

MANILA PHONE LOAN MARKS MAJOR CREDITOR INITIATIVE.By **Chaitanya Kalbag**

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MANILA, March 15, Reuter - A 288 million dollar syndicated loan for the Philippines Long Distance Telephone Co marks a major initiative by Manila's commercial bank creditors to recycle existing debt, bankers said.

BOT International (HK) Ltd, Citicorp International Ltd and the Hongkong and Shanghai Banking Corp are lead-managing the loan. Syndication started on February 25 and may be completed by the end of next week, Citicorp officials told Reuters.

They said the package will use the Philippine Central Bank's dollar relending facility.

The facility involves the redemption of Central Bank debt paper held by creditor banks and the re-lending of the redemption funds to the private sector.

"The Central Bank has been firm in saying that it will be very, very selective in relending approvals," one banker said. He said the PLDT package would dwarf the relending deals so far approved, which involved only a few million dollars, but it differed from the rest because no dollars would actually leave the country. A Central Bank official said the loan would also cater to creditor banks' appetite for Central Bank debt paper whose supply has been cut sharply.

Earlier this month the Central Bank decided to limit debt/equity swaps involving such paper to about 180 million dollars annually to curb inflationary trends, the official said.

He said the loan will offer an attractive alternative to creditor banks who can otherwise shed Philippine debt paper only at discounts as deep as 50 pct on secondary markets.

A Citicorp official said the loan would restructure PLDT maturities falling due between 1987 and 1990. She said in the normal course PLDT would have paid the peso equivalent of its amortizations as they fell due, to the Central Bank subsidiary Private Debt Restructuring and Repayment Corp (PDRRC).

But the new 10-year loan, with a 39-month grace period, would stretch PLDT's maturities until at least 1998.

Set up in 1985 to manage the outflow of foreign exchange from the Philippines by converting private-sector external debt into Central Bank-assumed obligations, the PDRRC had until end-1987 assumed 512 million dollars of such debt from various private sector debtors, the Central Bank official said.

The PLDT loan will carry interest at one percentage point over London Interbank Offered Rates (LIBOR) for three years, rising to 1-1/8 points over LIBOR for the remaining seven years. The firm currently pays two points over LIBOR.

In contrast, Central Bank credit schedules or IOU's, issued after a December 1987 debt restructuring took effect, carry lower interest of 7/8 points over LIBOR.

Another Citicorp official said some of PLDT's creditors wanted to exit from loans to the phone company. "Not all the 50-odd banks want to join this loan," he said. "But new banks who already hold Central Bank debt paper are willing to relend recycled funds to PLDT."

He said PLDT was a safer bet for the banks because it was hedged against sharp fluctuations in the peso-dollar exchange rate.

PLDT earns some dollar revenues and has built an automatic adjustment into its billing so that exchange-rate fluctuations are passed on to subscribers, the official said.

"There are only a handful of potential candidates like the PLDT for this kind of refinancing package," he said.

PLDT is the largest of 58 firms providing telephone services in the Philippines and operates 94 pct of all telephones in the country. It is listed on the Manila and New York stock exchanges.



The firm's annual report shows it had long-term foreign debt totalling 556.2 million dollars at end-December 1986.

A PLDT official said the refinancing package is one of the new sources of funds being tapped by the PLDT for a 7.3 billion peso expansion program.

In January the firm signed an agreement with World Bank affiliate International Finance Corp for a 24 million dollar loan. It has said it will issue one billion pesos worth of bonds.

The company official said plans are also being finalised to float two billion pesos worth of debentures.

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MANILA, May 15 (AP) — Finance Secretary Vicente Tan said the Philippines' worst tax collection efficiency in the country's history was only 9.3 per cent in 1987, while its neighbours in the region had tax collection efficiency averaging 14 per cent.

"There is a culture in our country of not paying taxes. We have nothing to be proud of in our tax collections," Tan said.

Tan said the 1986 tax collection target was 6.5 billion pesos (200 million dollars), up from 58.83 billion dollars in 1987. He said 1986 collections were projected at 9.2 per cent of GNP.

"When we have nothing to brag about, we're better, but we are not good. It's like telling a fellow you're better but you're going to do nothing," he said.

Tan said he didn't forget when he took over the nation's tax bureau two years ago. "People come to office late. People sleep, take a long break. The idea is to come to office early and forget the clock hour."

Finance Secretary Vicente Tan said the problem of inadequate tax revenues needs to be addressed quickly because the Philippine government will have to borrow money to finance its budgetary deficit.

Tan said the answer lay in improving the collection efficiency and better enforcing existing tax laws. "It's exciting the willingness of the taxpayer to go."

He said the bureau had launched an information program. "What is the catch? The stick is we are going after the taxpayer who fails not have paying. We are looking for smaller and we are bringing. We are taking people," he said.

Nobody had been paid yet, Tan said, but the bureau had moved with a statement and move. "What's going the collection of property and the freezing of bank accounts of delinquents."

At the same time, the bureau's 3,000 employees, whom Tan described as "only motivated, with little encouragement to view tax collection as a public service. Nobody is willing to work in the field and be satisfied with what he gets," he said.

A former chief executive officer of an export company and a director of the board of all the banks, Tan said he himself took a 25 per cent cut in pay when he took the post.

The Philippines had a reputation for a tax rate of 20 per cent, but was "really in arrears." Tan said, adding that only a fifth of the country's tax collectible claims taxpayers were actually paying.

He said that in an attempt to spread the net wider, each of the bureau's 1,000 "gross revenue" was assigned to enroll at least eight new taxpayer payers every month.

"If they get more than that they are better for promotion when we start work, but right now, even the minimum a revenue officer needs to hold up to his job," he said.

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