

Republic of the Philippines
Office of the President

BCDA

Bases Conversion Development Authority



Annual Report 1997

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OUR COVER

Legacies in Social and Economic Development

The Philippine flag proudly flies at the center of the cover of this year's report, a fitting preface to the centennial celebration of the Philippines' Declaration of Independence. The collage of pictures underscores the balanced economic and social dimensions of development — the core of BCDA's mission.

The 1997 Report concludes the fifth year of BCDA's operations. At this half-decade mark, it attempts to highlight the various legacies borne out of the development and conversion processes. With these legacies and the corporate vision and mission juxtaposed, BCDA reviews the five-year fulfillment of its mandate.

	1997	1996	1995	1994	1993
FUNDS GENERATED					
Sales of Corporate Shares	P -	P -	P 39,175	P -	P -
Sales of Real Estate	6,617	4,155	19,588	18	310
Interest & Other Income	446	392	494	54	13
	P 7,063	P 4,547	P 59,257	P 72	P 323
INVESTMENTS GENERATED					
Fort Bonifacio Development Corp.	P 9,437	P 3,274	P -	P -	P -
SBMA	10,359	27,145	24,910	13,813	14,159
Clark Special Economic Zone	46,775	12,997	4,714	4,086	1,860
John Hay Special Economic Zone	480	475	-	-	-
Heritage Memorial Park	-	-	-	-	6,825
	P 67,051	P 43,891	P 29,624	P 17,899	P 22,844
EXPORTS GENERATED					
SBMA	\$ 530	\$ 328	\$ 174	\$ 24	\$ -
Clark Special Economic Zone	153	137	70	5	-
	\$ 683	\$ 465	\$ 244	\$ 29	\$ -
EMPLOYMENT GENERATED					
Fort Bonifacio Development Corp.	226	112	30	-	-
SBMA	14,590	16,206	23,480	5,966	6,833
Clark Special Economic Zone	14,369	9,974	9,315	6,492	623
	29,185	26,292	32,825	12,458	7,456
HOUSING UNITS CONSTRUCTED					
Cost	P 480	P 567	P 637	P -	P -
Units completed	3,093	1,620	-	-	-

Peso and dollar figures are in millions.
Exchange rate reference: P 40.00 : US\$ 1.00

BCDA's track record

has proven our forebears

Build

correct that the Filipino is

able to build his own

his own

future and to take his

rightful place in the

Future

Community of Nations.

(Background) Subic Bay Special Economic and Freeport Zone is one of the models of success in the conversion of former baselands into centers of commerce and trade.

The declaration of Philippine Independence one hundred years ago was the fruit not only of our countrymen's desire for self-rule but also of their faith in the Filipino's ability to help himself - to build a nation by his own efforts and talents.

The gains and achievements of the Bases Conversion and Development Authority (BCDA) - in 1997 and over the past five years - should make our forebears proud. In many ways, BCDA's accomplishments sustain and extend what our heroes have begun.

From 1992 to 1997 the BCDA, together with its partners in Government and the private sector, implemented our vision for the former baselands. The vision was anchored on our collective determination to make the wisest and best use of the tracts of land reverted to our country by our American allies, and of the immense opportunities for economic and social development that came with the world-class facilities there.

Our vision was also focused on the revival and revitalization of the local communities damaged by the 1990 earthquake and the 1991 eruptions of Mount Pinatubo. The vibrant and highly productive state of these communities in Northern and Central Luzon attests to the realization of this vision in more ways than one.

I cite, in particular, the following:

The 57 percent average annual growth in aggregate foreign investments in the facilities under BCDA's stewardship over the past five years;

The 242 percent average annual growth in local investments in these facilities;

The addition to the manpower of locator-industries at an average of 18,331 new workers annually; and

An average of 86 new local and international companies that have established operations inside BCDA facilities every year.

The work of BCDA and its partners has benefitted millions of Filipinos and the country as a whole. The project has also directly benefitted four provinces, four cities, and six towns. These localities either directly host the facilities or are located close enough to these facilities to reap downstream business benefits.

These benefits extend beyond the economic. Many social benefits have resulted from the development and operation of the former baselands. I refer to the shelter, infrastructure development and educational activities which are part of the baseland conversion projects. BCDA projects also provide tremendous opportunities for showcasing the excellence of Filipino management and technical skills on the global stage.

What an appropriate tribute all these will be to the 100th year of our independence this coming June 12. How fitting that among the most important venues of our celebration should be the former Clark Air Base - a foreign facility we have learned to put to our own good use.

I, therefore, commend the men and women of the BCDA, and its subsidiaries and affiliates. I also thank our strategic partners from the private sector, the local communities, and the local governments for extending their all-out support.

Mabuhay !



FIDEL V. RAMOS

*President
Republic of the Philippines*

BCDA's remittance for 1997

is the highest made by an
highest
agency out of the privatization

program of the government and

represents almost 63 percent

remittance
of the total privatization

proceeds remitted to the

national coffers.

(Background) Once it opens, the improved Camp John Hay will feature theme parks, hotels, restaurants, indoor recreation facilities, and an enhanced golf course.

April 1998

His Excellency
Fidel V. Ramos
 President
 Republic of the Philippines

Dear Mr. President:

We are honored to submit to you the Centennial Year Report of the Bases Conversion Development Authority.

The year 1997 was a time for consolidation. Capitalizing on the gains of the agency during the past five years, BCDA and its partners focused on the acceleration of projects already on stream and putting in place the groundwork for projects in the start-up phases in a bid to ensure their continuity beyond the term of the present national leadership.

The process of consolidation revealed a significant character of our gains in the conversion and development of the former baselands. A larger view of these accomplishments will show that the joint

efforts of BCDA and its partners, guided by the President's leadership, have yielded human and economic development legacies that will continue to benefit generations of Filipinos in the years to come.

Allow me to highlight some of the important consolidated gains:

The 84,571 managerial and technical workers presently employed in the establishments within our facilities;

The 515 commercial, industrial and tourism establishments located in the former baselands;

The 730 families directly benefitting from the supplementary shelter programs of BCDA;

The four housing communities of BCDA for civilians, members of the Armed Forces of the Philippines and the Philippine National Police;

The 60 horizontal infrastructure development projects implemented within the former baselands or outside them but part of the development process.

These figures serve as a fitting backdrop to the track record we have generated in terms of investments and revenue generation.

