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FOURTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

SENATE

Senate Bill No. 589

INTRODUCED BY SEN. JINGGOY EJERCITO ESTRADA

EXPLANATORY NOTE

One of the essential public services to our communities is the water supplies and utilities. The Provincial Water Utilities Act provides for the comprehensive administration of this service. However, the said law needs updates and amendments to be more responsive to the needs and demands of our people.

This measure proposes amendments to the Provincial Water Utilities Act by increasing the authorized capital stock of Local Water Utilities Administration (LWUA) and allowing the government financial institutions to invest in it. Also, the bill proposes to grant foreign borrowing authority to LWUA. Further, it seeks to privatize water districts by converting themselves into either stock cooperatives under the Cooperative Code of the Philippines or stock corporation under the Corporation Code, and consequently, provide for the rights and privileges granted to such water districts cooperatives or corporations.

The early passage of this measure is earnestly sought.


JINGGOY EJERCITO ESTRADA
Senator

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Senate Bill No. 589

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**AN ACT
FURTHER AMENDING PRESIDENTIAL DECREE NO. 198, OTHERWISE
KNOWN AS THE PROVINCIAL WATER UTILITIES ACT, AS AMENDED,
PROVIDING FUNDS THEREFOR AND FOR OTHER PURPOSES**

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Section 67 of Presidential Decree 198, as amended, is hereby amended to read as follows:

"SEC. 67. Capital Stock. - The authorized capital stock of the Local Water Utilities Administration is FIFTY BILLION PESOS (P50,000,000,000.00) [two billion five hundred million pesos (P2,500,000,000.00)] divided into ONE HUNDRED TWENTY FIVE MILLION [twelve million five hundred thousand] shares of stocks with a par value of FOUR [two] hundred pesos per share which shall be subscribed by the National Government and opened to subscription by private investors or government financial institutions: *PROVIDED HOWEVER*, THAT GOVERNMENT FINANCIAL INSTITUTIONS MAY INVEST AT LEAST ONE PERCENT (1%) BUT NOT MORE THAN FIVE PERCENT (5%) OF THEIR NET INCOME FOR STOCK SUBSCRIPTION AS PROVIDED FOR UNDER THIS ACT: *PROVIDED FURTHER*, THAT THE ADMINISTRATION SHALL TAKE ACTIVE STEPS FOR THE PUBLIC OFFERING OF ITS SHARES."

SEC 2. Section 72 of Presidential Decree No. 198 shall hereby amended to read as follows:

"SEC. 72. *Domestic AND FOREIGN Borrowing Authority.* - The Administration shall have the authority to borrow money from all domestic loan sources whether government or private: *Provided*, That its loans outstanding from domestic sources at any one time shall not exceed one billion pesos, AND

IN THE CASE OF FOREIGN LOANS, THE CEILING SHALL BE ONE BILLION U.S. DOLLARS (US\$1,000,000,000.00): *PROVIDED, HOWEVER,* THAT THE ADMINISTRATION MAY ONLY PROCEED OR AVAIL OF FOREIGN LOANS WITH PRIOR CLEARANCE AND APPROVAL OF THE DEPARTMENT OF FINANCE: *PROVIDED, FURTHER,* THAT THE ADMINISTRATION MAY CONVERT ITS AUTHORIZED FOREIGN DEBT INTO PESO OR LOCAL LOANS WHENEVER IT DEEMS NECESSARY."

SEC. 3. A new provision after Section 47 under Exclusive Franchise shall be put in place and shall read, as follows:

"SEC. 47-A. *PRIVATIZATION OF WATER DISTRICTS.* - THE EXISTING WATER DISTRICTS SHALL CONVERT THEMSELVES INTO EITHER STOCK COOPERATIVES UNDER THE COOPERATIVE CODE OF THE PHILIPPINES OR STOCK CORPORATION UNDER THE CORPORATION CODE WITHIN FIVE (5) YEARS FROM THE PASSAGE OF THIS ACT: *PROVIDED,* THAT NOTHING CONTAINED IN THIS ACT SHALL DEPRIVE PRIVATIZED WATER DISTRICTS OF ANY PRIVILEGE OR RIGHT GRANTED TO THEM UNDER PRESIDENTIAL DECREE 198, AS AMENDED, AND OTHER EXISTING LAWS: *PROVIDED, FURTHER,* THAT ALL ASSETS OF WATER DISTRICTS SHALL BE CONVERTED INTO CONTRIBUTIONS OF THE GOVERNMENT, AS REPRESENTED BY THE LOCAL GOVERNMENT UNIT, TO THE WATER COOPERATIVES OR CORPORATIONS. THE GOVERNMENT SHALL MAINTAIN IN THE SAID COOPERATIVE OR CORPORATION AT LEAST FORTY PERCENT (40%) OF THE STOCKS OR SHARES THEREIN: *PROVIDED, FURTHERMORE,* THAT NO SINGLE MEMBER OF THE WATER COOPERATIVE OR STOCKHOLDER SHALL OWN MORE THAN TWENTY PERCENT (20%) OF THE SHARES OR STOCKS THEREIN: *PROVIDED, FINALLY,* THAT NOTHING IN THIS ACT SHALL PREVENT ANY MERGER OR CONSOLIDATION BY AND BETWEEN ANY WATER UTILITY, WATER COOPERATIVE OR CORPORATION.

"LWUA AND THE NATIONAL WATER RESOURCES BOARD (NWRB), IN CONSULTATION WITH THE SECURITIES AND EXCHANGE COMMISSION (SEC), COOPERATIVES DEVELOPMENT AUTHORITY (CDA), REPRESENTATIVES OF PRIVATE WATER UTILITIES AND WATER DISTRICTS AND OTHER RELEVANT SECTORS AND GOVERNMENT AGENCIES, SHALL

PROMULGATE THE NECESSARY IMPLEMENTING RULES AND REGULATIONS (IRR) TO IMPLEMENT THIS SECTION WITHIN SIX (6) MONTHS AFTER ITS APPROVAL.

"SEC. 47-E. *RIGHTS OF OTHER WATER UTILITIES.*
- ALL OTHER EXISTING PRIVATE WATER UTILITIES SHALL ACQUIRE THE RIGHTS AND PRIVILEGES GRANTED TO WATER DISTRICT COOPERATIVES OR CORPORATIONS UNDER THIS ACT: *PROVIDED*, THAT THEY ARE, OR HAVE CONVERTED THEMSELVES INTO, WATER COOPERATIVES OR CORPORATIONS WHETHER STOCK OR NON-STOCK."

SEC 10. *Separability Clause.* – If any provision or part hereof is held invalid or unconstitutional, the remainder of the law or the provision not otherwise affected shall remain valid and subsisting.

SEC 11. *Repealing Clause.* – Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to or inconsistent with the provisions of this Act is hereby repealed, modified or amended accordingly.

SEC 12. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved,