

Bases Conversion Development Authority



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## COVER STORY

Since 1992, the Bases Conversion Development Authority (BCDA) has been a reliable arm of the Philippine government in building opportunities for growth and development for the nation through the conversion of military baselands and other properties under its stewardship.

As BCDA takes on the challenging role of "enabling the Philippines to compete," it continues to embark on building infrastructure such as the Subic-Clark-Tarlac Expressway Project (SCTEP), which will serve as the backbone of a new economic growth corridor in Central Luzon. This major infrastructure will provide opportunities for trade, investments and tourism in the region and is expected to generate more jobs for the Filipino people.



# THE VISION

BCDA's long-term development plan is envisioned to propel the Philippines to become one of the fastest growing economies in the Asia Pacific region.

This will be done by transforming Central Luzon into a major growth center by combining the strengths of the Subic and Clark facilities, thereby spurring economic growth through increased foreign and domestic investments. In the process, more jobs will be created for the Filipino.

The challenge to maximize the use of Clark and Subic is hinged on the Subic-Clark Alliance for Development (SCAD) concept. The SCAD strategy serves as a platform to involve both government & private sector, and optimize their combined resources to fast-track the development of the Central Luzon region.

To succeed in this endeavor, BCDA has to hurdle various challenges in its path. This entails going beyond the traditional thinking of raising funds by selling lands. It has to start planning for the growth corridor, specifically for the most suitable land use of the corridor. It has to start the pump-priming process for the SCTEP and plan on how to make the project more financially viable. It has to foresee the next steps of expanding SCTEP to Lingayen, Pangasinan and all the way to Poro Point, La Union; establish arterial road networks along the corridor/SCTEP alignment leading to traversed provinces and municipalities; and create the road backbone to serve the agricultural plains of Nueva Ecija all the way to Dingalan Bay.

The need to start thinking in terms of being agents of orderly change is imperative in BCDA's corporate culture. Forging stronger partnerships with its subsidiaries, affiliates, and other government agencies is essential. Working toward becoming an internationally accepted (ISO accredited), world-class organization is crucial especially in attracting investors. The role of implementing effective communications and advocacy programs to win the minds and hearts of all stakeholders is equally important.

The role of BCDA's support services is also crucial in providing the necessary backing to enhance BCDA's organizational capability in the operations, finance, and business development departments. It is also envisioned that BCDA's information systems department will play an important role in support of the SCTEP.

The end view is to provide more doors of opportunity for the Filipino people. Opportunities that lead to better quality of life. That, in essence, is what BCDA stands for.



## PRESIDENT & CHIEF EXECUTIVE OFFICER'S MESSAGE

In 2003, BCDA took further steps to implement the shift in development strategy that was first declared formally in the previous year. That is, instead of seeking to develop Clark and Subic as economic growth enclaves, discrete and separate from each other as well as from Region 3 in which they are both located, the new development thrust seeks to attract investments and thereby generate employment in the Central Luzon (Region 3) hinterland itself.

The core concept in this new development thrust is to utilize Subic (a natural deep water harbor) and Clark (a strategically located airport) as anchor infrastructure by which to mobilize Central Luzon (Region 3). In turn, these two anchors must be linked by a modern expressway, and be accessible to the entire region as well as Metro Manila, which is immediately south of the region.

The corridor created by Subic and Clark will serve as the gateway by which Central Luzon can trade directly with the international markets rather than go through the choking bottlenecks in Metro Manila. The combination of airport, seaport and expressway links within Central Luzon will mobilize the agriculture and tourism potential of the region. The Subic-Clark corridor in turn will provide the venue for competitive manufacture and services.

Being located immediately north of Metro Manila, a more efficient infrastructure backbone will enable Philippine industries to produce competitively and would have an immediate, ready market just south of them. Indeed, all the elements for explosive growth can be found in Central Luzon. By connecting the dots, so to speak, the development of the region could be the starting point of a turnaround for the national economy. No other area in our

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IT IS CRUCIAL THAT BCDA SAFEGUARDS ITS LONG-TERM VIABILITY AS AN AGENT OF CHANGE—A FORCE IN DRIVING THE DEVELOPMENT OF CENTRAL LUZON.

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Central Luzon has exceptional agricultural land—the vast plains of Nueva Ecija and Tarlac have long been referred to as “The Great Central Plains of the Philippines”. These are immediately east and northeast of a logistics corridor that would emerge from linking Subic and Clark.

nation offers equivalent opportunity to obtain the greatest bang for the buck in such relatively quick time.

The rapid growth that could emerge in Central Luzon would fuel the rest of the nation's recovery. To start with, it would be the answer to the desperate need to decongest Metro Manila.

## PRESIDENT'S MESSAGE



## President's Message

I extend my cordial greetings to the men and women of the Bases Conversion Development Authority (BCDA) on the publication of the BCDA 2003 Annual Report, which highlights your noteworthy achievements for the year 2003.

I laud the men and women of BCDA for their strong commitment to its mandate of pursuing the bases conversion program as a mission to enhance social and economic development that will redound to the benefit of our people. The conversion of baselands into productive industrial, commercial, residential, and tourist sites provides alternative instruments for social and economic developments that reinforce our efforts in alleviating poverty.

Thus, I welcome and support the publication of the BCDA 2003 Annual Report. I am confident that such endeavors will encourage the private sector, the government and the affected communities to establish stronger partnerships and linkages essential to sustaining a vibrant economy that enhances the productivity and growth of Filipino communities.

Sama-sama tayo tungo sa isang matatag na Republika!

GLORIA MACAPAGAL- ARROYO  
PRESIDENT OF THE REPUBLIC OF THE PHILIPPINES

It is crucial that BCDA safeguards its long-term viability as an agent of change—a force in driving the development of Central Luzon. Therefore, as a matter of strict principle, BCDA will only undertake projects that are clearly self-sustaining while generating substantial economic and social benefits for the region. It will seek funding appropriate to this task.

The disposition of the remaining Metro Manila baselands in 2003 was conducted in a manner that generates reoccurring cash flows far into the future .

At the end of the year, all but approximately 15 hectares of what was Fort Bonifacio have been disposed. Clark Development Corporation and the other subsidiaries are self-sufficient in operational terms, or, nearly so.

In summary, BCDA in its second decade has evolved. It has virtually completed its task of generating funds for the military modernization as well as funds to develop Central Luzon from the sale of the Metro Baselands. Working together with Subic Bay Metropolitan Authority and Clark Development Corporation, it will pursue the Subic-Clark Alliance for Development concept, which is described above.

BCDA's specific role in the larger scheme is to be the provider of the expressway backbone within Central Luzon. In so doing, its express tollways will generate more cash flows for more development.

The ultimate goal is to attract strategic partners to bring capital know-how and market links into the effort. Such strategic partners would be both domestic and foreign, as well as from the private and public sector. The first stage of the highway program is the construction of the Subic-Clark-Tarlac Expressway. At the end of the year, BCDA was in the midst of evaluating bids from contractors.



A handwritten signature in black ink, which appears to read "Rufo Colayco". The signature is fluid and cursive.

RUFO COLAYCO  
PRESIDENT/CEO

## Large Projects

### Subic-Clark Alliance For Development Program

The Bases Conversion Development Authority (BCDA) intensified preparations for the creation of a new growth corridor in Central Luzon by actively pursuing the Subic-Clark Alliance for Development (SCAD) program. While the BCDA has been actively engaged in the disposition of assets in former military camps in the country, it recently started to shift gears – focusing on infrastructure development – to better serve its mandate of creating a globally competitive Philippine economy.

The SCAD program was borne out of the National Government's 8-point economic agenda which focuses on the Arroyo Administration's efforts to build new infrastructure that will help decongest Metro Manila. Central Luzon has been earmarked as the site of a new economic growth corridor apart from and complementary to Manila. This development is outlined in

the Central Luzon Development Plan and is consistent with the 12-point economic agenda for Region III, which was prepared by the Regional Development Council. It is anchored on the structural strengths of the two former US military bases which, together, will impel an integrated development whose gains are expected to eventually ripple off to the rest of the country.

The SCAD program was basically crafted to spur economic activities and propel growth in the Central Luzon region. BCDA initially acquired support for the SCAD Program among key members of the Central Luzon community, including socio-civic organizations, political and economic leaders, and members of the local community, through the conduct of a "SCAD caravan".

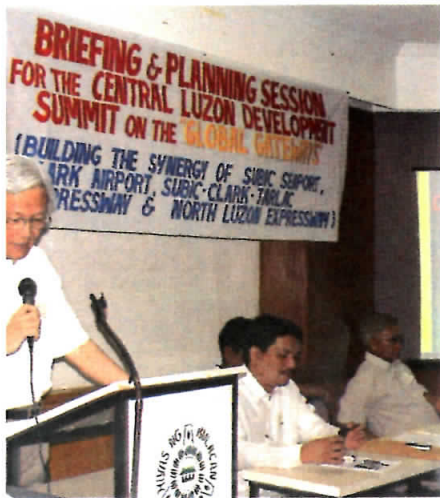
The Caravan consisted of a series of discussions and fora in Central Luzon provinces namely Bulacan, Pampanga, Tarlac, Aurora, Nueva Ecija, Bataan, and Zambales from March to July 2003. The workshops were sponsored by BCDA to launch the SCAD Corporation -- a joint venture between BCDA, SBMA, and CDC which is envisioned to pool the infrastructure assets of each agency, namely the toll road, seaport, and airport, respectively. The SCAD Corporation will oversee the operations, maintenance, and monitoring of each of the assets and will function as the vehicle in generating foreign funding.

