



**CLARK DEVELOPMENT CORPORATION**  
*CLARK FREEPORT ZONE*

# **“INVESTOR’S GUIDE”**

# Introduction

The Clark Freeport Zone (CFZ) is located just 80 kilometers north of Metro Manila, Philippines. Currently, it is being developed into a model metropolis built around the Clark International Airport. Investors can enjoy living and working in this modern community, surrounded by recreational facilities, business parks, industrial and commercial estates. Clusters of aesthetically-designed residential and office units give CFZ a distinct quality of development amidst greenery and scenic hilly backdrop.

Its master plan has provided for Clark's reconstruction as a residential neighborhood, mixed-used business district, recreational and entertainment center, support and aviation-related facility, parkway and rail link, industrial estate, and the site of an international airport.

An investor may opt to locate inside the 4,440 hectare- Main Zone or at the adjacent 29,213 hectare- Sub- Zone, part of the reverted base lands turned over to the Clark Development Corporation (CDC), a government agency tasked to manage the Zone. The Sub-Zone, an area north of the main zone, offers vast opportunities for agricultural and agro-industrial business concepts, resort and housing development, and reforestation.

The Sub-Zone is characterized by a varied topography that guarantees optimal land use: the high lands for reforestation; uplands for agriculture, tourism and housing projects; and the lowlands, hilly areas, and flat lands for varied use.

# ***Fast Foreword***

***We have entered a fast –paced century. In this new economic era, competitive edge is gained through proficiency in advanced information technology, high speed transportation and the capability to respond efficiently to unique customer needs both within the country and throughout the world.***

To compete in the global arena, enterprises, realizing the need for speed, mobility and flexibility in responding to more complex customer needs now cluster around major airports, the world’s emerging logistical center for time –based business. Airport access has become essential in most business, such as e-commerce fulfillment centers and goods-processing and distribution facilities. This has consequently shaped a new urban profile: **The airport-driven metropolis.**

Clark Freeport Zone responds to the demands of this new global trend with the transformation of a vast and unique land resource into an aviation-driven powerhouse. The Zone is the centerpiece structure that can anchor the establishment of Clark Aerotropolis, an urban complex in Clark and the local environs that will usher in a new landscape that both competitive and profitable.

Clark Aerotropolis, the investors’ link to greater advances in aviation, transport and global business is a gateway to the future.

# Tax and Duty Free Incentives

Investors in the Clark Freeport Zone (CFZ) enjoy investment incentives designed to be highly competitive with the free zones around the world.

- Tax and duty-free importation of machinery, equipment, raw materials, supplies, and other articles including finished goods
- No local and national taxes. In lieu of taxes, CFZ enterprises shall pay a fee of five percent (5%) of Gross Income Earned (GIE)\*
- 100% foreign equity is allowed for many types of industries including manufacturing, tourism, and service-oriented businesses
- CFZ managed as a separate customs territory, ensuring free flow of articles within the Zone
- Unlimited purchase and consumption of tax and duty-free goods within the CFZ.

*\*GIE refers to gross sales or gross revenues derived from any business activity, less cost of sales, cost of production or direct cost of production or direct cost of services (depending on the nature of the business-refer to Allowable Deductions by Industry), Excluding any deduction for administrative expenses and incidental losses during a given taxable year.*

# Allowable Deductions by Industry

## *For trading and infrastructure development enterprises:*

- ◆ Direct salaries
- ◆ Production supervision salaries
- ◆ Raw materials used in manufacture of products
- ◆ Goods in process (intermediate goods)
- ◆ Finished goods
- ◆ Supplies and fuel used in production
- ◆ Depreciation of machineries and equipment used in production and building owned and/or constructed by CFZ-registered enterprises
- ◆ Rent and utility charges associated with building, equipment and warehouses, or handling of goods
- ◆ Financing charges associated with fixed assets

## *Service enterprises:*

- ◆ Direct salaries
- ◆ Services supervisions salaries
- ◆ Direct Materials, supplies used or resold to another CFZ registered enterprise
- ◆ Depreciation of machineries, equipment and building owned and/or constructed
- ◆ Financing Charges associated with fixed assets
- ◆ Rent and utility charges for buildings and equipment

## *Financial enterprises:*

- ◆ Depreciation

# Additional Deductions for Regional Enterprises

## *For trading and infrastructure*

### *Development enterprises:*

- ◆ Toll manufacturing fees
- ◆ Commission expenses
- ◆ Distribution expenses
- ◆ Equipment lease payments
- ◆ Corporate management salaries
- ◆ Administrative salaries
- ◆ Marketing and sales salaries
- ◆ Advertising
- ◆ Research and Development
- ◆ Royalty fees
- ◆ Travel Expense
- ◆ Community expenses
- ◆ Outside and Professional Services
- ◆ Interest and Financial charges on working capital
- ◆ Loss on foreign exchange translation
- ◆ Loss on disposal of merchandise inventory

