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SENATE

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COMMITTEE REPORT NO. 145

Submitted by the Committee on Finance on MAY 19 2015

Re : Proposed Senate Resolution No. 39

Recommending that it be archived

**Mr. President:**

The Committee on Finance to which was referred **Proposed Senate Resolution No. 39**, introduced by **Senator Ralph G. Recto**, *entitled:*

**“A RESOLUTION  
DIRECTING THE SENATE COMMITTEE ON FINANCE TO CONDUCT AN  
INQUIRY, IN AID OF LEGISLATION, ON THE STATUS OF THE PHILIPPINE  
PRIVATIZATION PROGRAM BY THE PRIVATIZATION COUNCIL AND THE  
PRIVATIZATION MANAGEMENT OFFICE, WITH THE END IN VIEW OF  
GENERATING GREATER REVENUES FOR THE GOVERNMENT AND  
STREAMLINING THE BUREAUCRACY”**

has considered the same and has the honor to report it back to the Senate with the following findings and recommendation as a result of the public hearing and Technical Working Group (TWG) on PSR No. 39, among others, conducted on March 17, 2014 and June 25, 2014, respectively, with an emphasis on the issues raised, as follows:

**Issues:**

- (1) Accomplishments of the Philippine Privatization Program vis-à-vis its mandates;
- (2) Remaining assets that need to be disposed of; and
- (3) Review of the systems and procedures involved in the disposal of government assets to expedite the Privatization Program consistent with the government's effort to generate revenues.

**Findings:**

- (1) **Accomplishments of the Philippine Privatization Program vis-à-vis its mandates.**

The Privatization and Management Office (PMO) under the supervision of the Privatization Council (PC) was able to generate revenues amounting to **P39.921 Billion**, out of which, **P23.354 Billion** was remitted to the National Treasury for the years **2001 to 2013**. Moreover, the PMO's **privatization efforts** for the years **2014 to 2016** is expected to generate

revenues amounting to **P1.815 Billion**. This will complement the Total Revenue Program of the National Government under *Privatization* proceeds.

**(2) Remaining Assets for Disposition.**

Upon the merging of PMO with the Board of Liquidators (BOL) pursuant to Executive Order No. 471 (2005), it took over the disposition of properties transferred to the Republic of the Philippines under the Philippine Property Act of 1946, Republic No. 8, Executive Order No. 99 (1947) and other laws. Listed below is the summary of the assets transferred to PMO:

**Table 1. List of Assets under the supervision of PMO**

As of December 31, 2013

(In Million Pesos)

Asset type	No. of assets	Transfer Price
Transferred assets	77	45,931
Government Owned and Controlled Corps.	12	1,016
Other assets	6	N/A
Assets conveyed by Land Bank of the Phil.	36	5,157

Source: PMO submission

The latest valuation of some of the assets/ properties presented above cannot be provided since the valuations are lapsed. The privatization policy under the Privatization Council considers a valuation lapsed if rendered more than two (2) years. The PMO, as the marketing arm of the National Government with respect to Transferred Assets, Government Corporations and other properties assigned to it by the PC for disposition, reported the following Assets for Disposition:

**Table 2. List of Assets for Disposition**

As of March 17, 2014

(In Million Pesos)

Asset type	No. of assets	Transfer Price
Big Ticket	5	8,091
Real Properties	72	10,303
Shares of Stock	14	11,349
Mining Companies	3	10,513
Others	36	5,157

Source: PMO submission

The above-mentioned assets exclude the assets with pending litigation. Moreover, these assets before disposal are subject to the following undertakings under the privatization efforts of the PMO, namely: a) Due diligence; b) Ocular inspection; c) Procurement of Consulting/Transaction Advisory; d) Consultation with Other Government Agencies; e) Review of legal issues; and f) Other necessary preparations as may be determined. The aforementioned assets were published in PMO's website for bidding purposes. However, as of March 17, 2014, there were no bidders yet for these assets.

**(3) Review of the systems and procedures involved in the disposal of government assets to expedite the Privatization Program consistent with the government's effort to generate revenues.**

Generally, the privatization process starts in the Appraisal of Property for disposition. The PMO, after appraisal, perform the following activities: 1) Preparation of proposal by the Marketing Department; 2) Action of the Chief Privatization Officer (CPO) on the proposal; 3) Publication of invitation to bid; 4) Availability of Offer Documents; 5) COA notification; 6) Public bidding; 7) CPO's Action on the results of bidding; 8) PC's action on PMO's endorsement; 9) Award of sale; 10) Full payment of purchase price; 11) Signing of closing documents; and 12) Turn-over of the property sold.

The accomplishment of the Privatization Program by the PMO and PC is in line with its mandate to: "Implement the actual marketing /disposition program for government corporations, assets and other properties (E.O. 323). Dispose assets and/or rights, mandated under E.O 372, transferred to NG and entrusted said assets and/or rights to PMO (E.O. 471). "

The PMO also takes into consideration that the assets sold and the assets for disposition will result to a more favorable outcome and will be beneficial to the national government. Moreover, the PMO is constantly following up the status of the assets with pending litigation with the Supreme Court and other judicial bodies.

Currently, the PMO adopted different modes of asset disposition that are in accordance with the COA rules and regulations, summarized as follows:

**(a) National Budget Circular No. 425 (1992)**

Disposal of government property which are unserviceable, obsolete, forfeited, abandoned, excess or surplus to the needs of the government, or junk or scrap materials through condemnation/destruction of property, transfer of property, barter, donation of property, or sale of property through public bidding or negotiated sale.

**(b) COA Circular No. 89-296 (1989)**

Divestment or disposal of property and other assets of all government entities/instrumentalities, whether national, local or corporate, including the subsidiaries thereof but shall not apply to the disposal of merchandise or inventory held for sale in the regular course of business nor to the disposal by government financial institutions of foreclosed assets or collaterals acquired in the regular course of business and not transferred to the National Government under Proclamation No. 50. They shall not also cover dation in payment as contemplated under Article 1245 of the New Civil Code. The modes of disposal include public

auction, sale thru negotiation, barter, transfer to other government agencies, or destruction or condemnation.

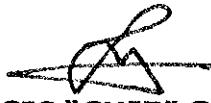
**(c) Executive Order No. 298 (1996)**

Providing for alternative and/or intermediate modes of privatization pursuant to Proclamation No. 50, s. 1986 such as joint venture, build-operate-transfer scheme, management contract, lease-purchase, and securitization.

The Department of Finance as well as the Privatization and Management Office firmly believe that the systems and procedures involved in the disposal of government assets are still appropriate under the circumstances and that there is no need for a new legislation to revise the current system as far as the privatization program is concerned.

***Recommendation:***

The Committee on Finance, after considering the above information, finds that the current system being followed by the PMO addresses the concerns of PSR No. 39. Hence, the Committee on Finance recommends that PSR No. 39 be archived.



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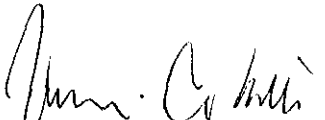


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