

**Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila**

**Thirteenth Congress
First Regular Session**

HOUSE BILL NO. 4235



Introduced by Honorable Arthur D. Defensor

EXPLANATORY NOTE

Whether in the exercise of its sovereign attributes or in the performance of its proprietary functions, the government discharges a basic purpose, that is, service to the people. In other words, in running a business through its wholly owned or controlled corporations service still should be its paramount concern.

Indeed, certain activities particularly public governance may be best performed by government. However, services that might as well be provided by a private corporation, particularly when it collects revenues from them, should be reason enough for these government corporations to shape up. Ironically, many a government corporation has been milked dry by the caprice of its board of directors with perks and trappings of privilege ostentatiously displayed in the face of a government frantically searching for ways to scrimp its budget.

These are trying times. Would it be too much to ask these corporations to lessen their overhead costs? Take for instance the number of board directors, does it really need a platoon to run the business? The Corporation Code provides for a minimum of only five directors. Certainly, this number or even less is sufficient to run a corporation efficiently. Moreover, a government corporation has the whole government bureaucracy to assist it in its affairs, if need be. Another instance is the salary and allowances of corporate officers. They are exempt from the Salary Standardization Law and are receiving much more than the President of the Philippines who has the whole country to run.

Government businesses should be operated in the fashion where maximum efficiency and fiscal discipline are primordial concerns. They should live up to the reason for their very existence, that is, to serve the ends of government in the service of the people.


ARTHUR D. DEFENSOR

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**AN ACT
RATIONALIZING THE OPERATION OF GOVERNMENT-OWNED OR
CONTROLLED CORPORATIONS, PROVIDING FOR THE UNIFORM
COMPOSITION AND POWERS OF THEIR GOVERNING BOARDS, THE
MANNER OF APPOINTMENT AND TERM OF OFFICE OF THE PRESIDENT
OR GENERAL MANAGER AND OTHER SENIOR OFFICERS, PUTTING A
CAP ON THEIR SALARIES AND ALLOWANCES, AND FOR OTHER
PURPOSES.**

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

SECTION 1. *Declaration of Policy.* - It is the declared policy of the State to maintain and ensure the viability of government-owned or controlled corporations relevant to the aim of Government to serve the people. Towards this end, the composition and remuneration of the members of governing boards of these corporations including the senior officers thereof, are hereby uniformly set in order to achieve efficiency and economy in their operation.

SEC. 2. *Composition.* - The number of members of the Board of Directors of a government-owned or controlled corporation shall be five (5), which shall be composed of the Secretary of the department within whose functional jurisdiction the primary nature of the business of the corporation falls as ex-officio Chairman, the Secretary of Finance, the Secretary of Budget of Management, the President or General Manager of the Company as vice-chairman, and one (1) representative of the private sector appointed by the President, as members.

The President or General Manager and the representative from the private sector shall hold office for four (4) years without reappointment, or until their successors are duly appointed and qualified. Vacancy, other than through the expiration of the term, shall be filled for the unexpired term only. The members of the board shall be entitled to

a *per diem* of Two thousand five hundred Pesos (P2,500.00) for each board meeting actually attended by them, but not to exceed Ten thousand Pesos (P10,000.00) a month and transportation and representation allowances as may be fixed by the Department of Budget and Management.

SEC. 3. *Powers and Functions of the Board of Directors.* - The Board of Directors shall continue to discharge the powers and functions as provided in the charters of the respective corporations: Provided, That such powers and functions shall not be contrary to or inconsistent with the provisions of this Act.

SEC. 4. *Powers and Duties of the General Manager.* - The President or General Manager shall continue to exercise the powers and functions of the President or General Manager as provided in the charter of the corporation.

SEC. 5. *Corporate Secretary.* - The Secretary of the corporation shall continue to function as such and shall continue to exercise the powers and functions as stated in the charter of the corporation.

