

**SENATE COMMITTEE REPORT NO. 312 ADOPTED
BY THE PLENARY JUNE 7, 2007
On the Dissipation of Assets of PHILCOMSAT and
PHILCOMSAT HOLDINGS CORP.**

Allegations of improprieties by the PRESIDENTIAL COMMISSION ON GOOD GOVERNMENT (PCGG) and its nominees to PHILIPPINE OVERSEAS TELECOMMUNICATIONS CORPORATION (POTC) PHILIPPINE COMMUNICATIONS SATELLITE CORPORATION (PHILCOMSAT) and PHILCOMSAT HOLDINGS CORP. (PHC), and the anomalous losses resulting therefrom, prompted the joint Senate Committees on Government Corporations & Public Enterprises and Public Services, chaired by Senator Richard J. Gordon, to conduct an inquiry, in aid of legislation, based on PSR No. 455, introduced by Senator Miriam Defensor Santiago.

The Report states that in the course of the Committees' investigation, "it came across a matter of paramount public interest and concern the **lack of transparency and accountability of the PCGG**" and hence "**an urgent need to revisit the PCGG and put an end to its fraud, abuse and wastage.**"

After eleven public hearings and one executive session, the Committees found:

1. Overwhelming mismanagement of POTC, PHILCOMSAT and PHC by PCGG and its nominees, resulting in the deterioration of the financial condition of these companies;
2. Outrageous compensation packages for the government nominees who control PHC as either uninformed (**Enrique L. Locsin**) or *in absentia* (**Manuel D. Andal**; **Julio Jalandoni**) directors;
3. Unjustified and/or unsupported soaring operating expenses of PHC, categorized notably as "Representation"; Professional Fees"; "Legal"; and "PR-Media";
4. Alleged PHC advances to affiliates totaling P82 Million beyond the reach of PCGG Comptrollers;
5. Suspicious PHC bank accounts with frequent multi-million peso transactions;
6. Huge losses from TCI, PHC's wholly-owned subsidiary in the call center business, established in 2004, and with a board of directors identical to that of PHC;
7. Attribution for clearance over such largesse laid upon "PHC President and CEO" Manuel Nieto, who, based on his medical records, has been suffering from Alzheimer's Disease since 2003;
8. Allegations by PCGG nominee **Enrique L. Locsin** on "illegal investments" and "questionable transactions", including the sale of aircraft by former and current Philcomsat directors, shown to have prior approvals of POTC/PHILCOMSAT boards of directors, and "were in fact encouraged by the PCGG agents and approved by the PCGG board representatives"; and,
9. PCGG's negligence in preserving the government's interest was "so gross as to amount to bad faith".

Based on the Committee Report, the incontrovertible evidence includes:

1. **Benito Araneta**, a former and replaced PCGG nominee, authorized P390 Million "advances" to cousin **Antonio Araneta**, who never repaid the amount nor the 9% p.a. interest thereon since 2000; total principal and interest due is estimated at over P700 Million;
2. SEC Auditors' Report on PHC, notably huge amounts for "Representation and Entertainment", including "Cash-pcgg gift"; checks payable to "Cash"; advances to Officers and Employees — authorized or made by PCGG nominees and other PHC directors from PHC's funds;
3. SEC Auditors' and PHC external auditor's confirmation of accounting entry by PHC of P2,000,000 "Cash for sandigan bayan, TRO, POTC-PHILCOMSAT case" on 9/23/05, the date a Petition for a TRO by **Enrique L. Locsin** was granted by the Sandiganbayan;
4. PHC bank statements showing joint personal accounts of PHC directors, funded by PHC corporate funds, with disbursements to PHC director **Benito Araneta** for P3,200,000;
5. PHC bank statements with fictitious name "Cesar Muñayac" to operate the PHC bank accounts;
6. PHC's External Auditor's Working Papers showing salaries, fees, honoraria, bonuses, allowances, personal loans, "reimbursements" and unexplained "Cash", totaling P15 Million and P11 Million, paid to "**Enrique L. Locsin**" or "ELL" and "**Manuel D. Andal**" or "MDA", respectively, between 2003 to 2005;
7. Toyota's testimony on PCGG Comm. **Ricardo Abcede**'s personally negotiating and taking delivery of a P1.6 Million Camry, paid by PHC, a company that is not sequestered.

The Senate Committees recommend, and the Senate has adopted, the immediate:

1. Removal of PCGG jurisdiction over POTC and PHILCOMSAT shares since the Republic of the Philippines, and not PCGG, is the owner of 35% of said shares;
2. Replacement of government nominees as directors to POTC and PHILCOMSAT;
3. Privatization of the National Government shares in POTC and PHILCOMSAT;
4. Investigations by the Sandiganbayan and the Supreme Court (to preserve the integrity of these institutions); the Ombudsman; the BIR; and the Anti-Money Laundering Council on their alleged receipt of huge amounts of funds from PHC; and
5. Overhaul of, and further legislative investigations on, the PCGG.

The foregoing findings are supported by hard evidence and veritable proofs, including the Auditors' Working Papers submitted by the external auditor of PHC, available in the Senate Committees' records. Moreover, these findings are also corroborated by the SEC Auditors' Report to the Senate Committee dated January 15, 2007.

On the other hand, the published allegations of the Locsin/Araneta Group are not supported by any official documents or evidence. The Locsin/Araneta Group refused to submit any of the documents, such as bank statements, subpoenaed by the Committees, despite several promises to do so. Obviously, the Locsin/Araneta Group's claims at this stage are merely advanced to cover up the uncontroverted findings of the Senate Committees.

The Senate Committee report is available on the Philcomsat website: www.philcomsat.com.ph

The legitimate and validly-elected Boards of Directors of POTC, PHILCOMSAT and PHILCOMSAT HOLDINGS CORP welcome the Senate's findings and recommendations which are adequately supported by the testimonial and documentary records

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