Revenues and Investments in the Former Baselands

In 1997, revenues generated by BCDA from the sale of former military camps reached P6.617 billion, mostly from the Fort Bonifacio project. This brings to P25.869 billion the total amount of revenues from such sales remitted by BCDA to the National Treasury since 1993.

The annual remittances (P18.485 billion in 1995; P3.123 billion in 1996; and P4.171 billion in 1997)



John Hay in Baguio City is undergoing rehabilitation for its development into a major tourist attraction for both local and foreign visitors.

have placed BCDA at the top rung of major revenue contributors to the country's national coffers. They also represent unprecedented increases in generated revenues which, in turn, have allowed the national government to respond meaningfully to its developmental concerns.

The national government continues to utilize the proceeds of the revenue generation efforts to fund the modernization program of the Armed Forces of the Philippines, the infrastructure to make the former baselands accessible, the National Shelter Program, the National Health Insurance Program, science and technology scholarships, establishment of pre-school and daycare centers, the benefits and claims of military war veterans and their dependents, and other similar development projects.

Meanwhile, investments made by locating industries and businesses in Subic and Clark reached US\$ 4.024 billion in the fifth year of operations following the entry of some US\$260.149 million in new investments in 1997. US\$258.98 million in investments poured into Subic, while US\$1.169 million was invested in Clark.



Business establishments located in the converted baselands, such as Sampo Corporation in Clark, have generated jobs for thousands of Filipinos.

The five-year aggregate investments were made in the areas of manufacturing (electronics and information technology), light industries, tourism, and commerce and trade.

Indeed, the aforementioned numbers highlight the magnitude of our mission and task accomplished.

Social Gains

Alongside the financial achievements of BCDA, however, are the many men and women, as well as local communities and small enterprises, benefitting from the human and economic development dimensions of our projects.

Significant new opportunities were generated to improve the lives of Filipinos employed in the economic zones or residing in the host communities.

A total of 109,981 skilled and semi-skilled workers have been employed in the special economic zones.

In 1997, some 21,774 landed jobs in these zones. Among the top employers are Acer, Intel, Thomson Audio, Aiwa, Kita Corporation, and Fedex. Clark has provided a total of 14,369 jobs, while Subic provided 7,405.

The tremendous downstream socio-economic effects of BCDA's development projects have not only benefitted the Angeles and Olongapo Cities and towns in Pampanga and Zambales but also BCDA's other areas of operations such as the environs within and surrounding Fort Bonifacio, Poro Point, and Camp John Hay.

Our housing communities built along the Circumferential Road-5 continue to gain occupancy even as our third housing site in Capas, Tarlac, otherwise known as the Philippine Army Village,

now has 150 single-detached units ready for their new dwellers.

About 730 families have already moved into their new homes in the three housing sites. Over 2,000 families are scheduled to move into their new homes in 1998.

BCDA has set aside P2.7 billion for the shelter program, which can benefit up to 5,000 families.

Following the directions set by President Ramos, BCDA is implementing a "holistic community" strategy. Not only are shelters provided, but all the other amenities and services necessary to make the sites vibrant and dynamic human neighborhoods. Residents in Centennial and Diego Silang Villages along C-5 in Taguig, Metro Manila can now enjoy the services of a daycare center and training programs that promote income-generating activities.

Acknowledgement

With the guidance and support of the President, we were able to optimize the opportunities presented by the facilities under our stewardship and the strengths of our partnership with the private sector and local governments.

The philosophy of his leadership, which underscored the delicate balance between economic development concerns and human welfare, has served as a constant source of wisdom and inspiration. It is our adherence to this which ensured that the social aspect of development received as much attention as the business dimension of our projects.

Thank you, Mr. President.

A note of gratitude is in order for our private sector partners. I believe that at no other time in our history and under no other national leadership had our country seen so much



Centennial Village, one of BCDA's medium-rise projects and among the government's largest urban housing programs, is the home of some 741 military and civilian families.

accomplished by the tandem efforts of the government and the private sector as it had under the Ramos presidency.

It is this partnership under the President's leadership which bore the legacies we are proud to turn over to the next generation.


Nothing could be a more fitting Centennial gift to our countrymen.

With the major projects in full blast, and with the start-up projects poised for promising take-offs, we confidently wish to report to the President: "Mission Accomplished!"

Sincerely,


VICTORINO A. BASCO
 Chairman

BCDA's mandate to transform
once foreign-controlled facilities
into Philippine economic
growth centers is a hallmark
of sovereignty, of the
Filipino's singular capacity
for self-reliance.



Diego Silang Village is another urban mass housing project of
BCDA for members of the country's military and police force.

The creation of the Bases Conversion Development Authority (BCDA) in 1992 may very well symbolize the celebration of one hundred years of freedom. BCDA's mandate — to literally transfer foreign-controlled bases into Philippine hands and the conversion of these and former Philippine military facilities into economic growth centers — is a hallmark of sovereignty, of the Filipino's singular capacity for self-reliance.



International firms, like Amertron in Clark, tap the vast hard-working and skilled human resource in the Philippines.

The task to develop the baselands was daunting.



The San Fernando airport will be improved and its runway extended to accommodate Boeing 737 and Airbus 300 aircraft used in regional flights.

Since 1993, BCDA, together with its affiliates, subsidiaries, and strategic partners, embarked on what could be the country's biggest development projects of the century. The magnitude of the projects called for massive mobilization of financial, industrial and human resources. In the five years of its operations, BCDA facilitated the transformation of some 123,000 hectares of baselands, the generation of employment, the establishment of sustainable communities, and the downstream flow of business opportunities.

In this review, BCDA reports on its programs and operations to achieve authentic human development alongside economic advancement.

CONVERSION AND DEVELOPMENT OF METRO CAMPS

Fort Bonifacio

Fort Bonifacio was formerly known as Fort William McKinley, then the largest United States military facility in the Philippines. Upon its return to the government in 1947, it became the home of the Philippine infantry, marine and artillery forces until it was turned over to BCDA in 1992.

Today a "Global City" is taking shape with all the features of an intelligent metropolis: multi-modal transport system, computerized buildings, and state-of-the-art infrastructure system.