SEC. 6. *Treasurer of the Philippines.* - The Treasurer of the Philippines shall be the *ex officio* treasurer of the corporation. All accounts and expenses of the corporation shall be audited by the Commission on Audit or its duly authorized representative.

SEC. 7. *Auditor.* - The Chairman of the Commission on Audit shall be the *ex officio* auditor of the corporation. For this purpose, he may appoint a representative who shall be the Auditor of the corporation, and the necessary personnel to assist the said representative in the performance of his duties.

The Chairman of the Commission on Audit or his authorized representative shall submit to the Board of Directors after the close of each calendar year, an audited statement showing the financial condition and progress of the corporation for the calendar year just ended.

SEC. 8. *Legal Counsel.* - The Government Corporate Counsel shall be the legal adviser and consultant of the corporation, and the corporation may assign to the Office of the Government Corporate Counsel cases for legal action, issues for legal opinions, preparation and review of legal documents such as contracts and agreements, as the corporation may decide or determine. Provided, however, That the existing legal office, if any, shall continue to serve as in-house legal counsel of the corporation.

SEC. 9. *Salaries and Allowance, Abolition of Office.* - (a) The General Manager of the corporation and the representative from the private sector shall receive the salary and allowances equivalent to the salary and allowances of a Department Undersecretary;

(b) The position of Vice-President/s of the corporation, if there be any, shall be limited to a maximum of two positions: Provided, That all positions of Vice-President in excess hereof shall be abolished within one year after the effectivity of this Act:

Provided, further, That the Vice-President shall receive the salary and allowances equivalent to a Department Assistant Secretary;

(c) The General Manager and all officers and employees of the corporation shall be covered by Republic Act No. 6758, otherwise known as the Salary Standardization Law.

SEC. 10. *Implementation.* - There is hereby created a Government Corporate Committee, which shall be composed of the Secretary of Finance as Chairman, and the Secretary of Budget and Management, the Director-General of the National Economic and Development Authority, the Chairman of the Commission on Audit, and the Government Corporate Counsel as members. The members of the Committee may designate alternates to represent them in the meetings.

The Committee shall have the following duties and functions:

- a) Formulate the policies and guidelines relevant to the implementation of the provisions of this Act for submission to and approval by the President through presidential proclamation;
- b) Pass upon any claims of government corporations in regard to existing projects and programs which may be affected by the immediate implementation of this Act;
- c) Coordinate with other agencies which may have functions related to the policies, programs, and operations of government-owned and controlled corporations with the end in view of generating adequate baseline data and evaluative inputs to the formulation of the implementation policies and guidelines;
- d) Monitor and evaluate the operations of government-owned and controlled corporations, including their subsidiaries, for the purpose of the committee's data requirements whenever necessary; and
- e) Exercise such duties as may be necessary to facilitate the formulation of the policies and guidelines for the effective implementation of this Act.

SEC. 11. *Secretariat.* - The committee shall constitute a pool of technical and administrative support staff from the respective departments represented in the committee, and shall be responsible for the day-to-day operating concerns involved in the exercise of its functions.

SEC. 11. *Exclusion Clause.* - This Act shall not affect the charter of the *Bangko Sentral ng Pilipinas*, Development Bank of the Philippines, Land Bank of the Philippines, Al-Amanah Islamic Investment Bank of the Philippines, the Philippine National Oil Corporation (PNOC), Bases Conversion Development Authority, and other government-owned or controlled corporations which the Government Corporate Committee may determine: Provided, that such government-owned or controlled corporation is not operating in a deficit.

SEC. 12. *Separability Clause.* - Any portion or provision of this Act that may be declared unconstitutional shall not have the effect of nullifying the other provisions hereof, provided that such remaining portions can still stand and be given effect in their entirety to accomplish the objectives of this Act.

SEC. 13. *Repealing Clause.* - All laws, presidential decrees, Executive orders, letters of instruction and corporate charters contrary to or inconsistent herewith are hereby repealed or amended accordingly.

SEC. 14. *Effectivity Clause.* - This Act shall take effect upon its approval.

Approved,