

III. ECONOMIC AND URBAN DEVELOPMENT

Creating economic development within Asian cities is an important challenge for city managers if they are to lead their communities into the next century. The Bank has identified the link between urbanization and economic development. Economic activity is the engine that both creates and sustains urbanization. Economic activity also provides the resources with which city managers provide the necessary infrastructure and services.

This chapter presents the dramatic story of one city's attempt to address a major change in its economic potential — the withdrawal of the United States Navy from its long-established base in Subic Bay, Philippines. The Mayor of the City of Olongapo at the time, Mr. Richard Gordon, engaged his community in a campaign designed to maintain the base as a community asset and use it to develop Olongapo into a major transport hub for the region. This is a story of courage and leadership, often in the face of personal threat, that saved a community from stagnation and decline.

Richard Gordon

*Chairman and Administrator, Subic Bay
Metropolitan Authority
Olongapo City, Philippines*

It is a great pleasure and honor to be here this afternoon on behalf of my community to share with you some of the experiences of Subic Bay. What we have done in Subic can be represented in a phrase I suggested when I became Mayor of Olongapo on 3 March 1980:

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

Attitude is very, very important. It takes leadership and people to form a partnership for change.

I come from a community that was considered a 'sin city' because it was totally dedicated to serving the US Navy, its shipyard facility, logistics work, and so on. Outside the base, the city was nothing but houses, bars, and nightclubs.

When I became the Mayor of Olongapo it was a crime-ridden area. I was Mayor of a town that was totally dependent on the US Navy. It had no agriculture, and all commerce and industry was dedicated to the service of the US Navy. So what did we do? 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. We said we can make this into a free port side-by-side with the US Navy, and we produced a master plan. We submitted it to the national government. We decided we would pursue a program to become a model city. We concluded that crime could not be eradicated because the national government

controlled the police. However, if peace and order were not maintained we would not succeed in attracting investors to our community.

We created 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, 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* (Lazy bones are forbidden in Olongapo). We also encouraged education across the community. When we started all 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. We imposed controls as they should have been imposed. We told drivers that they had to paint their jeepneys a particular color. There had been no accountability whatsoever. 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 had been lots of abuses in the jeepneys and tricycles. People were robbed. In fact, the person who murdered my father

Operation of commercial public vehicles, we said, is a privilege, and that if they did not meet their responsibilities we would take the privilege away.

boarded one of these tricycles and it could not be traced. This is one personal reason why I believe we should have accountability in our public transport system.

There was an outcry. Political will was necessary. We had meetings with all the jeepney operators and the tricycle drivers. We said we had to do this because there must be public accountability. Operation of commercial public vehicles, we said, is a privilege, and that if they did not meet their responsibilities we would take the privilege away. I said you have to wear uniforms with your name on your back because you are professionals. I am a lawyer and when I appear in court I have to wear a suit. A doctor has to wear a gown when he operates. I told them to wear a uniform, have a body number and a color code, and have yourself photographed. To cut a long story short, traffic on the streets of Olongapo became accountable. Drivers could no longer abuse passengers, cut trips, or be involved in crime. In fact we became so successful that the Government of Sri Lanka sent a delegation to Subic in the late 1980s to copy our system.

Then we proceeded 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 put in plastic bags, and that everybody would have to pay garbage collection 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 citizens asked where they could get the plastic bags. We said you are going to buy them from us at City Hall and we will use the money to provide new trucks. Of course there was some resentment about all these new fees. But then

people saw that the garbage trucks arrived on time. They noticed that the scrappy-looking garbage collector had improved his image, no longer smoking while working or asking for gifts for Christmas. Now he was well paid and wore a uniform with his name on the back along with the title Sanitary Technician. People were impressed. Soon we had more volunteers lining up to help the city.

Let me tell you about our hospital situation. We received no funding from the national government. Volunteers 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.

After that we got involved in relief work after natural disasters in other communities. We helped out in Baguio City after that city was hit by an earthquake. People saw that Olongapo was typified by community participation. Even our markets were cleaner than elsewhere. In short, we became a model city.

Then we got hit by Mount Pinatubo — the 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 up. In the middle of saving people's lives we coined the saying *Fight on Olongapo!* The next day we posted *Fight on Olongapo!* signs everywhere. We never gave people a chance to pity themselves. We were always putting out messages that encouraged people to think positively about their circumstances.

After we got over Pinatubo and rebuilt homes, schools, and hospitals, we found out that

12 senators decided there would be no foreign military bases in our country. Clark Air Field, the other large American base in nearby Angeles City, had been closed down during Pinatubo, and then suddenly the US Navy decided to pull out of Subic Bay. During the pullout there was a lot of looting and pillaging. Lack of vision and leadership showed clearly. We said withdrawal of bases at this time was inappropriate. Agriculture in central Luzon was at a standstill, fields were covered with lava and volcanic ash. A *coup d'état* attempt occurred in Manila and power interruptions lasted 16 hours a day. We said that it was simply the wrong time for the US Navy to withdraw.

