9.496 billion for the replication of military facilities affected by the government's development projects.

Likewise, BCDA's share of P5.712 billion was used to fund the conversion of former military baselands and the construction of major infrastructure projects that include the Subic-Clark-Tarlac Expressway Project. The rest of the disposition proceeds went to the following: site development and relocation projects of Php6.294 billion share; other beneficiary agencies of Php5.908 billion; taxes and fees of Php2.295 billion; replication of non-military structures of Php619 million and share of contiguous municipalities of Php409 million.

### Breakdown of Disposition by Mode

For the period 1994-2006

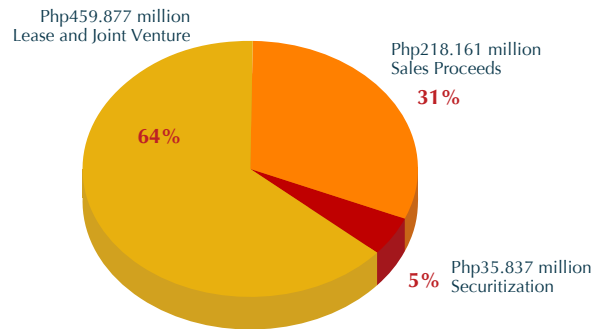
TOTAL-Php37.544 billion



### Breakdown of Disposition by Mode

For the period January-December 2006

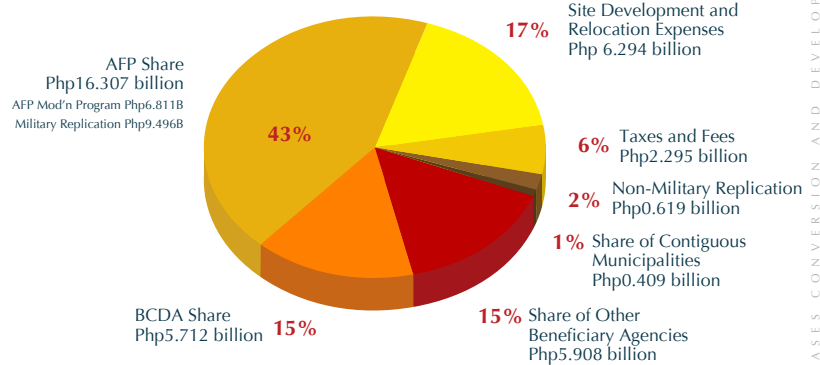
TOTAL-Php713.874 million



### Breakdown of Disposition Proceeds

For the period 1994-2006

TOTAL-Php 37.544 billion



Aloysius R. Santos *Chairman (November 2006 to present)*, Rafael Julian V. Azanza *Director*  
Alvin P. Capino *Director*, James G. Lorenzana *Director*, Renato C. Valencia *Director*  
Isaac S. Puno III *Executive Vice President, Director & Corporate Secretary*  
Ari-ben C. Sebastian *Director (May 2001 to April 2006)*, Gerard R. Seno *Director*  
Gen Narcisco L Abaya (Ret) *President and CEO*





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*Public Relations Manager*

## BEAT THE ODDS

**B** - Balanced budget

**E** - Education for all

**A** - Automated elections

**T** - Transport and digital infrastructure to  
connect the country

**T** - Terminate the MILF and NPA conflicts

**H** - Heal the wounds of EDSA

**E** - Electricity and water for all barangays

**O** - Opportunities for 10 million jobs

**D** - Decongest Metro Manila

**DS** - Develop Subic and Clark

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This 2006 Annual Report is a project of the Public Affairs Department composed of Leilani Barlongay-Macasaet, Roy Victor R. Rosales, Maricar Gay S. Savella, Maricel F. Bigal, Irah F. David and Garry A. Cativo.

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