The Fort Bonifacio Development Corporation (FBDC), a joint venture between BCDA and a private consortium led by Metro Pacific, spearheads the implementation of the blueprint for this Global City. The Master Development Plan divides the 440-hectare area into a Central Business District, an Institutional Area, a multi-modal station, the Taguig government center,

a 64-hectare sports and recreation area, and a 100-hectare high-end residential village. About 29 hectares is being developed into an Institutional Area which will house several prestigious educational centers, a science and technology center called the Philippine Science Centrum, and a hospital-medical office-apartelle complex. The area is also being eyed as the site for a cathedral and other buildings for religious purposes.

BCDA in 1997 initiated the planning and development of the Government Center for Investments within the Global City. A Memorandum of Understanding was signed with several government agencies for these agencies to locate their corporate offices in the Center.

Among these are the Department of Trade and Industry, Board of Investments, Securities and Exchange Commission, Philippine Export and

The 214-hectare Fort Bonifacio Global City is the latest of the central business districts to rise in Metro Manila and will rival existing business centers like Makati and Ortigas.





Construction work is ongoing at the Big Delta in the Global City where commercial and residential complexes will emerge.

Foreign Loan Guarantee Corporation, Philippine Deposit and Insurance Corporation, and the Philippine Export Zone Authority. BCDA and its subsidiaries will also house their corporate offices in the facility.

In 1997, the developers focused on the horizontal development of the Global City, particularly on establishing utilities and key infrastructure such as power, water, and communications.

To lay the groundwork for modern utilities management, FBDC signed joint venture agreements with various entities: the Bonifacio Estate Services Corporation for site management; Sunvision Cable, Inc. and Bonifacio Cable One Corporation for cable television services; Bonifacio Communications Corporation for telecommunications infrastructure; Bonifacio Construction Management Corporation for the control and management of construction activities; and Bonifacio Insurance Services Corporation for risk management.

Meanwhile, groundbreaking for several high-rise projects took place. These projects include luxury condominiums such as the Pacific Plaza Towers, Conservatorium, Essensa, Manila Golf Crest, One McKinley Place, and the Regent Parkway.

Pioneer Insurance, Asian Sources Media Group, Sunlife of Canada, Chartered Land, and Capitol Bank are some of the companies which are completing concept designs of their offices to be established in the City. FBDC, together with other investors, has likewise begun work on an integrated mixed-use development which includes the Entertainment Center and Capital Place.

Villamor Air Base

A stone's throw from Fort Bonifacio is Villamor Air Base, home of the Philippine Air Force and of one of Metro Manila's more popular public golf courses. A 150-hectare portion of the former base is the beneficiary of a multi-billion development plan that will create a sports and recreational center and expand the country's present international airport.

BCDA's development of the base begins with the construction of a modern passenger terminal for the Ninoy Aquino International Airport (NAIA). The project, dubbed NAIA International Passenger Terminal (IPT) III, is being undertaken by the Philippine International Air Transportation Company based on a Master Plan approved by President Ramos.

The lease contract for the area was signed with the Manila International Airport Authority.



Members of the Philippine Air Force have been awarded land titles in the Airmen's Village in Villamor Air Base.

Coordination with the Philippine Air Force is now being done for the relocation of its facilities affected by the airport terminal project.

Once completed, the NAIA IPT III will have a target capacity of 10 million passengers per annum. BCDA's support for the project underscores its commitment to the improvement of the country's aviation industry. The new terminal will not only decongest the existing facilities but also provide arriving and transit passengers with amenities of international standards.

A 23.6-hectare portion of the Villamor Air Base has also been set aside for a commercial strip, which will house business establishments. Detailed planning for the area reserved for this commercial strip is now ongoing.

The site plan and building design for the driving range and executive sports clubhouse were completed last year. Negotiations are now going on with the Air Force for the relocation of the existing driving range.

Finally, some 53 hectares was set aside for a socialized housing program primarily for the

residents of Airmen's Village. President Ramos distributed certificates of land titles to the first batch of beneficiaries in 1996. The occasion marked the fulfillment of a longstanding government commitment which ultimately materialized under the present national leadership.

Camp Bago Bantay

This facility in Quezon City used to house units of the Philippine National Police and the National Intelligence Coordinating Agency. BCDA and its joint venture partner, RFM Property Holdings, Inc., a sister company of one of the Philippines' biggest business conglomerates in the food and beverage industry, will develop a residential condominium complex in a three-hectare portion of this facility.

Targeting the upper middle-class market, the proposed Citadina Condominium Complex shall provide quality housing units complete with recreational and sports facilities.

Other Camps

Smaller military camps are also being readied for civilian and commercial purposes. Land use plans are now in the drawing boards. These are Camps Rigoberto Atienza and Melchor in Quezon City; Camp Claudio in Parañaque; and Fort Abad in Manila.

PERFORMANCE OF SUBSIDIARIES AND AFFILIATES

Subic Bay Special Economic and Freeport Zone

The Subic Bay Special Economic and Freeport Zone was formerly Subic Naval Base, the renowned port facility which served foreign war vessels since the time of the Spanish occupation of the Philippines.

Located on the western seaboard of Luzon facing the China Sea, Subic rivals other major Asian business and light industrial centers. Its port is boosted by the tranquility and depth of Subic Bay, as well as by the state-of-the-art power, telecommunications and aerospace logistics.

In 1992, the Subic Bay Metropolitan Authority (SBMA) was created to oversee the conversion and development of the facility.

