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SENATE

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Introduced by Senator Juan Ponce Enrile

A RESOLUTION

DIRECTING THE PROPER SENATE COMMITTEES TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, INTO THE REPORTED ₱1.5 BILLION NET OPERATING LOSSES INCURRED BY THE COCONUT INDUSTRY INVESTMENT FUND (CIIF) OIL MILLS GROUP FROM 2005 TO 2007 AS WELL AS INTO THE ACTIONS TAKEN, IF ANY, BY THE PRESIDENTIAL COMMISSION ON GOOD GOVERNMENT IN ORDER TO TIMELY AND ADEQUATELY ADDRESS THE COCONUT INDUSTRY INVESTMENT FUND OIL MILLS GROUP'S (CIIF-OMG) FINANCIAL DIFFICULTIES DURING THE PERIOD IN QUESTION, WITH THE END IN VIEW OF ADOPTING POSSIBLE REMEDIAL LEGISLATION WITH THE OBJECTIVE OF ASSURING THE CONTINUED PRESERVATION AND CONSERVATION OF SEQUESTERED ASSETS

WHEREAS, Presidential Decree No. 276 (dated August 20, 1973) established the Coconut Consumers Stabilization Fund (CCSF), the purpose of which was to stabilize the retail prices of coconut-based consumer products like cooking oil, laundry soap and filled milk which, at the time, were steadily increasing as a result of high prices of coconut oil in the world market;

WHEREAS, subsequently, the Coconut Industry Development Fund Levy (CIDF) was later imposed and collected to finance, among others, various coconut planting and replanting programs, coconut research and extension services programs, establishment of model plantations including the propagation of hybrids, and acquisition of coconut related industries and the operations of such industries, all for the benefit of the coconut industry in general and coconut farmers in the country in particular, pursuant to Presidential Decree Nos. 961 (dated July 14, 1976) and 1468 (dated June 11, 1978);

WHEREAS, a portion of said coco levy funds, or roughly P2.572 Billion, was used to acquire certain companies engaged in the business of coconut oil milling and refining, namely, Legaspi Oil Company Inc., San Pablo Manufacturing Corporation, Cagayan de Oro Oil Co. Inc., Southern Luzon Coconut Oil Mill Inc., Granexport Manufacturing Corp. and Iligan Coconut Industries, Inc., which conglomerate is commonly referred to as the Coconut Industry Investment Fund Oil Mills Group (or "CIIF OMG", for brevity);

WHEREAS, through loans obtained from the banking sector, the CIIF OMG through 14 subsidiaries (the "14 CIIF Holding Companies", for brevity) acquired P1.656 Billion worth of common shares of stocks in San Miguel Corporation (SMC) (the "SMC Shares", for brevity) in 1983;

WHEREAS, on suspicion that CIIF OMG companies and its subsidiaries including the SMC Shares formed part of the "ill-gotten wealth" of former President Ferdinand E. Marcos and certain individuals, the Presidential Commission of Good Government ("PCGG", for brevity) sequestered the CIIF OMG Companies, the 14 CIIF Holding Companies, and SMC Shares in 1986. Consequently, the government instituted a suit before the *Sandiganbayan* asserting ownership over and title to the CIIF OMG companies, the 14 CIIF Holding Companies and the SMC Shares;

WHEREAS, as a result of the sequestration, the government through PCGG was effectively in control of the CIIF OMG companies, its subsidiaries and the SMC shares as government had caused from time to time the election of its nominees in the boards of directors of all the CIIF OMG Companies, its subsidiaries including the appointment of the group's President/Chief Executive Officer;

WHEREAS, through the years and because of its substantial exports of crude coconut oil and other bi-products, the CIIF OMG has generated respectable operating incomes that have always been "plowed back" to the CIIF OMG companies to fund working capital requirements, capital expenditures and coconut industry related developmental projects all for the benefit of the coconut industry and coconut farmers;

WHEREAS, during a 3-year period covering the years 2005, 2006 & 2007, the CIIF-OMG incurred huge accumulated losses of roughly P1.5 Billion from its operations;

WHEREAS, it was reported that P1.7 Billion representing cash dividends on the SMC shares that were paid to the 14 CIIF Holding Companies were even caused to be "transferred" to the CIIF OMG Companies to allegedly "cover" for the said accumulated losses and to settle certain maturing operations of the CIIF OMG companies with various creditors;

WHEREAS, notwithstanding the fact that a "turn around" had been caused following the appointment of a new leadership in the CIIF OMG in 2009 that led to positive operating incomes of P82 Million in 2009 and P171 Million in 2010, it is imperative that an inquiry be made to determine:

- Whether irregularities were committed in the transactions and operations of the CIIF OMG such that it incurred huge losses during the stated 3-year period; and,



- Whether the PCGG had adopted timely and adequate remedial measures to address the problem considering that former PCGG Chairman Camilo Sabio was concurrently the Chairman of all the CIIF OMG Companies and 14 CIIF Holding Companies as well as a Member, Board of Directors of the United Coconut Planters Bank during the period in question;

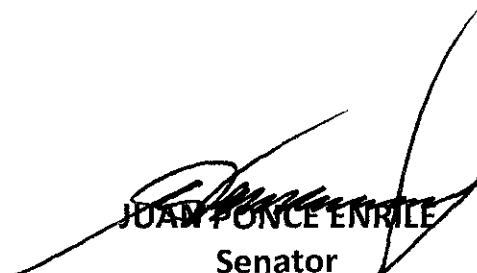
WHEREAS, it is reported that upon the direction of the PCGG, the SMC shares have been converted into preferred shares and have now a redeemable value in the aggregate sum of roughly P60 Billion;

WHEREAS, on May 7, 2004, the *Sandiganbayan* (First Division) in Civil Case No. 0033-F, had already rendered a Partial Summary Judgment declaring that the CIIF OMG companies, 14 CIIF Holding companies as well as the SMC Shares **are owned by the government "in trust for all the coconut farmers"**, thus ordering their reconveyance to the government. However, this judgment has not been implemented pending final determination of the case involving said assets;

WHEREAS, it is paramount that the government undertake the necessary steps to assure the continued preservation and conservation of the assets of the CIIF OMG Companies and the 14 CIIF Holding Companies and prevent their dissipation for the benefit of the 3.3 million coconut farmers of the country through the government, being the "beneficial owners" of the CIIF OMG companies, noting furthermore that the aggregate value of the plants and properties of the CIIF OMG Companies together with the SMC Shares is now estimated to be at least P150 Billion;

THEREFORE, BE IT RESOLVED, AS IT IS HEREBY RESOLVED THAT, the proper Senate Committees be directed to conduct an inquiry, in aid of legislation, into the reported P1.5 Billion-net operating loss incurred by the CIIF Oil Mills Group from 2005 to 2007 as well as into the actions taken, if any, by the PCGG leadership in order to timely and adequately address the CIIF OMG's financial difficulties during the period in question, with the end in view of adopting possible remedial legislation with the objective of assuring the continued preservation and conservation of sequestered assets such as the CIIF OMG Companies, the 14 CIIF Holding Companies and the SMC Shares, and therefore prevent their dissipation.

Adopted,


JUAN PONCE ENRILE
Senator