In March 2003, five governors and eleven congressmen from Central Luzon hailed the SCAD program as "the key in actualizing economic prosperity in the country". SCAD was further endorsed by the Regional Development Council-Sectoral Committee for Economic Development (RDC-SCED) as a "new metropolitan area development strategy which aims to decentralize urban functions and facilitate sustainable growth in the National Capital Region."



### 12 Point Economic Agenda For Central Luzon

- Reduce the Cost of Doing Business
- Strengthen Links between Agricultural Production and Process/Marketing Systems
- Improve Agriculture Production Systems
- Improve Industry Security
- Improve Physical and Information Access to Tourism Areas
- Package Central Luzon's Tourism Products
- Promote Existing Industries
- Modernize Existing Industries
- Strengthen Devolution and Localization
- Mobilize Internal Capital within the Region
- Institute Reforms in Governance
- Ensure Stakeholders' Benefits



Briefing and Planning Session for the Central Luzon Development Summit on the Global Gateways

By showing support for the SCAD, participants agreed to take part in unlocking the vast potential of Central Luzon as the next economic frontier.

### Subic-Clark-Tarlac Expressway Project

A major component of the SCAD program is the Subic-Clark-Tarlac Expressway Project (SCTEP), a 94.5-kilometer toll road project that will connect Subic, Clark, and Tarlac. This multi-billion road project will link major infrastructure in the region such as the upgraded 900,000-TEU Container Port in Subic and the Diosdado Macapagal International Airport in Clark. It is expected to create opportunities for investment,



trade, and employment in the region. More importantly, it will enable the Philippines to compete in the global economy.

In the past, doing business in the Philippines often meant locating in over-congested Metro Manila. The lack of service infrastructures and facilities and the unfriendly operating environment has driven away potential local and foreign investments. Philippine businesses cannot compete effectively in the global market primarily because of traffic congestion, pollution, over-population, and bad infrastructure in Manila.

Central Luzon offers a haven for investments, with its vast tracks of land and existing infrastructures and facilities necessary to conduct business. It has the capacity to accommodate economic expansion activities. Moreover, its geographical location, located just above Metro Manila, makes it even more appropriate for investments given its ready-made market.

The creation of a Central Luzon economic corridor, with fully functional infrastructures and facilities that have the capacity to absorb the ever-growing population of the National Capital Region, will eventually lead to a more decongested and more competitive Metro Manila.

Although the past years have seen the growth of micro industries in the two former military bases, the need to promote and spread these developments to the rest of the provinces in the region becomes apparent. There is an exigent need to try to bring in investments and employment to the entire region.

The better way to do that is by connecting the two former bases, thereby creating an integrated logistics facility comprised of a modern container port in Subic and a modern logistics air hub in Clark. The two former bases represent significant high quality infrastructure that would take billions of pesos to replicate. Linked to each other, this new economic growth corridor offers a unique



## CORE PROJECTS



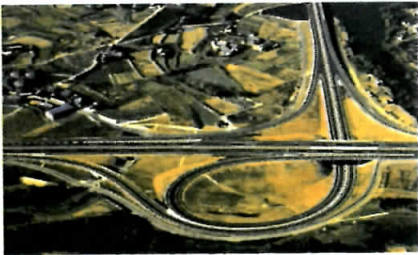
*The Subic-Clark-Tarlac Expressway will run from Subic Bay in Zambales all the way to Hacienda Luisita in Tarlac. A second phase will expand the road to San Fernando, La Union.*



logistical synergy that would spur potentially explosive economic growth in Central Luzon.

The SCTEP will facilitate the faster distribution of goods within the Central and Northern Luzon and soon create a frontier of opportunity outside Metro Manila. The four-lane toll road network will traverse the provinces of Bataan, Pampanga, and Tarlac and will form the foundation for major economic developments in Central Luzon by providing efficient and easy access to the seaport in Subic and the international airport in Clark. It will also provide a direct link among the major economic players in the region—Clark Special Economic Zone, the Subic Bay Freeport Zone, the Luisita Industrial Park in Tarlac, and the Bataan Technology Park.

The construction of the SCTEP will make the country a major multi-modal



*Artist's rendition of the "trumpet interchange" of the expressway*

transshipment hub in Asia. It will give the impetus for new businesses, residential areas, and tourism to develop along the areas it will traverse, propelling rapid economic advancement.

The project is made possible by the special yen concessional loan granted by the Japan Bank for International Cooperation (JBIC) in 2001 amounting to ¥41.93 billion or 85 percent of the estimated project cost. The remaining 15 percent will be covered by BCDA's equity contribution.

The highway is divided into two sections: the Subic-Clark section which runs a total length of 50.5 kilometers and

the Clark-Tarlac section which measures 44 kilometers. The project involves the construction of three major bridges — Gumain bridge, Pasig-Potrero bridge, and Sacobia-Bamban bridge; 14 interchanges; 36 minor bridges; 218 culverts; 13 overpasses; 51 underpasses; toll booths and toll collection facilities.

SCTEP-Contract Package 1 refers to the section of the expressway that will run from Subic Bay, Zambales to Clarkfield, Pampanga. It includes two interchanges, nine bridges, 11 overpasses, 13 underpasses, and the Sacobia-Bamban river bridge. On the other hand, SCTEP-Contract Package 2 refers to the 44-kilometer stretch that will link Clark Special Economic Zone

and Tarlac City. For both packages, the Detailed Engineering Design was already completed in September of 2003. The Road Right-of-Way (RROW) Acquisition for Package 1 (Subic to Clark) is 72 percent complete while Package 2 (Clark to Tarlac) is 95 percent complete, as of December 2003.

SCTEP will not only open up the Subic and Clark ecozones to each other but also to the rest of Central Luzon. It will enable efficient manufacture, storage and movement of goods, data, and services from the Philippines, particularly from Central Luzon, to the rest of Asia and the world in a more efficient and cost-effective manner.



*Artist's rendition of the toll operations building and the toll booths for the SCTEP*



## CHAIRMAN'S MESSAGE

There could not have been a more befitting theme for a year-end report than a message that will have rational relevance to the coming year – to compete, not only for an increased global trade and enhanced economy but, more critically, to ensure that the fibers reinforcing our Republic will withstand the onslaughts of an unpredictable future.

The Bases Conversion Development Authority is, undoubtedly, one of the agencies directly under the Office of the President which has creditably performed on its modest resources and corporate capacity. It cannot be gainsaid that some high impact projects were initiated and high-end deals were consummated last year which have signaled quite eminently that bigger opportunities for national advancement are certainly in place. But BCDA is not just about increasing revenues and securing huge capital to be infused in the country. Somehow, it has to move with much imagination and inventive discernment, cognizant of the needs of the times. And toward that goal is a shift in its development perspectives to be more responsive to the call of Her Excellency President Gloria Macapagal-Arroyo to build and support a strong Republic.

Major projects to be developed will therefore be the centerpiece of next year's overall corporate plan. The core projects that will have to be stepped up are the SCTEP, SCAD and the Northrail. The value and national significance of these projects cannot be overemphasized. If and when completed, transportation and mobility in the areas covered will be immensely eased and, translating it to economic benefit, intensified business will be an irreversible certainty. Subsidiary projects like the Morong Special Economic Zone, more particularly the Bataan Technology Park, the Clark Special Economic Zone, the Poro Point Special Economic and Freeport Zone, and the John Hay Special Economic Zone have likewise been geared up to contain the burgeoning demands of a rapidly expanding ecozone business. Several contracts for the development of certain areas in these zones have been entered into with the private sector to complement or augment existing developments and industries in those areas. Many prospective locators have signified their interest and capability to likewise operate in these zones but the BCDA has been circumspect in its decisions to insure that only those legitimate and competent will be allowed to do business.



DR. FLORENCIO F. PADERNAL  
CHAIRMAN

On a parallel vision, the BCDA has drawn a blueprint for various social development projects like housing, livelihood activities and undertakings, formation of various cooperatives, relocation of unsightly structures, and mass-based community relations.

The establishment of the SCTEP Program Office elevated the project to program level and facilitated the transfer of the management of the program to the BCDA Management and Holdings Incorporated (BMHI) before the start of construction in 2004.

Simultaneous to the implementation of the pre-construction activities is the creation of a Toll Operations Agreement with the Toll Regulatory Board and the master-planning of the service and business areas inside SCTEP.

BCDA expects to complete the construction of SCTEP in early 2007. Plans are already underway for the construction of the Subic-Clark-Tarlac Expressway Extension Project (SCTEX2&3) which is expected to extend road connection to as far as Dingalan Bay and to Rosario, La Union, opening up even more of Luzon to the rest of the world.

Last December, SCTEX2 received the full support of the House of Representatives through House Resolution No. 791, which called for the immediate implementation of the second phase of the project.