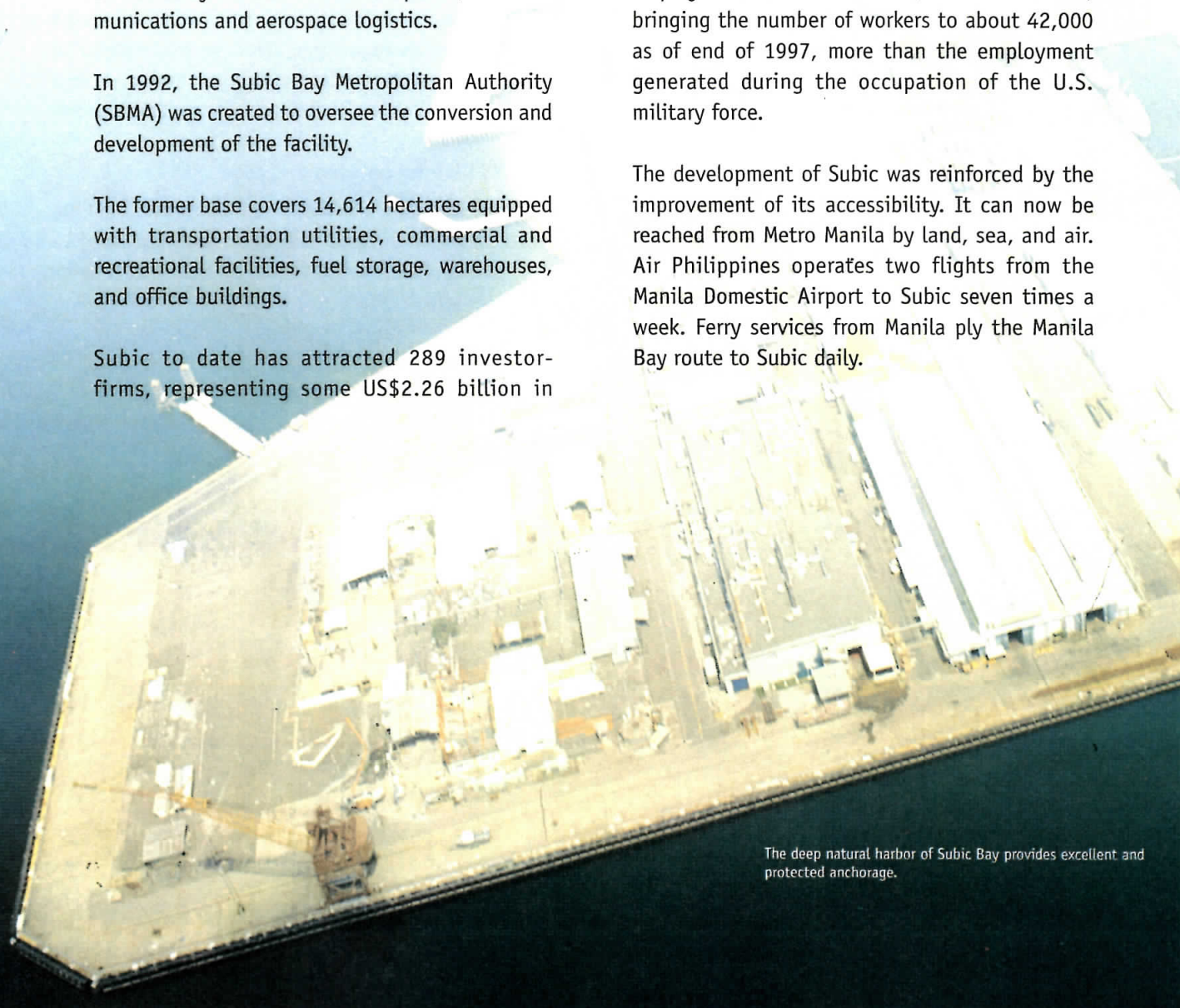
The former base covers 14,614 hectares equipped with transportation utilities, commercial and recreational facilities, fuel storage, warehouses, and office buildings.

Subic to date has attracted 289 investor-firms, representing some US\$2.26 billion in

investments. In 1997, 65 new firms signed agreements with SBMA, bringing the 1997 total new investments to US\$ 258.91 million. New locators include Omni-Link Telecommunications, Omron Corporation, and Teco Electric and Machinery Company Ltd. Of these firms, 42 are in manufacturing, 38 in warehousing, 24 in freight forwarding, 23 in retailing, and 17 in banking.

Operations in the naval base in 1997 generated employment for more than 7,000 new workers, bringing the number of workers to about 42,000 as of end of 1997, more than the employment generated during the occupation of the U.S. military force.

The development of Subic was reinforced by the improvement of its accessibility. It can now be reached from Metro Manila by land, sea, and air. Air Philippines operates two flights from the Manila Domestic Airport to Subic seven times a week. Ferry services from Manila ply the Manila Bay route to Subic daily.



The deep natural harbor of Subic Bay provides excellent and protected anchorage.

Clark Special Economic Zone

The Clark Special Economic Zone evolved from the former Clark Air Base, erstwhile home of the 5th Air Force, the largest squadrons of American airborne military might outside of the U.S. mainland.

Today Clark is the site of several major industrial, commercial and tourism concerns. It is managed by the Clark Development Corporation (CDC).

The Master Development Plan for the 4,400-hectare Clark Main Zone was completed in 1996 and was approved by President Ramos last February 1998. The Master Development Plan for the 28,000-hectare Clark Sub-Zone is currently being finalized.

Even as plans for full-scale development are being completed, 57 companies signed investor agreements with CDC in 1997. Currently, 226

investor-firms are located inside the Main Zone 80 of which are industrial firms, 81 commercial, 32 service-oriented, 10 aviation-related, 12 in tourism estate, 4 in the housing sector, 2 in the institutional educational sector, and 5 engaged in utilities. Among the new locators inside the Main Zone are DHL Aviation, Intel Philippines Manufacturing Corporation, and Castaway Holdings.

The 28,000-hectare Sub-Zone will house the Sacobia Food Basket for staple and high-value crops, a Las Vegas-type Entertainment City to be known as Mont Clark, and a corporate and banking center in an area to be called Nova Sacobia.

Also emerging in Clark is the Philippine Cyber City, Asia's version of the Silicon Valley. Dedicated to the manufacture of information technology hard-



Expo Pilipino in Clark takes center stage as it plays host to the 1998 celebrations of the Philippines' 100 years of independence.

ware and software, this area will harness the Filipino's outstanding craftsmanship and leadership in the microchip processing industry. Some 90 hectares within the zone has been appropriated for the Cyber City. Taking the reins for its management is the Philippine Cyber Technopark Corporation.

Clark will be the focal point as the country celebrates its 100 years of independence in June 1998. Development of the facility in conjunction with the centennial celebration is ongoing. The exposition site will later be converted into a cultural and entertainment area with tourism-related and commercial facilities.

Since 1993, BCDA has released a total of P3.137 billion in support of projects within the economic zone and the neighboring towns.

Clark International Airport

Much optimism on the future of Clark is anchored on its airport. Since 1993, BCDA released P1.31 billion to further upgrade the Clark International Airport, soon to become the country's premiere international airport by year 2004.