### *Service enterprises:*

- ◆ Equipment lease
- ◆ Corporate management salaries
- ◆ Administrative Salaries
- ◆ Advertising
- ◆ Research and Development
- ◆ Royalty Fees
- ◆ Travel and Entertainment expenses
- ◆ Communication expenses
- ◆ Outside professional expenses
- ◆ Interest and financial charges on working capital
- ◆ Loss on foreign exchange translation

### *Financial enterprises*

- ◆ Equipment lease payments
- ◆ Financial Charges associated with fixed assets
- ◆ Rent and Utility
- ◆ Corporate Management salaries
- ◆ Administrative salaries

- ◆ Marketing and sales salaries
- ◆ Materials and supplies used
- ◆ Advertising
- ◆ Royalty Fees
- ◆ Travel and Entertainment expenses
- ◆ Communication expenses
- ◆ Outside Professional expenses
- ◆ Insurance
- ◆ Cost of securities
- ◆ Bad debts actually ascertained to be worthless and written-off
- ◆ Interest and Financial charges
- ◆ Loss on foreign exchange translation

## CFZ Lease Rates

*As the entity tasked to manage the CFZ, the Clark Development Corporation adopted the following policies with regard to the development of various areas.*

Enterprise may lease areas for a period of 25 years depending on their capital investment. Except for those in future airport-affected areas, lease agreements may be renewable for another 25 years upon mutual consent of CDC and the lessee.

### **Main Zone Rates:**

Land/Open Space	US\$ 0.30 – 0.50/sq.m/mo
Building	US\$ 1.50 – 6.00/sq.m/mo (depending on the location or condition of the building)

### **Sub Zone Rates:**

Php 5,000.00 – 20,000 or  
 US\$ 100.00 – 400.00/hectare/year  
 Plus: Percentage share of gross revenues, including gross revenues of sub-lessee(s), ranging from 2% to 5%

US\$ 1.00 = Php 50.00

## LEASE RATES industrial projects

<b>Rental Scheme:</b>	Minimum guaranteed lease
<b>Land:</b>	Minimum lease rate per square meter per month for the years 1-3 with a ten percent (10%) annual compounded increase starting year 4.
<b>Building:</b>	Based on condition and availability

# commercial projects

## COMMERCIAL AREAS AND BUSINESS PARK

**Rental Scheme:** Minimum guaranteed lease OR percentage shares of gross revenues including gross revenues of sub-lessee(s), if any, WHICHEVER IS HIGHER

**Breakdown:** Minimum guaranteed lease for the first two(2) years, inclusive of the grace Period with a ten(10%) annual compounded increase starting year 3.

**LAND:** MINIMUM LEASE RATE PER SQUARE METER PER MONTH FOR THE FIRST TWO(2) YEARS **BUILDING:** BASED ON CONDITION AND AVAILABILITY OR PERCENTAGE SHARES OF GROSS, INCLUDING GROSS REVENUES OF SUB-LESSEE(S) RANGING FROM 3% TO 7% PLUS 1% OF GROSS REVENUES FOR WHOLESALING/TRADING OF FINISHED PRODUCTS(NOT MANUFACTURED/ASSEMBLED INSIDE THE ZONE)

# tourism and recreational projects

**Rental Scheme:** Minimum guaranteed lease OR percentage shares of gross revenues including gross revenues of sub-lessee(s), if any, WHICHEVER IS HIGHER

**Breakdown:** Minimum guaranteed lease for the first two (2) years, inclusive of the grace Period with a ten(10%) annual compounded increase starting year 3.

**LAND:** MINIMUM LEASE RATE PER SQUARE METER PER MONTH FOR THE FIRST TWO(2) YEARS **BUILDING:** BASED ON CONDITION AND AVAILABILITY OR PERCENTAGE SHARES OF GROSS, INCLUDING GROSS REVENUES OF SUB-LESSEE(S) RANGING FROM 3% TO 7%

# aviation related projects

*(Within Aviation Complex)*

Straight lease of land and existing facilities with escalation clause

**NOTE:** PROSPECTIVE INDUSTRIAL LOCATORS MAY ALSO WISH TO SUB-LEASE WITH THE FOLLOWING CFZ FIRMS:

### PHILEXCEL INDUSTRIAL PARK, INC.

Contact Person : Ms. Perah Dwek  
President & CEO  
Address : Philexcel Business Park  
Manuel Roxas Highway, 1961st Area  
Clark Freeport Zone  
Telephone Nos. : (+63-45) 599-2135;599-3166  
Fax Nos. : (+63-45) 599-2136