## NorthRail Project

The realization of the NorthRail project got a boost in 2003 with its inclusion as one of the flagship projects of President Gloria Macapagal-Arroyo's 8-point Agenda, which calls for building infrastructure to decongest Metro Manila.

The North Luzon Railways Corporation (NLRC), a subsidiary of BCDA, is the proponent of the project. It was created specifically to oversee the implementation and operation of NorthRail. The Philippine National Railways (PNR) is also a major partner in this undertaking, with NorthRail maximizing right-of-way (ROW) with the use of PNR's main line north.

The NorthRail Project will involve the reconstruction and upgrading of existing PNR track lines, which were abandoned when it stopped its operation north of Manila. This involves the installation of double trackways to allow simultaneous service to and from Central Luzon and Metro Manila. It will also provide accessibility to commuters of the Metro Rail Transit (MRT) and Light Rail Transit

(LRT) systems in Metro Manila.

NLRC will make use of diesel multiple units (DMUs) and a world-class railways system capable of traveling at a speed of 100-120 kilometers per hour and with upgrading potentials for high speed capacities.

The NorthRail Project consists of four (4) phases which will connect Fort Bonifacio Global City in Manila, the Diosdado Macapagal International Airport (DMIA) in Clark, the Subic Free Port, and the Poro Point Special Economic and Freeport Zone in La Union. The National Economic and Development Authority (NEDA) gave its conditional approval to Phase I, Section I of the NorthRail Project in August.

Phase I is a two-section, 80-kilometer rail line from Caloocan City, Metro Manila leading to the Diosdado Macapagal International Airport (DMIA) in Clark, Pampanga. Section 1 will run from Caloocan City to Malolos, Bulacan passing through Valenzuela, Marilao, Bocaue, and Guiguinto. Section 2 will extend from Malolos to Pampanga



NorthRail Phase I Section 1, which covers 32.2 kilometers, requires an investment of US\$503 million or approximately PhP28 billion. To partially cover the amount, the Department of Finance (DOF) signed a Memorandum of Understanding (MOU) with the Export-Import Bank of China on August 30 for the US\$400 million preferential buyer's credit loan with a three percent interest rate per annum. The remaining amount will be shouldered by NLRC through commercial loans. For its part, BCDA has committed PhP720 million for the project.

On December 30, NLRC and China National Machinery and Equipment Group (CNMEG) signed an agreement for the latter to handle the design and construction as well as supply the materials needed for NorthRail Phase I Section 1. Groundbreaking of this section is expected in the first quarter of 2004.

Phases II, III, and IV, which will be constructed much later, will be extended to Subic Bay Freeport Zone, Fort Bonifacio Global City, and San Fernando in La Union, respectively.

The NorthRail project also entails relocation of informal settlers in areas along the railway tracks. The national government tasked the Housing and Urban Development Coordinating Council (HUDCC), through the National Housing Authority (NHA), to take the lead in relocating the project affected families (PAFs).



*The NorthRail Project. Phase I covers Caloocan to CSEZ; Phase II is the branch line to Subic; Phase III covers Caloocan to the Bonifacio Global City; and Phase IV is the extension to San Fernando, La Union*

NHA has already turned over the cleared ROW Caloocan segment to NorthRail in May 2003. It is currently undertaking pre-relocation activities for PAFs located in the Valenzuela and Malabon segments.

NorthRail also agreed to provide financial assistance as well as purchase a suitable relocation site for the PAFs numbering approximately 10,500 from the Bulacan segment of Phase I. It has already purchased 163 hectares of land in Norzagaray, 60 hectares of which

were already donated to the Provincial Government. Development activities are already on-going for the first 9.9 hectares, including the construction of about 70 housing units, building of an access road leading to the relocation site, and setting up of a drainage system

Upon completion, NorthRail is expected to provide commuter, airport, and freight services. It is expected to service around 42,000 passengers from Central and North Luzon daily.

## SPECIAL ECONOMIC ZONES

### **Bataan Technology Park (Morong Special Economic Zone)**

The 365-hectare Bataan Technology Park (BTP), located at the center of the town of Morong and nestled on a plateau immediately southwest of the Subic Bay Freeport Zone, is considered the final element that completes the spatial framework of the Subic-Clark Alliance for Development (SCAD) Program. Via the Subic-Clark-Tarlac Expressway, BTP's long-term direction as an agri-aqua technology park will be integrated with the industrial estates of Tarlac, the airport-related industries at Clark, and the seaport-related enterprises at Subic.

At present, infrastructure development within BTP is foremost in the agenda. After ending the three-year estate management contract with Subic Bay Metropolitan Authority (SBMA), BCDA is aggressively addressing the need to put up critical infrastructure, such as prioritizing the set-up of telecommunication facilities in the area. BTP management also entered into a Memorandum of Agreement with the Department of Public Works and Highways and the Municipal Government of Morong for the construction of two bridges within the town of Morong to enhance mobility within the town and provide easy access to the Park.

Currently being developed as an eco-tourism and corporate training center, the BTP will soon feature the region's largest paintball and physical development training arena, a

world-class wellness center and gymnasium, and an "eco-tel"—a hotel designed to serve the finest, freshest foods and beverages from organically-grown products in the region.

Early this year, BTP proudly hosted the 4th Leg of the Camp North Caravan that showcased the shrines, monuments, and statues left by the Indo-Chinese people to some 150 local tourists. In December, BTP was also the site of the Lakbay Aral 2003, a program of the Naguilian National High School, which aimed to provide its 550 participants with first-hand information on the country's beautiful historical places. With the paintball course and obstacle course in place, a number of training workshops were also held in BTP during the year.

More activities in BTP entail more job opportunities for the people of Morong. As of 2003, BTP provided employment and livelihood opportunities to more than 300 Morong residents, particularly during the trial run of the corporate training center and in the course of renovation and construction works done on the Park's buildings and facilities.

With the approval of the Implementing Rules and Regulations of the BTP as a special economic zone, investors will enjoy tax- and duty-free incentives similar to Clark and PEZA-administered economic zones. Investors will receive the lowest land lease rates on a per hectare basis at flexible payment terms. To complete the investor-friendly environment, the soon-to-open One-Stop Business Center, and the availability of office spaces, residential units, conference facilities, analytical laboratories, and scientists, experts, and agri-based manpower are all aimed to reduce set-up time and costs for investors.

### **Clark Special Economic Zone**

The core rationale in Clark Development Corporation's (CDC) activities in 2003 was geared towards enhancing the administration



and more effective promotion of the Clark Special Economic Zone (CSEZ) for both business and leisure activities.

The ongoing development of the CSEZ as an ideal destination for tourism and leisure, as well as a business and investment haven is centered on its vision as the future premier international gateway, which distinguishes the zone from other business parks. This approach seeks to balance the business and leisure developments of the zone and serves as the major motivation around which all programs, projects, and activities are oriented.

The successful celebration of Clark Field's 100th year anniversary last September 1 complemented the promotion of the various leisure estates, theme parks, and golf courses by highlighting Clark as a destination of historical significance. The event, which was led by President Arroyo and Ambassadors Ricciardone and Takano of the United States and Japan, respectively, signified their recognition and support to the rich and varied historical heritage found in Clark.

One of the priority initiatives of the Arroyo government is the acceleration of the development of the Diosdado Macapagal International Airport (DMIA) for both passenger and cargo traffics. During the ceremony, President Arroyo reiterated the importance of developing the DMIA as an alternate international airport of



the Ninoy Aquino International Airport (NAIA).

In a policy shift, the national government decided to turn over the management of DMIA to the Manila International Airport Authority (MIAA). Earlier during the year, the President decided to re-establish the Clark International Airport Corporation (CIAC) as a joint venture of the MIAA and the CDC. This scheme will not only utilize the airport management expertise of MIAA and the zone management experience of CDC for the operation and management of DMIA, but it also signals the mobilization of more funds for the development of the airport.

Meanwhile, the DMIA Phase II Project—which involves the reconstruction and strengthening of the existing apron and taxiway, the demolition and reconstruction of existing buildings, and the widening of the taxiway in order to accommodate bigger and heavier aircraft—was completed by end-2003.

The Notice of Award of the CDC-DMIA Terminal Radar Approach (TRACON) Project was already issued to Alenia Marconi System (AMS), the winning bidder. The contract between CDC and AMS was signed during the recent visit of CDC President and CEO Dr. Angeles to Rome, Italy. Philippine Export-Import Credit Agency (PhilEXIM), *Servizi Assicurativi per il Commercio Estero*

(SACE), and Deutsche Bank are already processing the financial portion of the contract. The TRACON project is expected to be completed within 12 to 18 months.

The United Parcel Service (UPS) undertook a major expansion by investing close to \$300 million in its bid to transform the Philippines as its hub in the Asia-Pacific region. From only three flights a day when it started operations in April 2002, UPS increased its flight to nine per day in September 2003. UPS also upgraded its fleet and currently uses a Boeing 747, Boeing 757s, Boeing 767s, and MD-11s.