The Master Business and Physical Development Plan to modernize this airport terminal has been approved by President Ramos. The plan will set in place a state-of-the-art aviation complex with a capacity of 10 million passengers a year in a 2,200-hectare area which possesses one of Southeast Asia's best runways. A rapid rail system will connect the airport to Fort Bonifacio. The plan also calls for the establishment of aircraft maintenance and retrofitting shops, cargo marshalling depots, and a railroad yard.

The airport continues its flight service operations even as preparations for the full-scale implementation of the Development Plan are underway. The P95-million interim terminal accommodates up to 350 passengers per hour, mostly tourists and businessmen flying in from Hong Kong. The airport services charter and commercial, domestic and international, and passenger and cargo flights of various airlines including Fedex, GrandAir, Philippine Airlines, and SEAIR.

New airport equipment such as navigational facilities and airport lighting systems have been installed. Buildings housing the passenger terminal, base operations, and the control tower have been completed.

The Clark International Airport Corporation was created in 1995 to operate and manage the airport.



The Clark Special Economic Zone's facilities make it suitable for various enterprises in tourism, aviation, light, medium to heavy industries, and agriculture.

John Hay and Poro Point Special Economic Zones

BCDA organized the John Hay-Poro Point Development Corporation (JPDC) in 1994 to oversee the combined development of Camp John Hay in Baguio City and Poro Point in San Fernando, La Union.

Chosen for its temperate climate and mountaintop setting, John Hay was the renowned rest and recreation resort of the American servicemen based in Asia. Poro Point, formerly the Wallace Air Station, functioned as a weather and signal station.

BCDA envisions the combination of these two former baselands into an integrated tourist desti-

nation with twin vacation options: the beaches and water sports of Poro and the pine trees and mountain air of Baguio. Having been declared as special economic zones in separate presidential proclamations, both camps offer their locators and investors financial and fiscal incentives.

After the grant of the Environmental Clearance Certificate in 1997, construction and rehabilitation work accelerated to transform the 247-hectare John Hay Special Economic Zone into an environment-friendly and family-oriented resort. Camp John Hay Development Corporation, a Filipino consortium led by Fil-Estate and

The San Fernando seaport in La Union will be developed into an international cruise destination and cargo transshipment center.



Baguio City's Flower Festival, dubbed *Panagbenga '98*, draws the largest crowd to the city every year.

Pentacapital Investment Corporation, spearheads the development of this facility. Once the facility opens, the public will find theme parks, hotels, restaurants, indoor recreation facilities, and an enhanced golf course. Medical and educational facilities will also be set up.

JPDC operations in Baguio will focus on the management of over 400 hectares of forest reservation.

Meanwhile, the Master Plan to transform the 70-hectare Poro Point Special Economic and Freeport Zone into an international container facility and cruise ship destination is being finalized. Poro Point's role to catalyze economic development in the North Luzon Growth Quadrangle is strengthened by its seaport and airport facilities, making it ideal for commerce, transshipment and export-oriented activities.

The 15.53-hectare seaport was turned over to BCDA by the Philippine Ports Authority in early 1997. In less than a year of operations, BCDA

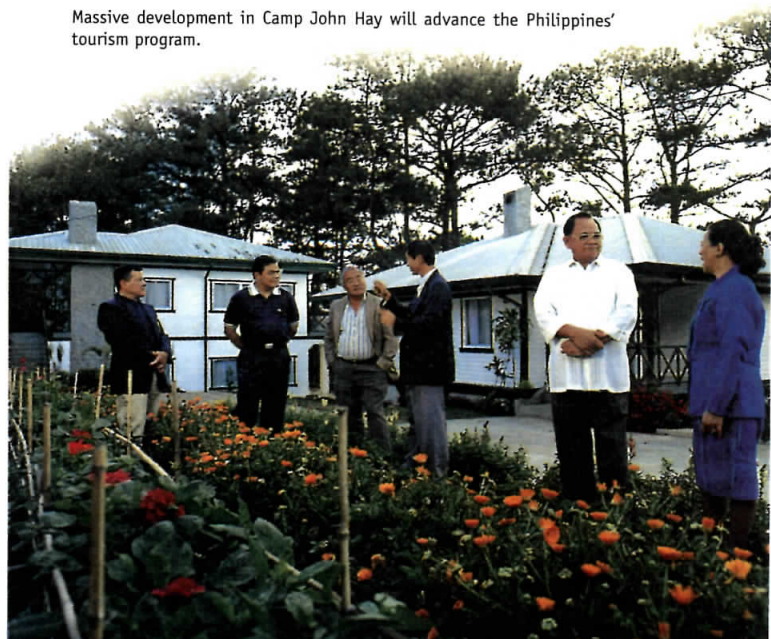
practically doubled the revenues from this facility, netting the government some P50 million. The seaport continues to undergo renovation to augment its warehousing and transshipment capabilities.

BCDA also has firm plans of reclaiming land to allow room for the amenities of a large-scale container terminal. At least 46 hectares will be reclaimed at the northeastern side of the peninsula to make the port more competitive.

Meanwhile, 19 hectares on the northern cove shall be reclaimed for ship repair yards and ferry terminals. Aside from responding to the needs of the Asian region's shipping industry, these facilities will generate employment in the labor-intensive ship repair business.

Land will also be redeemed in a 24-hectare area south of the zone. This will be dedicated to a marina, residential and commercial complex. The marina will have a yacht club, pier, beach facilities, and floating docks.

Massive development in Camp John Hay will advance the Philippines' tourism program.



BCDA is currently studying the appropriate strategy for the privatization and development of certain properties and facilities in Poro Point.

In January 1998, BCDA also took over the management of San Fernando Airport from the Air Transportation Office. The airport will be beefed up to handle Boeing 737 and Airbus 300 aircraft, which make up the bulk of commercial aircraft in Asia. At present, the airport serves as a trans-shipment point for finished goods and raw materials bound for Northern Luzon and the East Asian region.

Discussions with foreign companies are ongoing to create an aviation complex providing assembly, warehousing and maintenance services. The Master Development Plan for the expansion and upgrading of the airport is currently being prepared.

BCDA has completed the design and engineering works for the widening of Poro Point's main artery, the 5.35-kilometer Pennsylvania Avenue, a project that will be completed in 1998.



The San Fernando airport in La Union was taken over by BCDA for modernization.