### CLARK PREMIERE INDUSTRIAL PARK INC.

Contact Person : Ms. HIROYASU YAGUCHI  
President  
Address : IE5, Manuel A. Roxas Highway  
Clark Freeport Zone

Telephone Nos. : (+63-45) 599-5269;599-5340  
Fax Nos. : (+63-45) 599-5132;963-5974

**BERTHAPHIL, INC.**

Contact Person : Ms. ELIZABETH CASTRO  
President and General Manager  
Address : Berthaphil Business Park, Along Jose Abad Santos Ave.  
Clark Freeport Zone  
Telephone Nos. : (+63-45) 599-5312/13  
Fax Nos. : (+63-45) 599-5314

**Note:** Our existing Industrial Park developers namely: Philexcel Business Park and Berthaphil Business Park, are ready to construct warehouse type or buildings for office use and ICT operations according to the specifications and requirements of investors.

**MANPOWER RATES (AS OF JAN. 16 , 2002)**

**For non-agricultural firms** (*Manufacturing Firms, Duty-Shops, Hotels and Recreational-related Firm*)

Minimum of P224.50 or US\$4.49 per day for those employed in establishment with 30 or more employees, or with total assets of P30 Million or more

Minimum of P217.00 or US\$4.34 per day for those employed in establishment with less than 30 employees, or with total assets of less than P30 Million.

**For retail/service establishments**(*Small Firms Only*)

Minimum of P213.50 or US\$4.27 per day for those employed in establishment with 16 or more employees

Minimum of P199.50 or US\$3.99 per day for those employed in establishment with less than 16 employees.

*Reference Rate : US\$1.00 = P50.00*

**CSEZ UTILITIES**

Major utilities and services are being upgraded as Clark opened its doors to interested firms, creating choices for locators-firms to choose their service providers. Under such improvements are the following:

## power

Clark's ample power supply from the existing 50-megawatt power plant is also boosted by external power sources. This stand-by power from local grids can be tapped to meet growing demands.

An efficient power distribution system already in place will soon utilize a modernized underground cabling digital metering.

Rates (per kwhr):

Industrial	Php 4.78
Commercial	Php 4.38
Residential	Php 4.86

## telecommunications

A dual fiber optic backbone and digital exchange system provides advanced telephony, cellular and other communications services. The current 5,000 lines at the main zone will be expanded to more than 10,000 lines as Clark offers more opportunities for service providers to expand telecommunication services inside the Zone.

Rates:

Commercial	Php 1,039.51/month
Residential	Php 599.83/month
National	Php 2.73/min
International	US\$ 0.36/min

## water & sewerage system

Existing water supply facilities consist of water wells with a total capacity of 5,000 gpm. Storage is through 9 tanks with a total capacity of 3.75 million gallons. The sewerage system consist of four pump stations, a concrete industrial waste pipeline, oxidizing pond, and a sewerage treatment plant. The water and sewerage system is being expanded to have a daily capacity of 40,000 cubic meters per day by the year 2010.

Rates:

Industrial		
	0-10 cu. m.	Php 150.00
	11-20 cu. m.	Php 16.15
	21-30 cu. m.	Php 17.10

Above 31 cu. m.	Php	18.05
Commercial		
0-10 cu. m.	Php	150.00
11-20 cu. m.	Php	16.15
21-30 cu. m.	Php	17.10
Above 31 cu. m.	Php	18.05
Residential		
0-10 cu. m.	Php	75.00
11-20 cu. m.	Php	8.10
21-30 cu. m.	Php	8.55
Above 31 cu. m.	Php	9.00

## fuel/petroleum, oil & lubricants (pol) depot

The Clark petroleum tank farm consists mainly of a 22-hectare facility with a 42-mile pipeline to the Subic depot. The 55,000 barrel POL facility is being equipped to serve the fuel requirements at the airport, power plant, and other internal and external markets of the Zone.

## waste disposal system

A sanitary landfill that will contain some one million tons of solid waste per year will be completed to serve Clark establishments as well as the contiguous community.

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## Other Fees and Charges

### ONE-TIME FEES

#### 1. Registration of Enterprises

Application Fee	P	2,000.00
Certification of Registration and Tax Exemption	P	2,000.00
Permit to Operate (Annually)	P	1,000.00
Temporary Permit to Operate	P	500.00