Asiana Airlines, Korea's second largest flag carrier, started its operations in Clark last October. Asiana currently mounts two regular weekly flights between the DMIA and the Incheon International Airport in Seoul. The entry of Asiana will bring more South Korean tourists to the country and help boost the local tourism industry.

During the year, CDC also approved the construction of the SM mall on a 22-hectare property within the zone. The CDC board approved building the P500-million shopping mall despite BCDA's earlier opposition over the issues of location, unfair competition to local businesses, traffic implications, and the tax share of the Angeles City government.

Despite these developments, CDC is currently addressing some setbacks in infrastructure development and maintenance upon strong encouragement from BCDA.

CDC took over power distribution in the CSEZ after it terminated the services of the Clark Power Corporation (CPC) and Clark Electric Distribution Corporation (CEDC). The failure of these companies to settle at least P80 million in arrears with the National Power Corporation caused power outages which affected the operations of locators in the zone. CDC is currently looking into two options in addressing the problem. First is to have an external supplier to provide power services

inside the CSEZ. The second option is to rehabilitate the existing power plant inside CSEZ and source power from within the zone.

Further, CDC has yet to find a new private investor to manage and maintain the Mimosa Leisure Estate after CDC forfeited Mondragon International Philippines Inc.'s (MIPI) lease to the property when it failed to settle more than P450 million in arrears as of September 8, 2003.

### John Hay Special Economic Zone

The John Hay Management Corporation (JHMC), together with its private sector partner, the Camp John Hay Development Corporation (CJHDevCo), is aggressively and seriously pursuing the development of Camp John Hay (CJH) as a premiere eco-tourism destination in the North.

In 2000, CJHDevCo signed a compromise agreement with BCDA to settle its arrears amounting to Php1.2 billion. Under the Memorandum of Understanding (MOU) signed last July, Fil-Estate's CJHDevCo will be paying 60-percent or at least Php720 million. While Php500 million will be paid in cash, the remaining balance will be paid in kind. As of December 2003, CJHDevCo paid Php100 million to BCDA out of the total Php340 million due for the year. However,



## SPECIAL ECONOMIC ZONES



Florencio Padernal delivers a speech during the grand opening of the Historic Museum at Camp John Hay held on October 25.

The Supreme Court ruling on tax exemptions came out in October stating that Camp John Hay (CJH) is not covered by the same tax incentives as Subic, thus nullifying the tax exemptions being enjoyed by the investors. On this basis, CJHDevCo notified BCDA to suspend payment of the remaining balance of Php240 million for the year, which BCDA rejected.

Despite this setback, development is in full swing at Camp John Hay. Currently under construction are the Camp John Hay Suites located at the site of the former 19th Tee. The 287-unit facility is foreseen to be a perfect complement to the Camp John Hay Manor.

The year 2003 was special for Camp John Hay as it marked its 100th year. In



celebration of Camp John Hay's Centennial, JHMC and CJHDevCo prepared a series of events and activities that lured local and foreign tourists to this leisure estate.

The Centennial celebration was launched on July 5, 2003 with an audio-visual presentation of the old Camp John Hay and the unveiling of the centennial markers. All the establishments inside the camp offered special activities and discounts for the public.

The Historical Core was developed to include a Historical Trail, which showcases the history of Camp John Hay. It is envisioned to be a living museum, which will provide an ecological, artistic, and historical experience for its guests. The Master Development Plan for Camp John

symbolic walk which was led by BCDA Chairman Florencio Padernal, JHMC Chairman Fortunato Abat, JHMC Vice President Damaso Bangaoet, CJHDevCo President Robert John Sobrepeña, and CAP John Hay Trade and Cultural Center President Enrique Sobrepeña, Jr.

Aside from the Historical Tours, other activities lined up for the event were: the launch of the Fil-Am Food Fair; the Camp John Hay Annual Art Contest with the theme "The Best of John Hay"; the Chili Cook-Off, a tradition during the American period where culinary enthusiasts sample their delectable chili con carne among other treats; the Bingo Nights; and, the Centennial Ball, a formal affair for all past and present employees and friends of Camp John Hay.



Hay specified the creation of a Historical Core as a heritage and preservation area where the historical significance of the structures and artifacts inside Camp John Hay will be protected.

The Historical Core was formally opened on October 25, 2003—in time for the centennial celebration of Camp John Hay. The ceremonies highlighted the

### Poro Point Special Economic and Freeport Zone

Plans are underway to develop the Poro Point Special Economic and Freeport Zone (PPSEFZ) as one of the most viable investment sites in Northern Luzon. As



the master development plan was finalized in 2003, critical infrastructures are being put into place to jumpstart development in the area and make it more attractive to investors and locators.

In an effort to promote PPSEFZ's San Fernando Airport not only as a gateway to Northern Luzon but also to serve as an alternate to Baguio City's Loakan Airport, the San Fernando Airport Runway Lighting Project will be undertaken under the build-transfer (BT) scheme to allow for night-time operations.

Night-time operations will enable expeditious shipment of goods to and from La Union and other parts of the country.

To date, the technical plan for the project is 95 percent complete. Compliance with audit requirements of the Air Transportation Office (ATO) was achieved in December 2003.

Issues regarding seaport collection, water management and relocation of facilities were settled during the year. Regulatory and jurisdictional concerns have already been addressed as the Office of the Government Corporate Counsel of the Department of Justice, in its Opinion No. 136 dated August 5, 2003, held that the Poro Point Industrial Corporation (PPIC), and not BCDA/Poro Point Management Corporation (PPMC), has the right to collect seaport fees at the Bacnotan Pier and the San Fernando Seaport. PPMC, however, would retain its regulatory authority with respect to the observance of port rules and regulations and other functions as mandated by the law.

The proposed Bulk Water Agreement between the Metro La Union Water District (MLUWD) and PPMC was approved by the PPMC Board on August 8 in order to address the water problem. However, to date, the MLUWD Board of Directors has not yet deliberated the agreement due to legal issues on the status of the Water District.



The International Broadcasting Bureau (IBB)/Voice of America (VOA) facilities will be relocated to a 15-hectare area at a lease price of US\$3.3 million for 10 years. The relocation calls for the construction of a new 960-square meter

concrete and masonry transmitter building, guardhouse, equipment pads, utilities, electric power feeder, security walls, fencing, site improvements, fuel storage, stand-by generators, and other items (Phase II). The contract for Phase II was awarded to Meralco Industrial Engineering Services Corporation (MIESCOR), and, as of end 2003, is already 25 percent complete and will be finished by October 2004.

Further, as part of PPMC's efforts to promote Poro Point, PPMC joined the 2003 Agriculture, Trade and Tourism Fair "Rima ti Amianan Exposition" to showcase Poro Point's assets and resources.





## METRO MANILA BASELANDS DISPOSITION

### Asset Disposition Program

In 2003, the Bases Conversion Development Authority (BCDA) generated approximately Php1.7 billion in revenues from the disposition of its properties in Fort Bonifacio and Villamor Air Base under Phase 2 of its Asset Disposition Program. The joint venture agreements forged with private sector developers are expected to yield total revenues amounting to Php24.6 billion in the next 25 years. The disposed properties have a combined land area of 62.4 hectares.

Five of the seven properties disposed are located at Fort Bonifacio—an area which BCDA envisions to be a well-planned, environmentally sustainable, globally competitive metropolis that will serve the needs and aspirations of the Manila urban community in the next millennium.

While the Fort Bonifacio master plan calls for a combination of high-rise mixed-use residential and low-rise institutional uses, the Villamor Air Base has been earmarked for airport-related development to complement the Philippine Air Force retention area and the International Passenger Terminal (IPT) of the Ninoy Aquino International Airport (NAIA).

Other Metro Manila Camps were also prepared for disposal in late 2003 and through 2004.

### Fort Bonifacio

The biggest disposition in Fort Bonifacio was made last April with the award of the 12.6-hectare Lot B to top real estate developer, Ayala Land, Inc. An initial payment of Php700 M was made for the property, which is located west of the multi-modal station and is principally for mixed-use hotel and condotel developments. For a period of 8 years, BCDA expects more than Php1 billion pesos in secured revenues.

The 3,266-square meter Bonifacio South Lots 4 and 5 was sold to Century Properties, Inc. (CPI) in November. The property is designed for mixed-use development.

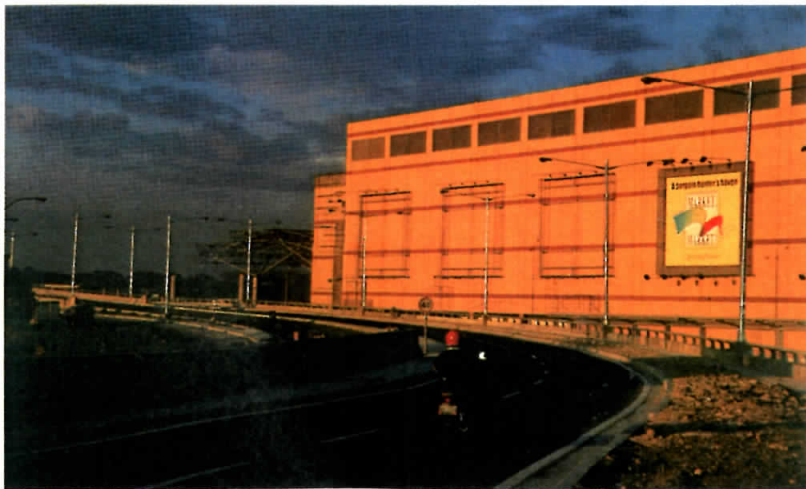
A Joint Venture Agreement (JVA) was made with Alliance Global Group, Inc. (AGGI) for the 25-hectare Lawton Parkway in September. The property has a Present Value of Php2.4 billion. With an upfront cash payment of Php942.2 million, AGGI guaranteed the transformation of the property into a prime residential area in the years to come. For the 15-year JVA, BCDA expects to generate Php4 billion.