Bataan Technology Park

Overlooking the South China Sea from the hilly areas of Morong, Bataan is the Bataan Technology Park, once the site of the United Nations-managed Philippine Refugee Processing Center.

This 365-hectare facility is being developed into a multi-use science and technology park to accommodate knowledge-based and skills-intensive operations. An area similar to California's Silicon Valley is dedicated to computer hardware and software industries.

In March 1997, President Ramos proclaimed the entire municipality of Morong as the Morong Special Economic Zone (MSEZ), with the Bataan Technology Park as the Main Zone. Areas contiguous to the Park constitute the Sub-Zone, which will contain a mix of support residential, commercial, institutional and recreational facilities. With the proclamation, investors and locators in the MSEZ can now enjoy a full range of financial and fiscal incentives.

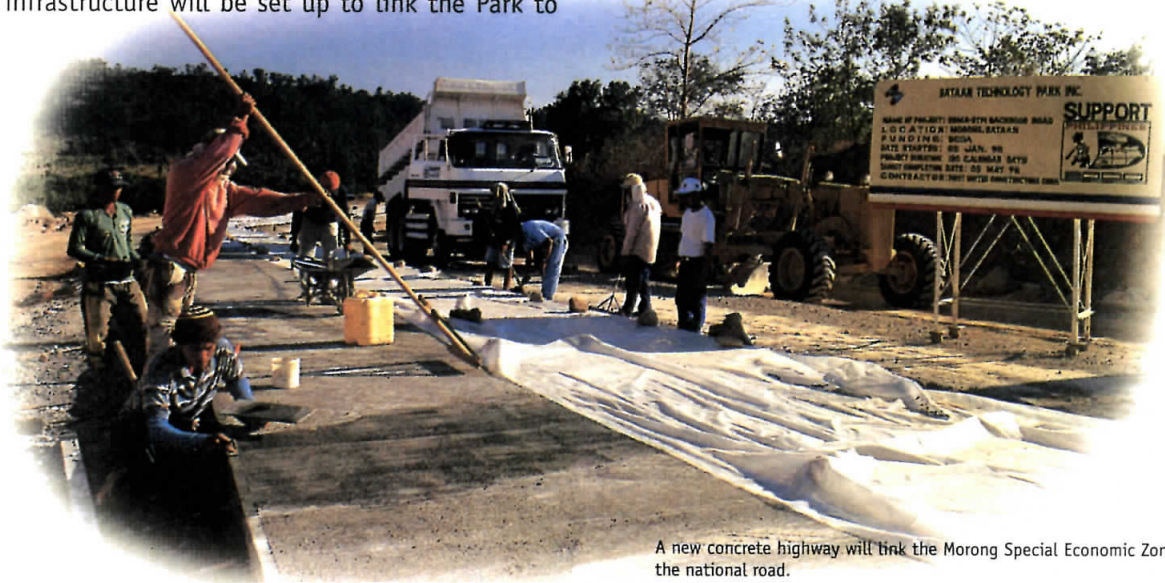
High-capacity, full digital telecommunications infrastructure will be set up to link the Park to

regional and global research and transactional centers.

The Master Development Plan for the Bataan Technology Park has been approved by the provincial and municipal governments of Bataan and Morong. This Plan will be implemented by BCDA's subsidiary, Bataan Technology Park, Inc. (BTPi).

A Skills Training Center shall be established to further hone the skills and talents of workers particularly in the information technology, and thereby maximize the enormous human resources available to investors when locating in the MSEZ. Access to information technology professionals in Manila is ensured by the ongoing improvement of the various external linkages between Manila and Morong.

One of the top computer schools in the country has located in the Bataan Technology Park. BTPi initiated a scholarship program that is now benefitting 300 students in computer training.



A new concrete highway will link the Morong Special Economic Zone to the national road.

INFRASTRUCTURE

The frenzy of construction and business activities in BCDA's areas of operations triggered the blueprint for a network of infrastructure support. These facilities are designed to move people and goods faster and more efficiently between the zones and to accelerate the advent of development in the areas lying along the path of these facilities.

Northrail

The US\$2.5-billion Northrail project will connect Clark International Airport to the Fort Bonifacio Global City. This will be done through the 100-kilometer Manila-Clark Rapid Railway System that will begin in a central station in Fort Bonifacio, pass through the heart of the metropolis, cut through Bulacan, and end in the future premiere international airport in Clark.

The basic design for the inter-urban phase of the project, the detailed traffic study, and financial analyses were completed in 1997. The project received further boost following the entry of Halcrow Transmark as project management and technical support consultant. The firm is one of the leading consultants in the international rail sector.

The Northrail project is under the stewardship of the North Luzon Railways Corporation, a joint venture between BCDA and private sector partners FBDC, DM Consunji, Euroma Development Corporation, and the Spanish Railways Group. Coordination with the Department of Transportation and Communications, Philippine National Railways, Department of Public Works and Highways, and the Metro Manila Development Authority is being done in implementing the project.

From Clark, the railway system is envisioned to extend to Subic, Zambales (Phase 2), then to San Fernando, La Union (Phase 3), and eventually to San Jose, Nueva Ecija (Phase 4).

Other Infrastructure Support

In preparation for the full-blast implementation of the Master Development Plan for Bataan Technology Park, some P400 million worth of infrastructure projects are now being put in place, mostly designed to improve access to the area. Among these are the construction of the junction road linking Morong to the SBMA gate, the



The future coaches of the Northrail will connect Metro Manila to the Clark International Airport in Pampanga.

construction of the backdoor road to Subic, the rehabilitation of the frontdoor road to Morong, and the fencing of the entire technopark.

The 9.43-kilometer access road to Subic is expected to facilitate the faster movement of goods, equipment, and people between the two special economic zones. The completion of the access road will usher in the beginning of Phase 1 of the technopark's development.