The national government would not listen and told us not to worry, that they were determined to kick the Americans out, and that support from Manila was forthcoming. Well, we did not listen to these people. Although we lost the initial debate, we decided to take the fight to Congress. This we did — literally. We loaded buses with people and headed for Manila to lobby Congress. We said 'You broke our rice bowls, but we want to replace them with our own bowls, not with your promises. And we want a free port, and we want to have control of it. We want the Mayor of Olongapo to be in charge of it. We want people from the local community to be on the Board.'

They gave us \$6 million. The base had been run for \$178 million. Of course the Navy had downscaled everything. They took away the telephone system. They took away the power plant, leaving only 28 megawatts to go with the radar and the electronic equipment at the airport. We told people if you want economic revival in this community you have to be a part of the change process. We asked the people to volunteer to guard the facilities under a slogan called *Protect and Preserve to Prosper*. Protect the reputation of our country, we urged, preserve its facilities, and we

*More than
8,000 people
volunteered.
They guarded
homes that did
not belong to
them. They cut
the grass. They
kept the base
intact.*

will prosper.

More than 8,000 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 until we started to get investors to come in on a build-operate-transfer basis. We got a power company from Texas to set up 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 free ports 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 in a joint venture with the Philippine Long Distance Telephone Company. They had a monopoly at the 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 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 747s. 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 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 only five years since the US Navy pulled out. During that time we have created more than 67,000 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 a 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. In 1995 the amount increased sevenfold to \$174 million. In 1996 it doubled to \$328 million, and last year increased to \$530 million. That's a billion US dollars in exports in just four years of operation. And what's more, we no longer receive any financial assistance from the national government. As of two years ago, we have been returning 2.5 billion pesos to the government in taxes and duties.

Subic has literally risen from the ashes of Mt. Pinatubo. We have six flights a day between Subic and Taipei, China, three flights a week to Hong Kong, three flights a week to Kuala Lumpur, and three flights a week to Kuching. We have just started scheduled flights with Japan Air Systems. We expect to have more regular flights from Japan soon.

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

In the five years since the US Navy pulled out, we have created 67,000 jobs in Subic and we make everything from ships to telephones.

Giving confidence to individuals who were previously downtrodden is a most important outcome.

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. Our workforce speaks English and has high levels of skills. Filipinos themselves are a unique blend of East (we are ethnic Asians) and West (400 years of colonialism by Spain and America).

The most important aspect of all of 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 a 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.

Today the city of Olongapo is alive and well. We have new banks and new hotels and we are expanding all the time. One unfortunate outcome is that there is a culture of envy borne by political leaders elsewhere who are terrorized by the fact that they are being shown up by a neighboring province or town. This is something, I guess, endemic to developing areas where the culture of envy, the culture of fear, exists. This is where leaders must try and convince their neighbors to try and realize that there is, in fact, a positive outcome for all. When you look at our objective over the next two years, to have both Subic and Manila as viable seaports, our efforts will flow to other parts of the country. We envision three viable airports — Subic International Airport, Angeles International Airport (the former Clark Air Base), and the Ninoy Aquino International Airport — all of international caliber. And all of these are within two hours by land from each other. Thus, development can be pushed into the hinterland between these

areas, decongesting the megacity of Manila and dispersing industries northward.

I have been preaching the gospel of volunteerism all over the Philippines, seeking a vision, recreating the old values of the country, and holding up volunteers as stakeholders in a shared vision. A national bureaucracy can at times be more of an enemy than an ally, but it can be made an ally by making it believe that it was the originator of the idea.

The story of Subic, I'm sure, is not unique in the Philippines. It's happening elsewhere in the Philippines. Cebu, for example, advertised itself as an island in the Pacific — not just a part of the Philippines. They were able to make do with what they had and prevent the national government from getting into their dreams and aspirations. Today you also have places like General Santos and Zamboanga in Mindanao becoming free ports. One of my assistants that helped me run Subic is now heading the Cagayan free port in the north, creating new development in that area.

And let me tell you one thing, faith in our people, trust in each other, and teaching people to trust each other are very, very important. Our young people, for example, worked with the former base workers to make Subic what it is today. Young people from Harvard and Stanford Universities and from Wharton Business School in New York have returned to work with us. We have many, many young people who volunteer their time for Subic. Through this kind of action you can defeat apathy and indifference. You can get ahead. By developing new ideas, by building faith in your people, and by enjoying the risk-taking, you can bring new life to your country.

This is Subic Bay today and I am glad to have had the opportunity to share our story with you. I would like to thank ADB, our partner, as well. We are not just thinking of Subic alone —

Faith in our people, trust in each other, and teaching people to trust each other are very, very important.

we're thinking of creating a ripple effect. The World Bank has also come to Subic Bay. ADB has now created a master plan for other areas and we have invited all the other towns around Subic Bay to participate in the ADB project because we know that development is soon going to flow from Subic into these other communities.

Lastly, let me say that if you as a city manager want to do something for your people, if your cause is true and if you are sincere in your efforts, your goal should not be to attain individual glory. It should be to uplift your people.