The 6.6-hectare Self-Reliance and Development Program (SRDP) Complex was sold to Megaworld Corporation in November. The property is designed for residential development with support for commercial usage.

In December, BCDA awarded to FS Dulalia Realty and First Mandaluyong Property Network, Inc. the right to act as exclusive brokers for the disposition of Heritage Park Investment Certificates (HPICs) in the 28.8-hectare Area 2 of the Heritage Park.

BCDA further tapped ATR-KIM ENG Capital Partners, Inc. to strengthen its revenue generation capability and to provide financial advisory services for the preparation of the privatization plan of BCDA shares in Fort Bonifacio. The Singapore-based firm is one of the country's leading investment houses specializing in corporate finance and asset management, among others.



**Villamor Air Base**

The second biggest disposition in 2003 transpired in October as Megaworld took over the 24.5-hectare Villamor Gateway Center. This yielded Php86.1 million. Megaworld will convert the property into a premiere residential, commercial and institutional center with the best amenities. In addition, it is obligated to replicate Philippine Air Force facilities affected by the development—a task which amounts to almost Php900 million.

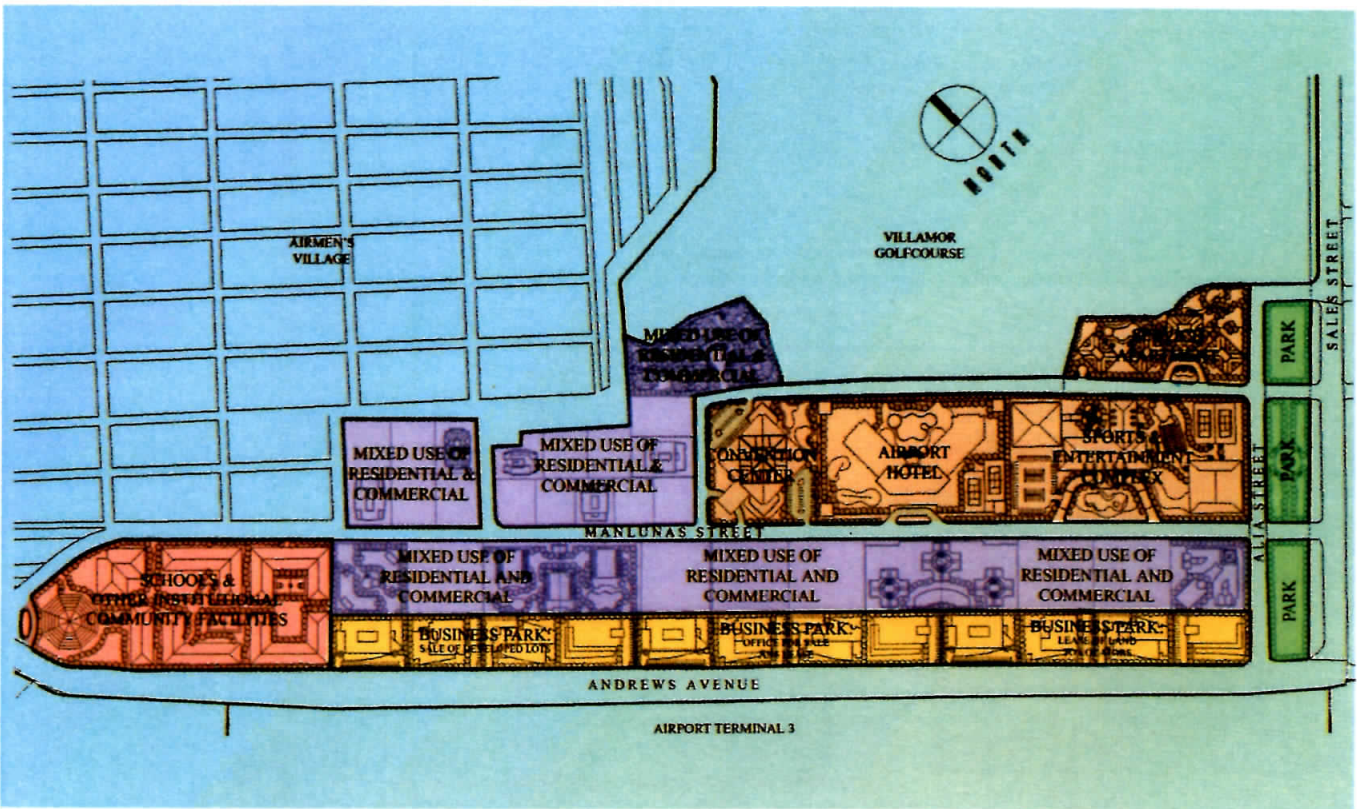
**Other Metro Manila Camps**

Bellevue Properties took over the five-hectare Camp Bago Bantay in November. The development is for residential purposes with support for commercial use.

In the last quarter of 2003, BCDA began the transfer of titles to winning proponents for other properties programmed for disposition. While contract signing for Camp Bago Bantay, SRDP and Bonifacio South Lots 4 and 5 are scheduled in February 2004, the remaining Fort Bonifacio properties, such as the 4-hectare, North Central Business District Lots, are being prepared for disposition in 2004.

Through its Asset Disposition Program, BCDA hopes to strengthen its revenue generation capabilities and intensify its monitoring of locator compliance to their investment and development commitments. With this successful mobilization of resources, BCDA has proven its reliability in funding the modernization of the military and in spearheading development

projects in Central Luzon that will enable the local communities to become competitive. Through the ADP, BCDA will also be able to intensify its assistance to its beneficiaries, which covers project affected families (PAFs) and local government units, among others.



Site development plan for the Villamor Gateway Center

## METRO MANILA BASELANDS DISPOSITION

### Infrastructure Development

#### Construction of infrastructure projects in the Global City

Access roads were completed to provide easy entry and exit to and from the Bonifacio Global City.

- **Sampaguita East On and Off Ramps**  
The three-lane, 584-meter long Sampaguita East On-Ramp and the two-lane, 731-meter long Sampaguita East Off-Ramp were completed and opened to vehicular traffic during the first quarter of the year. The Php118.6 million road connects Fort Bonifacio to the C-5 Road.
- **Collector Distributor (CD) Road Segment 1 - Mabini Ramp and Slope Protection**  
The Collector Distributor Road Segment (2-3A), with an estimated cost of Php51.73 million was completed in December 2003. The two-lane, 483-meter long CD Road Segment forms part of the access road network serving traffic coming directly from the Global City's Multi-Modal area to C-5 Road.
- **Sampaguita West On and Off Ramps**  
The Php219 million two-lane, one kilometer long Sampaguita West

On and Off Ramps were completed in December 2003. The ramps will serve as ingress/egress to and from the Bonifacio Global City west of the C-5 Road.



Other site development projects completed in 2003 include:

- Detailed design of Sampaguita Bridge widening project;
- Street-lighting project in the University Parkway;
- Detailed design for the 34.5 KV underground distribution system which will serve the power requirements of the Multi-Modal Area (Lot C) and Ayala Land, Inc.'s Market! Market!;
- Detailed design of the street-lighting project for the Multi-Modal Area Lots B and C;
- Construction of the perimeter fence at the proposed Lawton Parkway;
- Construction of the perimeter fence at the proposed Summit School; and,
- Detailed design for the improvement of the proposed BCDA office in Hatch Asia.

#### Developments in other properties intended for disposition

BCDA undertook legal actions to recover prime properties within Fort Bonifacio for possible disposition. These properties include the JUSMAG area covering some 29.8 hectares occupied by members of the Southside Homeowners

Association, Inc. (SHAI) and the Bonifacio Naval Station (BNS) area covering some 47.5 hectares which is occupied by members of the Navy Officers Village Association Inc. (NOVAI). The SHAI case is pending with the Supreme Court while the NOVAI case is for decision of the Regional Trial Court (RTC).

#### Promoting the Heritage Park

The Heritage Park, a multi-use memorial park complex, was launched last September in a week-long exhibit during the Real Estate Fair held at the Philippine International Convention Center (PICC). Following the successful launch is its introduction as one of BCDA's most viable properties to the members of the Chamber of Real Estate and Builders Association (CREBA) by BCDA President & CEO Rufo Colayco during the CREBA National Convention held last October 2-4 at the Holiday Inn, Clarkfield, Pampanga.

Just recently, partnerships with FSDulalia Realty and First Mandaluyong Property Network Inc. were established making them exclusive brokers for the disposition of Heritage Park Investment Certificates of the 28.8-hectare Area 2 of the Park. Sales for the property will bring in revenues amounting to more than Php750 million in a span of three years beginning 2004.

