

**THE SUBIC STORY**  
**One Community's Response to the Challenge**  
**Of Change and Development**

Address of Hon. Richard J. Gordon  
Philippine Secretary of Tourism  
in the  
International Colloquium on Regional Governance  
And Sustainable Development in Tourism-driven Economies

**Cancun, Mexico**  
**21 February 2002**

I am deeply honored and pleased to take part in this International Colloquium on Regional Governance and sustainable Development in Tourism-driven Economies. I feel doubly privileged because I have been asked here to speak about the story of Subic in the Philippines – a subject that is close to my heart.

To the conference organizers and all participants here, I bring the thanks and appreciation of the people of Subic and Olongapo for considering our community's experience as worthy of analysis and study at this international gathering.

When we began our struggle to raise our community from the ashes back in 1991, the last thing we had in our minds was receiving this kind of accolade. At the time, our attention was wholly focused on just surviving the double whammy – in the same year – of Mt. Pinatubo's massive eruption and the sudden uprooting of the US Naval Base at Subic Bay. No one gave our community a chance of surmounting these twin crises.

That we have survived that time and achieved infinitely more as a community is the reason Subic is in our seminar agenda. For it may well be that Subic's story bears lessons for other peoples and communities who are also struggling in their own way to lift themselves from the valley of crisis and despair. As in other cases for discussion in this seminar, in our story are possible kernels of insight and example to enrich the the literature of local governance and development.

Allow me then to relate to you our story; what we faced, what we did, and what we achieved.

**The Historical Background**

To understand how and why our community responded the way it did to catastrophe and crisis, I must take you a little farther in time to the period when Olongapo first evolved into the city that it is today.

Olongapo was granted its city charter on June 1, 1966, thanks mainly to the pioneering efforts of its residents, who were led by its first mayor, the late Mayor James Gordon. He was my father. Olongapo at the time was like most local communities – troubled by too much politics and riddled by graft and corruption. In my father's view, the community could not modernize without banishing corruption and elevating its politics. But for his efforts at reform, three attempts were made on his life. And the third one – on February 20, 1967 – succeeded. And it would take a while before our city regain its bearings and surmount its political trials.

Olongapo's emergence from this morass is exemplified in the message I told my constituents when I became Mayor of Olongapo on 3 March 1980:

*This country needs not just a change of men,  
But a change in men!*

To realize the change we all desire in our community and our country, we must ourselves become the change we seek. Attitude is everything. It takes leadership and people to form a partnership for change.

This message was especially necessary for Olongapo because it was widely regarded as a 'sin city.' It was called such because it was totally dependent and oriented toward serving the US Navy, its shipyard facility, logistics work, and so on. Outside the base, the city was nothing but houses, bars and nightclubs. Olongapo was also a crime-ridden area then. It had no agriculture, and all commerce and industry was dedicated to the service of the US Navy.

In my view, we needed two things. First, we needed a new vision of our future. And second we needed a new ethic of citizenship for all residents of Olongapo.

With respect to vision, I raised before my constituents the vision of becoming a Freeport city – as the key to obviating any dislocation that would arise from the withdrawal of US forces from Subic Bay. We had devised a conversion plan for the building of a Freeport on the other side of Subic Bay facing the US facility. And we submitted it to the national government.

With respect to citizenship involvement, we directly tried to engage our citizens in dialogue. We sat down with the people and asked "What are Subic and Olongapo going to be like in the year 2000?"

We held a conference and invited everybody: jeepney drivers, lawyers, doctors, even bar girls. It was a very big group. And we told them about the plan to transform our community into a Freeport side-by-side with the US Navy. We decided to pursue a program to become a model city. We concluded that crime must be eradicated if we are going to attract investors to our community.

Our basic approach was to create a system that gave responsibility to the ordinary people of Olongapo by making each of them a 'miniature mayor.' I said you can become Mayor of this part of the street. You have to keep it clean, you have to have a dustpan, you have to have a broom, you have to have a uniform so that people will recognize, you have to have an ID card, and you have to report crime. When you see crime happening, you must report it. If you don't report it, you will be replaced by somebody more responsible. We told them that they could not bring their children onto the streets because we didn't want them growing up as street children. We wanted them to have an education.