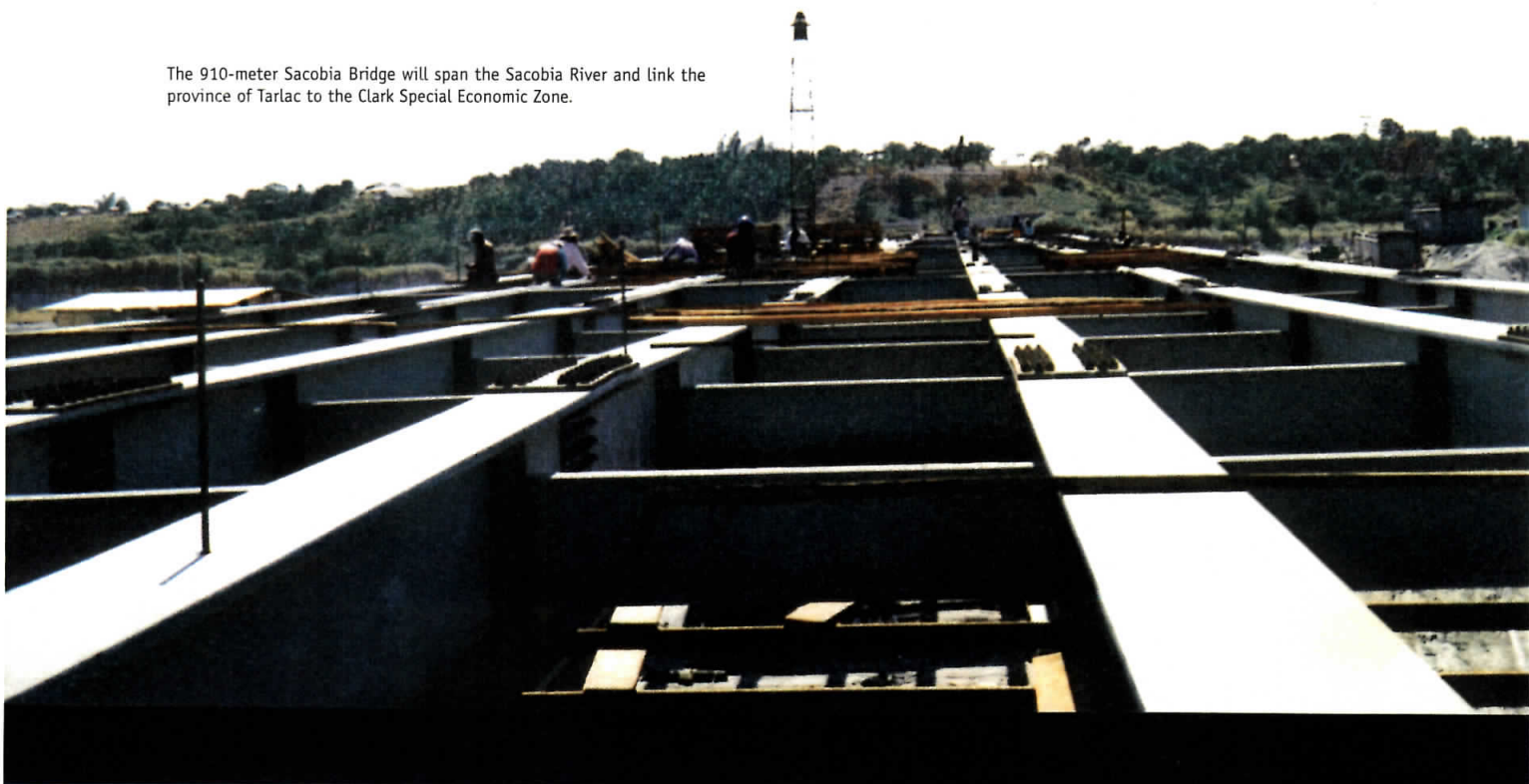
The first phase of the Mabalacat-Clark Spur Road project involves the construction of a four-lane expressway from the North Luzon Tollway to the Clark perimeter fence, a total of 1.98 kilometers. It includes the construction of an interchange, a flyover, and several small bridges which would all hasten vehicular approach to the facility. The second section of the project will run inside Clark, running southwest and merging with the President Roxas Highway, a total of 3.7 kilometers. The implementation of the project commenced in 1997 with the mobilization of construction resources and clearing works for the P1.375-billion Spur Road.

Likewise, round-the-clock construction work continues at the P700-million Sacobia Bridge project. The 910-meter bridge is the main link connecting the Clark Main Zone to the Sub-Zone in the Sacobia Valley.

The P778-million Fort Bonifacio-Kalayaan/EDSA-Buendia flyover, on the other hand, is a two-phase project that will provide efficient road connection between Fort Bonifacio and the Makati central business district. Phase 1 involves a 566-meter two-lane Buendia-EDSA flyover, while Phase 2 calls for the construction of a 645-meter two-lane Kalayaan-Fort Bonifacio flyover. Construction for Phase 1 and Phase 2 has already commenced.

Preliminary works to widen and improve the North Luzon Expressway and other routes leading to Clark and Subic are ongoing. BCDA has set aside P1 billion to bridge finance the acquisition of the right-of-way for the Manila-Clark-Subic Expressway project.

The 910-meter Sacobia Bridge will span the Sacobia River and link the province of Tarlac to the Clark Special Economic Zone.



BALANCE SHEET

(in million pesos)

	1997*	1996	1995	1994	1993
ASSETS					
Current Assets					
Cash and cash equivalent	4,102	2,205	3,107	1,173	211
Receivables	11,380	18,482	21,752	15	101
Inventories	1,331	1,300	1,071	1	1
Total current assets	16,813	21,987	25,930	1,189	313
Investments	35,743	35,072	32,906	136	55
Property and equipment	39,839	4,960	4,879	12	7
Other assets	8	3	2	1	1
Total Assets	92,403	62,022	63,717	1,338	376
LIABILITIES AND CAPITAL					
Current liabilities					
Accounts payable and accruals	483	1,377	1,238	565	8
Trust liabilities	2,760	787	483	509	150
Total current liabilities	3,243	2,164	1,721	1,074	158
Long-term payables	8,816	15,486	19,599	-	-
Capital	80,344	44,372	42,397	264	218
Total Liabilities and Capital	92,403	62,022	63,717	1,338	376

Receivables decreased by P6.6 Billion reflecting the payment by the Bonifacio Land Corporation for 72.27 hectares of the Fort Bonifacio property.

Total assets increased by 49% in 1997 due to an eight-fold increase in the value of Land & Land Improvements. The said increase represents the booking of the Villamor Air Base property valued at P32.0 Billion and the reappraisal of the John Hay property at P7.3 Billion.

Investments increased due to additional equity contributions to BCDA subsidiaries.