#### 2. Processing and Issuance of Environmental Compliance Certificate (DENR)

For critical projects	P 3,000.00
for non-critical project	P 300.00

3. Construction (In accordance with the National Building Code as adopted by CDC)

**REGULAR FEES**

- |   |                 |
|---|-----------------|
| 1. Authority to Purchase  | P 1,000.00      |
| 2. Export Permits/Tally   | Free            |
| Direct  | Free            |
| Constructive  |                 |
| US\$ 10,000 and below   | P 200.00        |
| Above US\$ 10,000   | P 300.00        |
| 3. Import Permits   |                 |
| No Commercial Value   | P 50.00         |
| With Commercial Value   |                 |
| Up to US\$1,000   | P 100.00        |
| US\$ 1,001 to US\$ 10,000   | P 150.00        |
| US\$ 10,001 to US\$ 50,000  | P 300.00        |
| US\$ 50,001 to US\$ 100,000   | P 350.00        |
| US\$ 100,001 to US\$ 500,000  | P 500.00        |
| US\$ 500,001 and above  | P 700.00        |
| 4. Temporary Transfer (Customs Bonded Warehouse/Non-Customs Bonded Warehouse)       |                 |
| Farm-out of raw materials/equipment for processing/repair                           | P 50.00         |
| 5. Bring-in Permits   |                 |
| For commercial purposes   | P 200.00        |
| Non-commercial  | P 50.00         |
| 6. Sale/Transfer of Articles to Customs Territory (Bring-out Local/Import Articles) |                 |
| No Commercial Value   | P 50.00         |
| US\$ 10,000 and below   | P 500.00        |
| Above US\$ 10,000   | P1,000.00       |
| Scrap/Waste   | P 200.00/permit |
| 7. Permit to Bring-out Imported Vehicle   | P 50.00         |
| 8. Miscellaneous Fees   |                 |
| Accountable Forms   | P 250.00        |
| CDC Container Seal  | P 20.00         |
| Zone Vehicle Sticker  | P 150.00        |

Note: CFZ Locators Association fees shall also be charged to cover expenses for security, road lighting, garbage collection, etc.

## Procedure on How to Invest in Clark Ecozone

**1**

Investor submits a  
**Letter of Intent** and  
required document

**2**

CDC identifies sites(s)  
and provides investor  
**Terms of Contract.**

**3**

If proposal is approved,  
**Lease Agreement** is  
signed and **Certificate  
of Registration** is  
Issued.

# Highlights of the Terms and Condition of a Lease Agreement

1. **"AS IS" Basis** - The LESSOR leases the leased property to the LESSEE on an "AS IS" basis. Further, the demolition, clearing and disposition of scrap and debris will be the responsibility and to the account of the LESSEE.
2. **Performance Bond** - Refundable bond equivalent to the minimum guaranteed lease payment for twelve (12) months (in cash or bank check) payable for the LESSOR upon signing of the Lease Agreement to guarantee compliance with the terms and conditions. The cash bond shall be replaced by a surety bond after two(2) years.
3. **Security Deposit** - Non-interest bearing deposit payable upon signing of the Lease Agreement. This deposit is equivalent to six (6) months rental and is refundable at the time of termination of the Lease Agreement less payment of unpaid utility bills, rentals, damages, and others.
4. **Advance Payment** - Amount equivalent to lease payments for six (6) months payable (in manager's check) within 15 days upon expiration of the grace period.
5. **Sub-lease** - Allowed with prior written consent of the LESSOR and with purposes substantially similar to that in the original Lease Agreement. Further, the LESSOR is entitled to a 20 percent share of the rental income by the LESSEE from its Sub-lessees.
6. **Land Use Preference** - The LESSOR should exercise preference over land use, development and appropriation in the leased premises in case the leased location be considered for other economic development in accordance with the adopted zoning master plan or other valid reasons. On best efforts basis, the LESSEE shall be given preference over new lease applicants in transferring to another site of equal size and similar feature within the CFZ where its business activity will conform to the adopted zoning master development plan.
7. **Grounds for Cancellation** - The LESSOR shall have the right to pre-terminate the Lease Agreement for any of the following reasons:
  - ◆ Failure of the LESSEE to pay its monthly rent;
  - ◆ Use of the Leased Property other than agreed upon;
  - ◆ Failure of the LESSEE to generate employment and commence its business activities within the specified time;
  - ◆ Violation of any of the provisions of the Lease Agreement; or

◆ Declaration by the LESSEE of bankruptcy;

8. **Insurance** - The LESSEE shall obtain insurance coverage for the leased property in the amount equal to the maximum insurable cost from the Government Service Insurance System (GSIS) or any GSIS accredited insurance agency with the LESSOR as the beneficiary. In case of loss or damage, the LESSOR shall use insurance proceeds to reconstruct/restore the damaged properties for the continued lease and use by the LESSEE.
9. **Land Survey** - The LESSOR shall provide and bear all costs of the technical land survey to define exact boundaries of the leased property.
10. **B-O-T Provision** - Upon termination of the Lease Agreement, the LESSEE shall turn over to the LESSOR the leased property including all new construction, devoid of all the occupants, furniture, articles and effects of any kind except the permanent improvements, immovable or real property as defined in the Civil Code.