We accompanied this with slogans like *Aim high, Olongapo! Let's have ambition! Let's have a free port! Let's be the cleanest and most peaceful city in the Philippines!* We also used slogans like *Bawal ang Tamad sa Olongapo* (Lazybones are forbidden in Olongapo).

After we launched these programs, walking the streets became safer. They were a lot cleaner. We then decided to work on the public transportation system.

The central government taxed jeepneys and tricycles without consulting the local government. They said, you have to grin and bear it. There were lots of abuses in our public transport system. People were robbed. There was virtual chaos in our streets.

Our approach was to introduce controls and order in the system. We told drivers that they have to paint their jeepneys a particular color. We said we will color-code them, put numbers on them, make the drivers wear uniforms with their names on their back, and issue photo ID cards every year so we could have some control.

There was at first much resistance. Political will was necessary. We held meetings with all the jeepney operators and the tricycle drivers. In the end, they all saw the wisdom and necessity of the reform. The system was a resounding success. In fact we became so successful that the Government of Sri Lanka sent a delegation to Subic in the late 1980's to copy our system.

Another reform we introduced was to get people to volunteer for services such as garbage collection. People were so used to having their garbage picked up that many of them just threw it onto the streets. We announced that we would collect garbage twice a week, that garbage must be placed in plastic bags, and that everybody would have to pay garbage collections fees. In the Philippines a lot of people are used to throwing their garbage on the street, but over time attitudes have changed, at least in Olongapo.

The same happened to our hospital situation. We received no funding from the national government. Nollunteers contributed equipment, beds, air conditioners, microscopes, and laboratory equipment. Finally we had a better hospital. We employed young doctors and allowed them to treat the wealthy for pay, provided they also provided free medical services to people who could not afford the treatment.

Along with this improvement in public services and rise in citizen involvement in city affairs, public infrastructure was improved. Our idea of government that was accountable and responsible began to tell on the character of our city. People saw that Olongapo was typified by community participation and vigorous leadership. In short, we began to gain a reputation as a model city.

### **Twin Catastrophies**

Then we got hit by Mt. Pinatubo in 1991 – the volcanic eruption of the century. Earthquakes every two minutes, a blizzard of ash accompanied by typhoon, five inches of ash, buildings collapsing. We had to bring down 9,000 aborigines from the mountain. In the middle of that evacuation, there was another eruption and many more buildings collapsed. We never gave people a chance to pity themselves. We were always putting out messages that encouraged people to think positively about their circumstances.

It was a prolonged struggle of survival and rebuilding. We dug our way through the ashes. And then we rebuilt our homes, schools, our hospital and our public market.

But as we surmounted the fury of Mt. Pinatubo, another catastrophe descended on us. In September 1991, the Senate of the Philippines voted to reject a new military bases agreement with the United States, decreeing that there would be no more foreign

military bases in our country. The Subic Bay Naval Base, along with Clark Air Base in nearby Angeles, would have to go.

The timing could not have been worse. With people still trying to rebuild their lives after the Mt. Pinatubo disaster – and Clark and Angeles City buried under the ashes – the rug was literally being pulled from under our feet. The very base of our local economy was wiped out with a single stroke.

At Clark and Angeles, the pangs of transition were met by a lot of looting a pillaging of the base facilities. At Subic, we were determined that the same thing would not happen. For as early as then, we saw that our future lay in turning the former into a viable economic zone and Freeport.

We therefore asked our people to volunteer to guard the facilities under the slogan called *Protect and Preserve to Prosper*. Protect the reputation of our country, we urged, preserve its facilities, and we will prosper.

More than 80,000 people volunteered. They guarded homes that did not belong to them. They cut the grass. They kept the base intact. They ran the power plant without pay for four or five months.

### **Blueprint for the Future**

At the same timewe began to lay the foundations for the future of Subic and our community. No transformation can happen without a clear vision and blueprint of the future. Our plan was basically to implement our dream of transforming Subic into a Freeport and industrial zone, along with its tourism potential. And the key was to get investors to locate in the area and participate in the full modernization of our city.

We got a power company from Texas to set a plant. Within a year we had 118 megawatts of power. People who had volunteered were getting jobs with better pay than during the time of the US Navy. The point was made that if you had volunteered to protect Subic, you were an original stakeholder. If you did not steal and worked without pay and were really hardworking, business opportunities would become available to you.

