

**PRIVATISATION PROVES TO BE GORDIAN KNOT FOR MANILA TRUST.**By **Chaitanya Kalbag**

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MANILA, Feb 10, Reuter - A sword poised over a Gordian knot is the official symbol of the Philippine body charged with selling about 6.8 billion dollars in bad debts accumulated by the country's two major government banks.

"That's an appropriate symbol for the work we are doing," David SyCip, Chief Executive Trustee of the Asset Privatisation Trust (APT), told Reuters in an interview on Wednesday.

He said only about 100 of the 399 bad loan accounts, were physical assets that could be sold. The bad loan accounts, called non-performing assets, were transferred to the APT by the Development Bank of the Philippines and the Philippine National Bank.

The rest represented financial claims on unencumbered bad loans that might drag through years of litigation.

The two banks' bad assets were transferred to the APT, which was set up by President Corazon Aquino in January last year, under a rehabilitation program supervised by the World Bank.

In a report to Aquino on its 1987 performance, the trust complained that evaluations of its work wrongly emphasised the non-performing assets' "bloated booked exposures" and not their realistic worth.

SyCip said the two government banks had carried the full exposure value of assets on their books. "This was purely a fiction. This is known as window dressing par excellence."

He said the APT's pricing was based on the asset's price to earnings ratio, or its normal "replacement cost".

"You are not buying a factory for sentimental reasons. It's not like buying a painting," he said.

By end-December 1987, the report to Aquino said, the trust had conducted 46 biddings.

On paper, its net recoveries on assets with a total exposure of 734 million dollars totalled 209 million dollars. But the trust had only 93 million dollars in hand.

Of this amount, unsettled litigation or claims had forced the APT to place 32.8 million dollars in escrow funds, SyCip said, leaving only 59.6 million dollars for transfer to the government.

SyCip said a major reason for unconsummated sales was delays in Central Bank approval for debt/equity conversions which many bidders favoured in financing acquisitions from the APT.

"Now (the delay is) running into months. Earlier it used to run into weeks," he said.

Debt/equity conversions involve the sale by creditor banks of their Philippine debt paper at deep discounts. The paper is then converted into pesos for investment in the Philippines.

SyCip said another major obstacle was the Presidential Commission on Good Government (PCGG), set up by Aquino in 1986 to track down and seize illegal wealth accumulated by former president Ferdinand Marcos, his family and close associates.

"We have pointed out that very often we are on the verge of disposing of an asset when the PCGG sequesters it," SyCip said.

Despite an Aquino directive that the PCGG transfer seized assets to the APT for sale, none had been transferred in 1987 because the PCGG had not obtained clear title to any.

SyCip said other bureaucratic problems also slowed sales.





In November, Aquino announced that all government-owned firms up for privatisation would be transferred to the APT.

Several foreign buyers had asked for guidelines, SyCip said, but no "big ticket" government firm had so far been transferred. Ten firms transferred earlier to the APT had either minimal or negative book values, he added.

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