* Unaudited

STATEMENT OF INCOME AND RETAINED EARNINGS

(in million pesos)

	1997 *	1996	1995	1994	1993
REVENUE					
Interest	444	391	358	40	12
Others	2	1	1	14	1
	446	392	359	54	13
EXPENSES					
Personal services	46	23	14	9	6
Maintenance & other operating expenses	338	250	1,044	34	23
	384	273	1,058	43	29
Net income from operations	62	119	(699)	11	(16)
Subsidy from National Government	1,387	947	930	(16)	38
Net income for the year	1,449	1,066	231	(5)	22
Retained earnings, beginning of year	1,351	247	19	23	1
Prior period adjustments	(455)	38	(3)	1	-
Retained earnings, end of the year	2,345	1,351	247	19	23

* Unaudited

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Chairman

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Clark International Airport Corporation
John Hay-Poro Point Development Corporation
Bataan Technology Park, Inc.
North Luzon Railways Corporation
BCDA Holdings, Inc.

Vice Chairman

Fort Bonifacio Development Corporation

Commissioner

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Mount Pinatubo Commission
North Luzon Growth Quadrangle

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(until 16 March 1998)



Jose Ma. G. Solquillo
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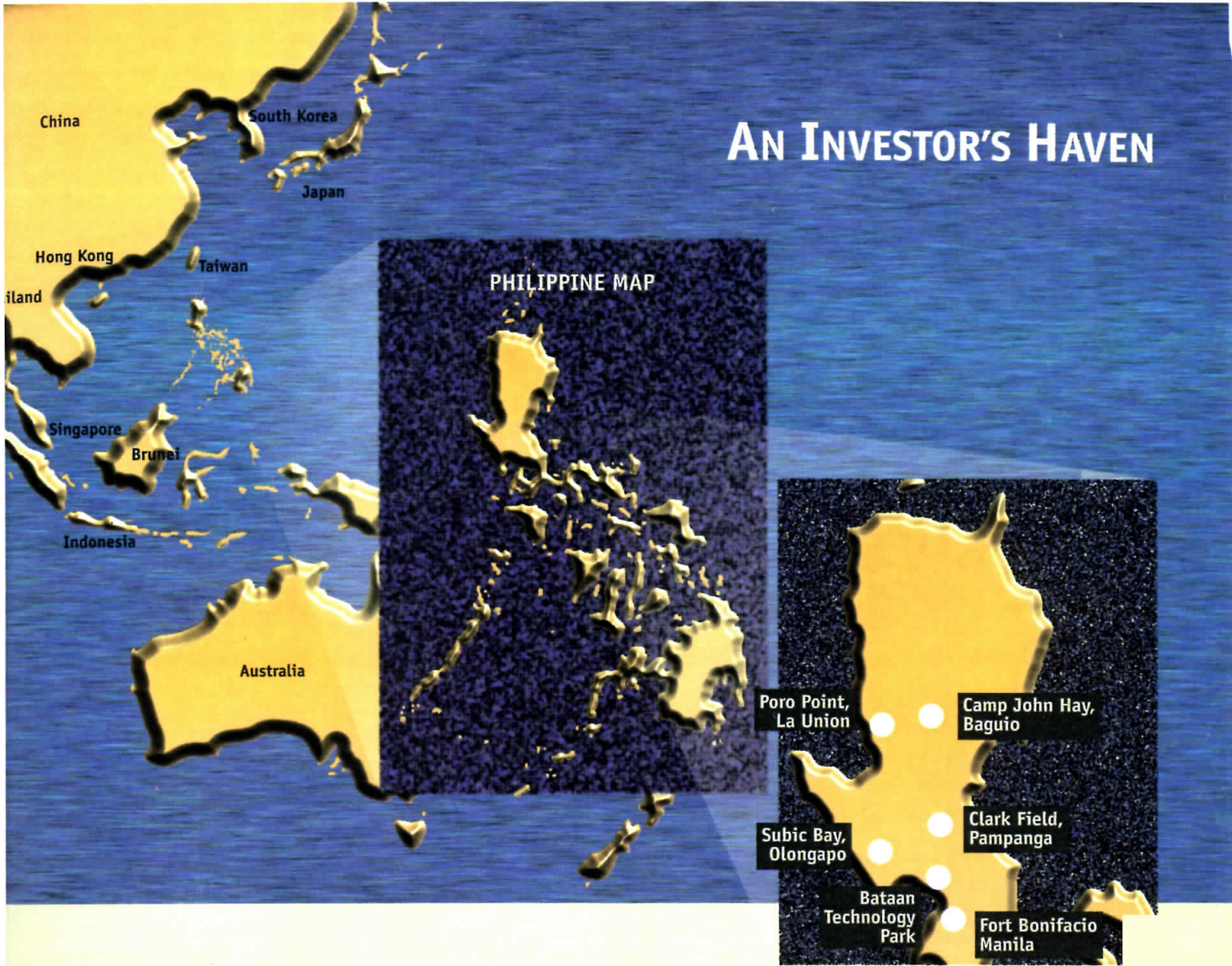
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AN INVESTOR'S HAVEN



Investors setting up their business in the special economic and freeport zones of MORONG, PORO POINT, CLARK or SUBIC enjoy government-guaranteed incentives such as:

- 5% levy on Gross Income Earned in lieu of all national and local taxes and duties
- tax-and-duty-free importation of capital goods, machinery, raw materials, supplies and finished goods
- management of the zone as a separate customs territory, ensuring free flow of articles within the zone
- unlimited purchase and consumption of tax-and-duty-free consumer goods within the zone
- liberalized banking rules/ no foreign exchange controls
- businesses within the zones may be 100% foreign-owned
- security and infrastructure of a special economic and freeport zone.

The MORONG SPECIAL ECONOMIC ZONE is being developed into a multi-use science and technology park to accommodate knowledge-based and skills-intensive operations.

The PORO POINT SPECIAL ECONOMIC AND FREEPORT ZONE provides the ultimate in tourism facilities as it combines the exotic pleasures of Camp John Hay's mountain haven and its own waterfront resort with an industrial and tourism complex along the finest coastlines of northern Philippines.

The CLARK SPECIAL ECONOMIC ZONE, future site of a world-class international civil aviation complex, is best suited for the establishment of industrial, commercial, tourism and trade centers.

The SUBIC SPECIAL ECONOMIC AND FREEPORT ZONE, with excellent seaport facilities, is ideal for light to medium and high-tech industries.