It worked. Soon we had a total of 68 tanks of petroleum with 2.4 million barrels of oil. A new pipeline between Subic and Clark field supplied a 14-day supply of oil to the country. Tankers began arriving at Subic Bay daily.

We also worked on infrastructure. We had three strategies. First, the moral infrastructure – the people. Honest, hardworking people, volunteering without pay. Second, the legal infrastructure. We have the rule of law. We got the Freeport scheme established by Congress. And, with the help of the World Bank, and later with ADB, we created rules and regulations that were predictable, consistent and enforceable.

Finally, we concentrated on the physical infrastructure, the modernization of Subic Bay. We modernized the power plant, the petroleum tank farm, and the telephone system. We did this through a joint venture with the Philippine Long distance Telephone Company. They had a monopoly at that time, but we told them that they were not going to win unless they participated in a joint venture with the multinational corporation AT&T. Subic Bay Metropolitan Authority would also have a share in the operation. Eventually it became a 40/40/20 arrangement. We insisted that they put in a modern switch for telecommunications, which they did, even if there was not a strong market at the time. So communications were established.

Then we went on to the airport. The airport had no radar, no electronics, nothing. We went after DHL, the courier service, but they were not interested. We

went to the United States to talk to Federal Express and invited them over. Of course we used our heads a little bit when we found out that the chairman of the Federal Express was once a US Marine who had visited Subic. And we managed to get him to visit the city. He saw the volunteers, saw the wonderful workforce, and was impressed. But he said:

I'm sorry Dick, but we're going to go to Taipei because according to our analysis that is a better location. They have an airport that can handle 747's. Your airport is made for jet fighters and occasional landings of heavy aircraft. But that airport pavement is going to collapse unless you replace it with one foot of concrete. Besides, you don't have a radar or an ILS, and you have time constraints. We want to start our Asian hub this year.

At that time the World Bank was giving us money for infrastructure work and the airport was part of this. We just said, 'Well, we need to accelerate!' And we did. In 29 weeks we had built an airport. Working together on the runway from end to end we cemented in one foot of concrete. In addition to that, we were able to borrow money from the local banks to get a state-of-the-art radar. Then we tapped Mr. Smith on the back and told him that we were ready to rock and roll with Federal Express. FedEx came to Subic. Others followed.

Subic bay has become a business hub for the Philippines and for Asia itself. Every day aircraft land in Subic Bay from the US, Tokyo, Osaka, Shanghai, Taipei, Korea and Kuala Lumpur, sometimes even from Australia. Speed is the name of the game. Goods arrive every night for sorting and distribution throughout Asia and the United States. Because of our hard work in attracting Federal Express we now have over 300 companies in Subic Bay who have invested a total of \$2.6 billion in four and a half years.

It is now nearly ten years since the US Navy pulled out. During this time we have created more than 90,000 jobs in Subic and we make everything from ships to telephones. We even have a Subic Bay Industrial Park in partnership with Taipei, China and Japanese industrial park called Subic Technopark. These are all joint ventures. We provide the land, we borrow money at concessional rates, develop the land, and finally lease it at very concessional rates so as to attract business. We generated \$24 million from exports in 1994. Today, exports total over a billion dollars annually. And what's more, Subic no longer receives any financial assistance from the national government. In fact, since 1996, it has been returning 2.5 billion pesos to the government in taxes and duties.

Subic is not just a transshipment facility. Our deepwater port, Subic Bay itself, is able to handle many ships. The Philippines lies in a very strategic location of the world. The fact that 60 percent of the world population is only a few hours away is an important strategic advantage. This is why we are pursuing transportation by land, air, sea and communications by satellite and cyberspace.

The most important aspect of all this change is the human resource aspect. Giving confidence to individuals who were previously downtrodden is a most important outcome. We have discovered that by creating partnership between leaders and people and keeping a positive attitude makes all the difference. Saying that we can bear the burden if we bear it together, that we can actually create business ourselves, is another important outcome.

Faith in people and trust in each other have counted for a lot in Subic's success. Our young people, for example, worked with the former base workers to make Subic

what it is today. Young people from Harvard, Stanford and Wharton have come home to work with us. Many, many young people volunteered their time for Subic.