The 68-hectare Heritage Park is strategically located between the American Battle Monument and the *Libingan ng mga Bayani* in Bonifacio Global City. Situated on rolling terrain, it boasts of a lagoon, biking, and jogging trails that all make use of generous greenery. To date, it is among the last large-scale green open space developments in Metro Manila.

The Heritage Park was conferred the Yearender Excellence Award as the country's "Top Memorial Park for 2003" by the National Consumer Affairs Foundation and the Yearender Excellence Awards Committee.



Inauguration of the Sampaguita East Ramp on April 30, 2003

## ORGANIZATION DEVELOPMENT

BCDA embarked on major projects addressed towards further developing BCDA as an organization: job evaluation, manualization of BCDA's operations, records management, and capacity building.

### Job Evaluation

The Job Evaluation Steering Committee was mandated to conduct job analysis and job grading. A review of the job descriptions of all employees was undertaken to determine the actual duties and responsibilities being performed by the officers and staff. The descriptions will also help in the recruitment, selection, and promotion processes of BCDA.

The result of the job analysis study intends to guide management in its review of standards for performance, in simplifying work procedures, and in determining core competencies that will strengthen BCDA's capability to proactively respond to the demands of its clients and stakeholders. Job grading on the other hand will assist management in determining the competitiveness of BCDA's present salary structure against its counterpart in the private sector. These efforts are geared towards better work management and increased productivity.

### Manualization

The BCDA Policy Manual Team was created to come up with policies, procedures, and controls covering the different operating groups of BCDA. The Policy Manual will serve as the primary standard by which all units will operate and against which each unit's performance will be measured. The project is also part of the preparatory steps being undertaken by BCDA in its desire to acquire an ISO Accreditation. A workshop has been conducted to provide an orientation in the preparation of the policies and procedures.

By end of the year, 45 policy guidelines in five volumes were completed by the Team.

### Records Management

Training on Quality Circles (QC) was conducted among a group of BCDA employees to help them identify problems in the office system to make the system more effective and efficient for all. As a result of the training, eight (8) Quality Circles were created. In particular, the Records Management Systems (RMS) Quality Circle was formed to initiate and implement changes in the records management processes. This led to the design, development, and establishment of a fully automated document tracking system (DTS).

Another project which spun off from the Quality Circle is the revival of the Records Coordinators Forum (RCF) which serves as a venue to discuss developments in records management. Through the RCF, records coordinators proposed to adopt a Centralized Library of Active Records, the idea of which is to convert all current records to electronic form for employees' increased awareness on ongoing transactions and projects, as well as easy accessibility to these documents. The BCDA Mancom approved the concept in 2003 for implementation in 2004.

Further, an inventory of inactive records—documents which were more than five years—was completed. Essential records were duly retained and documented while obsolete records were recommended for disposal.

### Capacity Building

People development is one of the priorities of BCDA management. In-house and off-house training programs as well as teambuilding workshops were conducted to aid in the continuous professional and personal growth and development of its employees.

A total of 14 in-house training programs were conducted on basic management, English proficiency, values orientation, project management, finance, customer service, and personality development, among others, resulting to 9,278 training hours spent with the attendance of 373 officers and staff.

In addition, 30 off-house programs on infrastructure development, business development, estate management, government accounting/budgeting/auditing, information technology, property and supply management, and human resource management/development were availed by 85 officers and staff for a total of 1,648 training hours.

Teambuilding workshops were also conducted for a total of 1,440 hours.

All these activities are anchored on BCDA's core values of corporate excellence, professionalism, and good stewardship. BCDA management believes that its people are the assets of the organization and putting the right systems into place will make its human resource more productive and effective public servants.



BCDA Project Management Course

## SOCIAL DEVELOPMENT

Aware of the crucial role of corporate social responsibility (CSR) to promote equitable development, BCDA has embarked on various social development projects. These projects were primarily geared toward sound investor climates; pursuit of higher learning; relocation and housing; and community development and people empowerment. More importantly, the people involved in the various social development projects have themselves been transformed into agents of growth for the country.

To boost the economy in Central Luzon, BCDA has recognized the need to accelerate the development of infrastructure facilities. It has teamed-up with the province of Pampanga to improve the Ayala-Balitucan Road located in Magalang, Pampanga. The road improvement project is expected to facilitate better transport and delivery of goods and services as well as boost the domestic economy in Central Luzon. The project is also expected to increase the income of farmers in and around the neighboring areas.

To support the country's Armed Forces in its pursuit of higher learning, the BCDA donated some 31,812 square meters of land in Camp John Hay to the Armed Forces of the Philippines (AFP). The AFP



*President Colayco is welcomed in traditional foyer honors by the Cadet Corps AFP and Superintendent Major General Estilberto Ardan as BCDA donates a 30-hectare lot for AFP DND higher learning on August 2, 2003.*

will use the lot solely for the establishment of an AFP Learning Center and will utilize it for other related purposes.

To provide housing for the judiciary, BCDA fast-tracked the transfer of ownership of certain Fort Bonifacio properties to the Housing and Urban Development Coordinating Council (HUDCC) as mandated by Executive Order No. 70. In turn, the HUDCC agreed to allocate a vacant portion of the Philippine Centennial Village Housing Area to the Philippine Judges' Association (PJA) as site of its housing project.

Furthermore, by gaining the people's trust and confidence, BCDA was able to successfully persuade the informal occupants of the Sampaguita East Ramp, the Villamor Air Base Concessionaires Area,

LOGCOM Area, and the SRDP Area to vacate these properties peacefully.

The BCDA, under its Social Development Initiatives Program, also pursued various capacity building and community empowerment programs for the benefit of the occupants of its various relocation sites. The *Pamayanang Diego Silang* (PDS), *Kalayaan*, *Mc Arthur Area*, and *Lupang Katuparan* relocation sites are now thriving communities each with a legal personality in the form of their respective homeowners associations. Among the various training programs include a program for the Water Management groups of *Lupang Katuparan* in preparation for BCDA's eventual turn over of the facility in 2004. Likewise, some 85 residents of PDS were beneficiaries of two livelihood capacity and capability building seminars on decorative home-made paper and the processing of chicken poppers. In the area of health and nutrition, BCDA conducted training on reproductive health for mothers



*President Colayco signs an agreement to renovate the Ayala-Balitucan Road with Pampanga Governor Lito Lapid on October 29, 2003.*



BCDA housing project: Pamayanang Diego Silang

of PDS. BCDA also provided PDS residents options on how to avail of housing loans by joining forces with the Social Security System (SSS) and the Government Service Insurance System (GSIS) in conducting orientation seminars and in facilitating their housing loans.

In Baguio, the BCDA played an instrumental role in assisting the Scout Barrio Neighborhood Association (SBNA) and Scout Barrio officials to agree on endorsing the approval of its subdivision plan to the Baguio City Council. The subdivision plan covers an eight-hectare area in the Club John Hay Reservation which the BCDA segregated in 2001 as the housing site of legitimate occupants of Barangay Scout Barrio.

In Bataan, various livelihood training seminars, through the Bataan Technology Park, were conducted particularly for the indigenous community. Among the seminars include a bee-keeping course, sewing/dress-making course, and tutorial for Aeta children. Other livelihood-related and capacity building seminars conducted for the Bataan community include basic bookkeeping/accounting courses, seminars on building and grounds maintenance, continuous education on cooperative development and management, and training on food processing. Further, medical-dental missions were held in Morong as part of BCDA's social outreach program.

BCDA's role in the country's development does not start and end in planning and implementing big ticket infrastructure projects. Equally important is the role it plays to empower the Filipino to be agents of growth and managers of development.

### Empowering the Community

The *Kaisahan ng Sambayanan Alay sa Kaunlaran Multi-Purpose Cooperative* (KASAMAKA-MPC) was accredited by the Cooperative Development Authority on October 4, 1999. The group is composed mostly of former communist insurgents as well as their immediate family members. BTPI has been instrumental in their integration into the mainstream of Philippine society.

The BTPI has provided the cooperative additional capitalization and a host of technical, organizational, and livelihood-training programs that contributed to KASAMAKA-MPC's present status as a viable business entity.

In 2003, BTPI has launched a project on Buildings and Ground Maintenance wherein the expertise of the KASAMAKA-MPC members has been tapped. Among the objectives of the project is to develop KASAMAKA-MPC's organizational capability and capacity to become a viable service provider. For this purpose, BTPI has allotted Php700 thousand to cover the project expenses. Through the project, the Cooperative Development Authority of Bataan now considers the KASAMAKA-MPC as among the top three outstanding cooperatives in the province.

BTPI also assisted KASAMAKA-MPC in organizing its financial records, systems, and procedures by conducting training on Basic Bookkeeping and Accounting for Cooperatives.

BTPI supports KASAMAKA-MPC's other endeavors such as demonstration farming, mango production, and food processing.



