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SENATE

P.S. Res. No. 35

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Introduced by **SENATOR LEILA M. DE LIMA**

RESOLUTION

DIRECTING THE PROPER SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE 2018 COMMISSION ON AUDIT (COA) REPORT THAT THE PHILIPPINE AEROSPACE DEVELOPMENT CORPORATION (PADC) HAS INCURRED OPERATING LOSSES AMOUNTING TO ₱28.289 MILLION, WHICH IS PART OF THE TOTAL ₱178 MILLION LOSS OF THE CORPORATION FOR THE PAST SIX (6) YEARS (2013-2018), AND MAKE A DETERMINATION ON WHETHER THERE REMAINS A NECESSITY FOR ITS CONTINUED EXISTENCE

1 WHEREAS, the Philippine Aerospace Development Corporation (PADC) was
2 created by virtue of Presidential Decree No. 286. The main objective was to maximize
3 the national utility of the aviation and aerospace industry;

4 WHEREAS, the Commission on Audit (COA) has reported that the PADC has
5 reached a meager ₱5.92 million on sales relative to a total of ₱34.21 million in
6 operating expenses for 2018, resulting in a ₱28.289 million net loss.¹;

7 WHEREAS, COA has recommended that a full comprehensive review be
8 implemented regarding the structure, policies, financial capability and business
9 market of PADC after having acquired a total of ₱178 million operating losses for the
10 past six (6) years (2013-2018)²;

11 WHEREAS, the COA report stated that PADC was not able to implement its
12 targeted Gender and Development (GAD) projects and activities thereby affecting
13 concerned women who could have benefitted from such programs. Moreover, the

¹ Ayalin, Adrian. ABS-CBN News. *COA flags aerospace agency for P28.3 million in losses, failing mandate*. Retrieved from <https://news.abs-cbn.com/news/06/18/19/coa-flags-aerospace-agency-for-p283-million-in-losses-failing-mandate>

² GMA News Online. *State aerospace firm suffering from P177-M operating loss, COA says*. Retrieved from <https://www.gmanetwork.com/news/news/nation/698093/state-aerospace-firm-suffering-from-p177-m-operating-loss-coa-says/story/>

1 Corporation's existence is being sustained only by the rental income from three
2 hangars leased by Cebu Pacific and eight others. The Commission's vehicles were
3 likewise inoperative and unserviceable which therefore resulted to further loss in
4 revenue³;

5 WHEREAS, PADC was reported to have poor facilities, with no landline or
6 internet connection. Their offices and rooms are likewise in poor condition and "do
7 not portray a reputable business image to the Corporation"⁴;

8 WHEREAS, the aviation schools that previously availed of PADC's services are
9 now operating their own maintenance facilities. PADC was also blacklisted by the
10 Philippine Navy (PN) in Current Year (CY) 2018 for failure to deliver and comply
11 with conditions of the contract entered by the parties in CY 2015⁵;

12 WHEREAS, another contributing factor to the loss of PADC's revenue is the
13 Absence of Tax Clearance due to cases filed by the Bureau of Internal Revenue (BIR)
14 against the Corporation in CYs 2003 and 2004. Said cases remain unsettled to this
15 date and thus prohibit PADC from joining public biddings conducted by various
16 government agencies⁶;

17 WHEREAS, there have been past deliberations on the continued operation of
18 PADC. In 2017, Finance Secretary Carlos G. Dominguez III, an *ex-officio* member of
19 the Governance Commission for Government-Owned or Controlled Corporations
20 (GCG), said that the Commission has decided to abolish PADC for failing to design a
21 single plane for the past 45 years⁷. However, PADC Board Director Rene Abad
22 rejected Finance Secretary Dominguez's claims and insisted that the Corporation
23 should not be abolished but instead be revitalized.⁸;

24 WHEREAS, on 15 March 2019, President Rodrigo Duterte, through an
25 executive order, transferred the Corporation from the Department of Transportation

³ PADC2018 Part 2 Observations and Recommendations

⁴ *Ibid*

⁵ *Ibid*

⁶ *Ibid*

⁷ De Vera, Ben. Inquirer.net. *State-run aerospace to be abolished for not making a single plane for 45 years*. 27 December 2017. Retrieved from <https://business.inquirer.net/243141/gcg-philippine-aerospace-development-corp-abolition>

⁸ Caraballo, Maybelin. The Manila Times. *PADC Director calls for state-owned firm's 'revitalization'*. 4 January 2018. Retrieved from <https://www.manilatimes.net/padc-director-calls-state-owned-firms-revitalization/372112/>

1 (DOTr) to the Department of National Defense (DND). Said transfer was expected to
2 create improvements and major developments in PADC in the coming months⁹.
3 However, this deemed change still does not justify the costs attained by the
4 Corporation for the previous years.;

5 WHEREAS, the PADC's inability to manage its mandated responsibilities has
6 gravely tainted its governance thus resulting to zero outputs from aimed activities or
7 projects, which if implemented adeptly could have profited our economic growth;

8 WHEREAS, if PADC's services are better provided by private entities, there is
9 no reason to waste taxpayers' money to fund an office that is no longer needed;

10 WHEREAS, it is the duty of Congress to ensure that only offices providing
11 critical services to our country are being funded by the national treasury and close
12 down operations that result in losses which could be avoided;

13 WHEREAS, Congress, which holds the power of the purse, must be diligent in
14 putting mechanisms in monitoring and ensuring that government funds are being
15 judiciously utilized by respective agencies for the effective use and benefit of the
16 country and of the Filipino people;

17 RESOLVED BY THE SENATE, as it is hereby resolved, To direct the proper
18 Senate Committee to conduct an inquiry, in aid of legislation, on the 2018
19 Commission On Audit (COA) report that the Philippine Aerospace Development
20 Corporation (PADC) has incurred operating losses amounting to ₱28.289 million,
21 which is part of the total ₱178 million loss of the corporation for the past six (6) years
22 (2013-2018), and make a determination on whether there remains a necessity for its
23 continued existence.

Adopted,


LEILA M. DE LIMA

⁹ Ayalin, Adrian. ABS-CBN News. *COA flags aerospace agency for P28.3 million in losses, failing mandate*. Retrieved from <https://news.abs-cbn.com/news/06/18/19/coa-flags-aerospace-agency-for-p283-million-in-losses-failing-mandate>