### **Decentralized Governance**

If we succeeded so well and so fast in transforming Subic Bay into a major economic powerhouse, it was due in small part to its decentralized governance. When the Bases Conversion Act was passed by the Philippine customs authority. And when the same act created the Subic Bay Metropolitan Authority, it provided for local autonomy and authority to negotiate. It did not have to run to the President or the national government to implement the vision.

This was the reason why as SBMA chairman and administrator, I was able to negotiate freely and quickly with hundreds of foreign investors from all over the world. This was the reason we could make an offer to Fedex that it could not refuse.

This character of Subic's governance was thrown out the window on June 1998, when President Joseph Estrada came to office and a new leadership was forced on SBMA. Despite my still unexpired term, I was forcibly removed from office and replaced by a professional politician. Although Mr. Estrada has since been deposed for gross corruption and other abuses, the new administration has decided not to repeat the action of her predecessor.

Without decentralized governance and an intrusive national authority, the Subic system does not work as well. Thus we have seen a deceleration of Subic's development, and a retreat even from the Freeport vision.

Tourist arrivals to Subic decreased greatly from 1998 to 2001, and until today. While the years 1993 to 1997 with the come-on of duty free shopping and allure of Subic's natural wonders saw arrival growth rates in the 90% to 200% range, the years 1998 and beyond have seen as much as – 45% growth rate in arrivals. Correspondingly, the number of international flights and tourist arrivals arriving at the Subic Bay International Airport has decreased since 1997, when a record number of 1,525 international flights arrived with 125,488 tourists. In 1998, Subic went down to 1,190 international flights or 75,072 tourists, and slipped further to 882 (66,099 tourists) and 842 (60,914) in the years following.

Despite the fact that the facilities and attractions in Subic did not change – one would hope that the casino, yacht club, equestrian center, golf course would attract the same visitors, and that the hotels would readily accommodate the tourists – foreigners stopped coming. The change in thrusts brought about by the abrupt change in administration in 1998 caused a lack of confidence in government in general, and resulted in poor maintenance, poor cleanliness, poor promotional efforts, and a lack of investment. Worse, it caused a decline in the general peace and order situation, a major consideration when choosing a vacation destination.

### **Closing**

As we look to the future then, a question hangs over the unfolding saga of Subic and Olongapo, and the full realization of our Subic blueprint. That future still hangs in the balance because politics has reigned in Subic's affairs, and there has a significant deviation from autonomous, decentralized governance.

It is to the credit of Subic's strong foundations that despite the political intramurals and deviation, it continues to march forward, incrementally. The resilience

of the workers and the Locators have remained and managed to survive. And Subic's magnificent natural endowments remain.

What has slackened over the past two years, however, is the implementation of the second stage of development that we originally envisioned – the flowering of a second city next to Olongapo that would replicate the rise of Singapore and other cities. This must wait perhaps for another time, when decentralization will return and vigorous leadership will dare to reach for Subic's incomparable potential.

But these setbacks and delay notwithstanding, the story and lessons of Subic remain. And I submit that it can serve as a model for communities that really want to modernize and transform themselves – by attracting foreign investments conserving its precious natural assets, and tapping into its human resource pool. The challenges and adversities we have faced are not unique, for other communities have also had to face their own trials and tribulations. That is perhaps special is the way we have tapped into the spirit of volunteerism and citizen involvement in raising our community from the ashes. For this in the final analysis, I truly believe, is what accounts for our success. Once you awaken this spirit, everything becomes possible for a community seeking to better itself.

I have therefore been preaching the gospel of volunteerism all over the Philippines as a way of galvanizing reform and modernization in the entire country. Adopting a clear vision of the future, fostering cooperation and good citizenship among the people, and holding up volunteers as stakeholders in a common future – these are the threads for making things happen in every community.

And I am proud to tell you that the story of Subic is not unique in the Philippines today. It's happening in other communities in the country.

In this colloquium, there is the belief that successes can be replicated and ideas can be shared, that there is a ripple effect where there is the will to spread the lessons of development. In closing, I shall hope then that in telling you about our Subic experience, some of the lessons we learned will ripple and flow into your own societies.

Thank you again for the privilege of this forum.