Medical-dental mission in Morong, Bataan



# FINANCIAL REPORT

## BALANCE SHEET

(In Millions)

|                                      | 1999          | 2000          | 2001          | 2002          | 2003          |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>ASSETS</b>                        |               |               |               |               |               |
| <b>CURRENT ASSETS</b>                |               |               |               |               |               |
| Cash and Cash Equivalents            | 1,314         | 1,251         | 1,152         | 1,144         | 1,701         |
| Receivables                          | 1,527         | 2,047         | 2,972         | 4,834         | 4,942         |
| Inventories                          | 1,715         | 1,594         | 913           | 873           | 814           |
| Other Current Assets                 | 211           | 188           | 92            | 122           | 117           |
| <b>Total Current Assets</b>          | <b>4,767</b>  | <b>5,080</b>  | <b>5,129</b>  | <b>6,973</b>  | <b>7,574</b>  |
| <b>INVESTMENTS</b>                   | <b>28,835</b> | <b>30,122</b> | <b>30,673</b> | <b>28,243</b> | <b>28,099</b> |
| <b>PROPERTY AND EQUIPMENT</b>        | <b>41,618</b> | <b>43,466</b> | <b>43,878</b> | <b>43,469</b> | <b>44,357</b> |
| <b>OTHER ASSETS</b>                  | <b>57</b>     | <b>58</b>     | <b>71</b>     | <b>98</b>     | <b>93</b>     |
| <b>TOTAL ASSETS</b>                  | <b>75,277</b> | <b>78,726</b> | <b>79,751</b> | <b>78,783</b> | <b>80,123</b> |
| <b>LIABILITIES AND CAPITAL</b>       |               |               |               |               |               |
| <b>Current Liabilities</b>           |               |               |               |               |               |
| Accounts Payable                     | 882           | 1,227         | 309           | 1,486         | 1,716         |
| Trust Liabilities                    | 1,139         | 622           | 1,255         | 1,692         | 1,906         |
| <b>Total Current Liabilities</b>     | <b>2,021</b>  | <b>1,849</b>  | <b>1,564</b>  | <b>3,178</b>  | <b>3,622</b>  |
| <b>Long-Term Liabilities</b>         |               |               | <b>500</b>    | <b>1,200</b>  | <b>1,496</b>  |
| <b>Deferred Revenues</b>             | <b>498</b>    | <b>1,263</b>  | <b>1,287</b>  | <b>1,148</b>  | <b>2,134</b>  |
| <b>Total Liabilities</b>             | <b>2,519</b>  | <b>3,112</b>  | <b>3,351</b>  | <b>5,526</b>  | <b>7,252</b>  |
| <b>Capital</b>                       |               |               |               |               |               |
| Paid-up Capital                      | 67,712        | 69,656        | 70,193        | 68,543        | 68,660        |
| Contingent Capital                   | 1             | 1             | 1             | 1             | 1             |
| Donated Capital                      | 1             | 1             | 1             | 1             | 1             |
| Retained Earnings                    | 5,044         | 5,956         | 6,205         | 4,712         | 4,209         |
| <b>Total Capital</b>                 | <b>72,758</b> | <b>75,614</b> | <b>76,400</b> | <b>73,257</b> | <b>72,871</b> |
| <b>TOTAL LIABILITIES AND CAPITAL</b> | <b>75,277</b> | <b>78,726</b> | <b>79,751</b> | <b>78,783</b> | <b>80,123</b> |

BCDA's total assets grew by Php1.34 billion showing a two percent increase from Php78.78 billion in 2002 to Php80.12 billion posted in 2003. The marked increase was attributed to the rise in cash and cash equivalent by approximately Php600 million or a 50 percent increase from Php1.1 billion in 2002 to Php1.7 billion in 2003. The increase in assets was also due to the recorded BCDA equity in the Subic-Clark-Tarlac Expressway Project (SCTEP) and other site development projects.

Total liabilities, on the other hand, rose by Php1.73 billion. This was attributed to the receipt of approximately Php1 billion upfront cash payments

from the Asset Disposition Program, taken up as deferred revenues; the receipt of Php300 million JBIC loan proceeds for the SCTEP detailed design; and, Php214 million trust liabilities.

Total Capital slightly declined to Php72.87 billion from Php73.26 billion posted in 2002. The decline was due to the Php504 million decrease in Retained Earnings, even as Paid-up Capital increased by Php118 million. As mandated, BCDA is entitled to 27.5 percent of the sales proceeds of Metro Manila military baselands turned over by the government, and to 50 percent of revenues other than sale. Such shares of BCDA form part of the equity from the National Government.



## STATEMENT OF INCOME AND RETAINED EARNINGS

(In Millions)

|  | 1999         | 2000         | 2001         | 2002           | 2003         |
|--|--------------|--------------|--------------|----------------|--------------|
| <b>REVENUES</b>  |              |              |              |                |              |
| Joint Venture Income   | 225          | 308          | 270          | (18)           | 52           |
| Seaport/Airport Income   | 69           | 2            | 51           | 50             | 46           |
| Lease/Miscellaneous Income   | 30           | 71           | 77           | 79             | 242          |
| <b>TOTAL REVENUES</b>  | <b>324</b>   | <b>381</b>   | <b>398</b>   | <b>111</b>     | <b>340</b>   |
| <b>EXPENDITURES</b>  |              |              |              |                |              |
| Personal Services  | 73           | 94           | 85           | 87             | 103          |
| Maintenance & Other Operating Expenses                               | 484          | 490          | 423          | 359            | 269          |
| <b>TOTAL EXPENDITURES</b>  | <b>557</b>   | <b>584</b>   | <b>508</b>   | <b>446</b>     | <b>372</b>   |
| <b>Net Income (Loss) from Operations and Other Income (Expenses)</b> | <b>(233)</b> | <b>(203)</b> | <b>(110)</b> | <b>(335)</b>   | <b>(32)</b>  |
| Subsidiary from the National Government                              |              |              |              |                |              |
| Equity in net income of subsidiaries/affiliates                      | 1,502        | 918          | 194          | (1,130)        | (253)        |
| Interest Income  | 163          | 113          | 115          | 129            | 68           |
| Interest Expense   |              | (8)          | (7)          | (147)          | -            |
| Financing and Administrative Charges                                 |              |              | (0)          | (5)            | (195)        |
| <b>Total Other Income (Expenses)</b>                                 | <b>1,665</b> | <b>1,023</b> | <b>302</b>   | <b>(1,153)</b> | <b>(380)</b> |
| <b>Net Income Before Tax</b>   | <b>1,432</b> | <b>820</b>   | <b>192</b>   | <b>(1,488)</b> | <b>(412)</b> |
| <b>Provision for Income Tax</b>                                      | <b>(6)</b>   | <b>(8)</b>   | <b>(8)</b>   | <b>(3)</b>     | <b>(7)</b>   |
| <b>NET INCOME</b>  | <b>1,426</b> | <b>812</b>   | <b>184</b>   | <b>(1,491)</b> | <b>(419)</b> |
| <b>Retained Earning, Beginning</b>                                   | <b>3,659</b> | <b>5,044</b> | <b>5,956</b> | <b>(6,205)</b> | <b>4,712</b> |
| Correction of Fundamental Errors                                     | 7            | 100          | 65           | (2)            | (84)         |
| Cash dividends   | (48)         | -            | -            | -              | -            |
| <b>Retained Earning, End</b>   | <b>5,044</b> | <b>5,956</b> | <b>6,205</b> | <b>4,712</b>   | <b>4,209</b> |

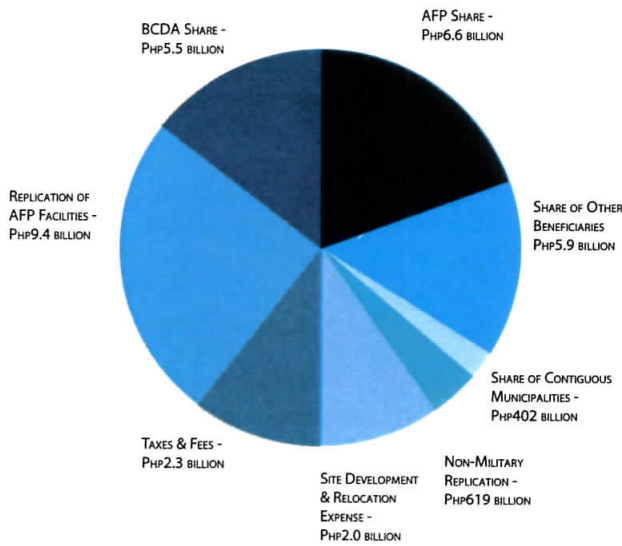
BCDA generated total revenues of Php340 million, which is more than three times that of the previous year's revenues of Php111 million. The increase is due mainly to the Php164 million rise in lease income from Php76 million in 2002 to Php228 million this year. Likewise, the Pacific Plaza Towers project showed a significant headway this year posting a Php52 million income. It should be noted that BCDA's shares in the proceeds from the disposition of Metro Manila military camps are not booked as revenues but rather as addition to the paid-up capital, while the shares of other beneficiaries/agencies are taken up as trust liabilities.

Total Expenditures, which amounted to Php372 million, is 16 percent lower than last year's Php446 million. The substantial decline in Maintenance and Other Operating Expenses particularly Cash Compensation and Other Services, contributed mostly to the decrease in total expenses for CY 2003. The expense categorized under "Other Services" include survey, appraisal, titling, security services as well as real property taxes, which have started to decline since most of the disposed properties are now transferred to their respective buyers/locators who assumed payment of the said expenses.

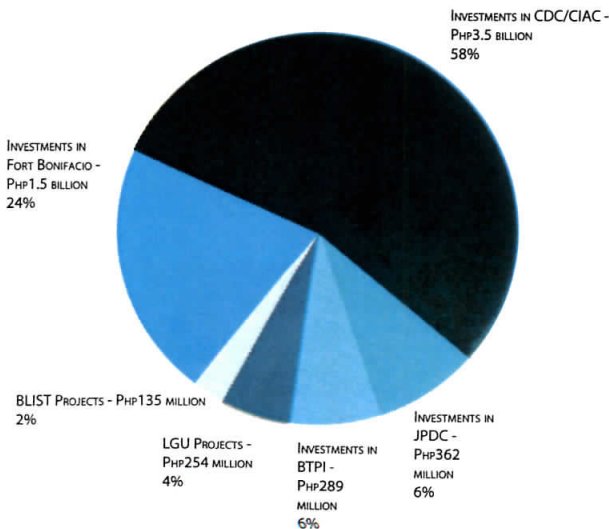
# FINANCIAL REPORT

With this considerable rise in revenues coupled with a decline in operating expenses, BCDA registered a significant recovery in 2003. The recorded net loss of only Php419 million exhibited a big improvement from that of the previous year's loss of Php1.491 billion. This figure already includes the BCDA equity share in net loss of its subsidiaries/affiliates which amounted to Php253 million as a result of equity method of accounting in recording its investment.

## A. DISPOSITION PROCEEDS P32.9 billion



## B. DISTRIBUTION OF BCDA'S SHARE



## 11-Year Asset Disposition Program and Infrastructure Profile

BCDA generated Php32.9 billion proceeds from the disposition of Metro Manila military camp properties since the start of its Asset Disposition Program eleven years ago (see chart A). Of this amount, Php16.1 billion or 49 percent of the disposition proceeds went to the Armed Forces of the Philippines (AFP) to finance the modernization program (Php6.6-B) and replication of military facilities (Php9.4-B).

All but Php460 million, which is currently being processed as of this writing, has already been remitted to the National Treasury. The AFP is expected to draw from this fund to finance duly approved projects for their modernization program. Of the Php9.4 billion allocation for the replication of the AFP facilities, Php1.3 billion was spent by BCDA, as requested by the Department of National Defense (DND) and the AFP, on the replication of military facilities that include the Php845 million Philippine Army (PA) Officers Quarters, Php253 million PA Hospital, Php207 million PA Village in Capas Tarlac, and the Php49 million PA Clubhouse in Fort Bonifacio.

BCDA's share on the disposition proceeds which totaled Php5.5 billion over the said period was used to finance the conversion and development of military baselands in the Clark Special Economic Zone (CSEZ), Poro Point Management Corporation, John Hay Management Corporation, and Bataan Technology Park (BTP). Its share also funded infrastructure projects in Fort Bonifacio and in Central Luzon in partnership with local government units (LGUs).

As mandated by law (RA 7917), Php5.9 billion or roughly 18 percent of the disposition proceeds went to 14 government beneficiary agencies that continue to implement various social development programs. This includes the National Shelter Program that finances mass social housing project for the underprivileged and homeless citizens of the country. Other government programs are the National Health Insurance Program; Higher Education Development Fund, otherwise known as the Higher Education Act of 1994 that finances students' scholarship, faculty development and the improvement of physical plants of colleges and universities under the Commission on Higher Education (CHED); science and technology scholarships for young Filipino scientists and students in selected countries through the Department of Science and Technology; the "Study Now, Pay Later" Program for poor but deserving youths who shall enroll or are enrolled in science and technology (S&T) courses; the multi-year program of the prosecution service; the modernization program of the National Bureau of Investigation (NBI), the Philippine National Police (PNP) and the improvement of prison facilities; the judicial reform program; the establishment of pre-school and day-care centers nationwide; the summer program for the education of students (SPES) in accordance with Republic Act No. 7323; the construction of Senior Citizens Centers as provided under Republic Act No. 7876; the emergency and contingent needs of the areas devastated by the Mount Pinatubo eruptions; and infrastructure development of future special economic zones to be created.

Two billion pesos or six percent of the disposition was spent on site development and relocation expenses. This primarily went to finance housing and relocation projects of families affected by the disposition programs of BCDA.

These projects include the *Pamayanang Diego Silang*, Philippine Centennial Village and *Lupang Katuparan*.

Another Php2.3 billion or seven percent went to taxes and fees while Php402 million or one percent went to the share of contiguous municipalities namely Taguig, Pateros and Makati. To note, BCDA is by far the second highest tax payer of the Municipality of Taguig with the FBDC, of which BCDA has a 45 percent equity share, as the highest tax payer of Taguig.

BCDA's Php5.5 billion share, the lease payments it received from its various properties and interests earned from bank placements were used to fund various infrastructure projects that make up BCDA's 11-year infrastructure profile (see chart B).

Getting the lion's share was the CSEZ which received a total of Php3.5 billion. Among the major projects BCDA implemented and/or facilitated in and around CSEZ include: the installation of airport equipment; construction of an interim passenger terminal; construction of roads and bridges leading to industrial estates and tourism areas; and the construction of the Sacobia Bridge.

Another Php1.5 billion from BCDA's share went to enhance the value of properties subject for disposition. This include BCDA's Php360 million share in the construction of the Kalayaan-Edsa Flyover, the Php359 million Sampaguita East and West On and Off Ramps and the Php52 million Mabini Road which have made Fort Bonifacio more accessible from the C-5 road.

A total of Php289 million was used to develop the Bataan Technology Park as part of its objective to make it an alternative locator site to Subic Bay Freeport and Special Economic Zone (SBFSEZ). Among its infrastructure projects include: the construction of the perimeter road and fence; construction of a 10-kilometer concrete road linking the BTP to Subic; and the renovation and maintenance of its building facilities.

BCDA funded various infrastructure projects worth Php362 million in Camp John Hay and Poro Point. These projects include: the construction of Pennsylvania Avenue in Poro Point; the rehabilitation of the pier and acquisition of private land in Wallace Air Station; the Forest Management Program, Flower Festival and the barangay segregation in Baguio.

BCDA also undertook the construction of support-infrastructure projects in partnership with the local government units (LGUs) as part of its mandate to develop the areas around CSEZ and its subsidiaries. A total of Php254 million from BCDA's share was spent on BCDA-led LGU projects that include: the Friendship Bridge under the Clark Area Municipal Development Project (CAMDP); Subic-Cawag Road; the Ayala-Balitucan Road; rehabilitation of the existing Velasquez Avenue; improvement of the Dalupon Cable Road and the Old Camino Magurol-gurol at Pandan Road both in Bamban; the Flume-type Canal in Porac, the Sabang-Mabayo Road; the Lined Canal in Capas; and the relocation of informal occupants affected by the NorthRail Project.

Lastly, BCDA also funded a total of Php135 million worth of infrastructure under the Baguio-La Trinidad-Iugon-Sablan-Tuba (BLIST) Projects. Some of these projects include the construction of concrete roads, drainage canal culverts, barangay halls, the rehabilitation of bridges, and road widening.

Taking on the higher road of development, and in line with its mission and vision to develop Central Luzon into an efficient agro-industrial logistical complex that would be at par with other key regions in Asia, the BCDA provided a loan worth Php500 million to

the DPWH for the right-of-way acquisition (ROWA) of the on-going road widening of the North Luzon Expressway (NLEX). This project has contributed to the decongestion of traffic in the NLEX.

## Conclusion

As mandated by RA 7227, BCDA generated Php32.9 billion from the sale of Metro Manila military base camps during the last 11 years. It retained Php5.5 billion for its share and virtually invested all of it in the development of Clark and its other subsidiaries.

In the last three years, BCDA has taken steps to ensure that it will have a long-term stream of recurring revenues to fund its development projects in Central Luzon.

After deducting the AFP's share, BCDA projects to earn substantial annual guaranteed revenues for the next 25 years from its joint-venture projects with the private sector in its Fort Bonifacio properties and other Metro Manila military camps.

However, the most significant BCDA undertaking, going into the future, is its toll road building project. In the first stage, BCDA will be linking Clark, Subic and Hacienda Luisita via a four-lane, 94.5 kilometer road funded by a concessional loan from the Japan Bank for International Cooperation (JBIC). In the second stage of the project, the highway will be extended from Hacienda Luisita all the way to La Union with an additional 84.5 kilometers of toll road. The third stage of the toll road project will be extended from Hacienda Luisita to Palayan City in Nueva Ecija for another 40 kilometers of toll road.

Within the next three years, BCDA would have constructed 219 kilometers of expressway to provide the backbone for economic development in Central Luzon. At the same time, the toll road will create more recurring revenues to further build BCDA's long-term viability as it continues to pursue its mandate to develop Central Luzon and propel the country toward global competitiveness.

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