

# Senate Committee Report 312

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## Commentary

**A** llegations of improprieties committed by government nominees and their cohorts in the Philippine Overseas Telecommunications Corp. (POTC), Philippine Communications Satellite Corp. (Philcomsat) and Philcomsat Holdings Corp. (PHC), and the anomalous losses resulting therefrom,

prompted the Senate committee on government corporations and public enterprises, headed by Sen. Richard Gordon, to conduct an inquiry, in aid of legislation, based on proposed Senate Resolution 455 introduced by Sen. Miriam Santiago.

The recommendations of the Gordon committee in Senate Committee Report 312 were adopted by the Senate in plenary last June 7. With this, we should finally see the end to the plunder of POTC, Philcomsat and PHC, led by those whose names have become inextricably linked to fraud, abuse and wastage of the funds and assets of these companies.

The findings of the Gordon committee, in a sense, vindicates us for what we have been writing in this space — I counted 15 separate articles — about the appalling rapacity of vultures who have continuously preyed on the corpora of POTC, Philcomsat and PHC, until these companies were stripped clean to the bones. To the point of being repetitive, we kept on asking the following questions before:

Why is it that Philcomsat is experiencing massive losses after enjoying 25 straight years of remarkable profitability? Why is it that PHC, Philcomsat's cash-rich subsidiary in the business of collecting money market income, has been losing money since 2004? Why are the financial statements of publicly listed PHC not filed with the PSE, causing PSE to suspend the trading in PHC shares?

Why is it that the value of the government's shares in Philcomsat was almost P1.4 billion at a book value of P296,000 per share for 4,727 shares, but current estimates show a plunge to a measly P175 million at the adjusted book value of P37,000 per share?

Why is it that PHC has mounting expense outlays of approximately P335 million in legal fees?

The evidence culled by the committee from its 11 hearings in 10 months offers some interesting — and nauseating — details which provide some interesting — and nauseating — answers to the questions posed above: P390 million in "advances" were made to a presidential relative, who never repaid the amount, or even the nine percent p.a. interest thereon, which "advances" including the principal and interest are now estimated at P700 million; huge amounts for "representation and entertainment" and outrageous compensation packages for "directors;" a gift of P2 million entered as "cash for Sandiganbayan, TRO, POTC-Philcomsat case," dated on the same day a TRO was granted by the Sandiganbayan; bank statements showing joint personal accounts of certain directors, with disbursements to a presidential relative for P3.2 million; bank statements with fictitious names to operate bank accounts; auditors' working papers showing salaries, fees, honorariums, bonuses, allowances, personal loans, reimbursements and unexplained "cash" totaling P26 million paid to certain directors; purchase of a P1.6 million luxury

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vehicle for a favored commissioner; payment of legal fees to Luis Lokin on 08/04/05 and 08/19/05 for a total amount of P3,273,964.12; legal fees paid for the period 2003 to 2005 to the same Lokin in the amount of P9,316,817, plus another P3,198,500 in the name of his associate; various amounts given to directors, with P12.3 million

to Lokin; accounting entries with the notes "representation to Supreme Court" or "representation — BIR transactions" and others, which make one cringe at the audacity of the lawyer(s) handling the alleged legal fees; *ad nauseam*.

To the credit of the Gordon committee, those who presided over the plunder of POTC/Philcomsat/PHC will now be the subject of further investigations by the Ombudsman, to determine their culpability and, whenever deemed appropriate, institute the proper actions. The BIR is now alerted to the unreported income and compensation, camouflaged as phony "advances to affiliates," but pocketed by the directors and their lawyers. The Anti-Money Laundering Council will also be looking into the existence of suspicious bank accounts revealed in the investigations of the committee. And to protect their integrity as judicial institutions, the Sandiganbayan and the Supreme Court will be looking further, as they should, into the findings of the committee — unless they would rather leave on record the accounting entries showing huge outlays for certain favors and considerations rendered.

In our article on July 13, 2003, we said: "The magnitude of the plunder that has been wrought on the country's pioneer satellite telecommunications company and once the biggest in the industry, has reduced Philcomsat to a hideous mutant of its old self, a corporate monstrosity that has gone financially berserk. Once a cash cow that streamed P770 million in cash dividends to the national coffers, Philcomsat today is a destroyed company — with two sets of board of directors, one of them trying to set deals that would leave its founder, Potenciano Ilusorio, turning over in his grave."

President Arroyo has already called for the resignation of government nominees on the boards of corporations where the government has substantial interest. This directive comes on the heels of the Gordon committee's findings on the plunder in POTC/Philcomsat/PHC, and the recommendation to replace the government nominees on the boards of these companies who have been found to be grossly dissipating assets. Let us hope that these nominees have the *delicadeza* to get off these boards quickly.

Ilusorio, the founder of Philcomsat and whose sixth death anniversary we commemorated last June 28, once boasted in 1969 that Philcomsat would bring the Philippines to the 21st century. The plunder, as detailed in Senate Committee Report 312, has beaten that boast hollow. Philcomsat floundered as the 21st century came. Amid the despoliation, it is now incumbent upon the group of Erlinda Bildner (daughter of Ilusorio), Victor Africa and Katrina Enrile, after they are installed at POTC, Philcomsat and PHC, to take on the big task ahead: How to make this telecommunications pioneer regain its glorious standing in the industry?