



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

SEVENTEENTH CONGRESS
First Regular Session



House Resolution No. 867

Introduced by Rep. PANTALEON D. ALVAREZ

RESOLUTION
CALLING FOR AN INQUIRY, IN AID OF LEGISLATION, ON THE
ALLEGEDLY GROSSLY DISADVANTAGEOUS CONTRACT ENTERED
INTO BY THE BUREAU OF CORRECTIONS (“BUCOR”) AND THE
TAGUM AGRICULTURAL DEVELOPMENT COMPANY, INC.
(“TADECO”)

WHEREAS, it is the policy of the State to protect against any contract or transaction that is manifestly and/or grossly disadvantageous to the Government and prejudicial to the interests and welfare of the people;

WHEREAS, it is the duty of the State, in particular the Legislative Department, to investigate current practices, as shown by experience, which result into disadvantageous contracts, for the purpose of creating legislative remedies to curb said practices;

WHEREAS, reports have been received that a series of contracts between TADECO and BUCOR have been grossly disadvantageous, to the Government;

WHEREAS, TADECO and BUCOR entered into a Joint Venture Agreement on 11 July 1969, allowing TADECO to lease from BUCOR land located in the Davao Penal Colony for the former’s banana plantation;

WHEREAS, TADECO and BUCOR executed a Consolidated Joint Venture Agreement dated 26 September 1979, in which the former leased 5,212.46 hectares of land from the latter, and combined the provisions of said Joint Venture Agreement, and all its amendments and supplements into a single instrument that will serve as the sole repository of the terms and conditions thereof; and extended the lease period to twenty-five (25) years, interestingly, instead of the reported

prevailing practice of leasing with a term of just ten (10) years;

WHEREAS, in 1989, the Consolidated Joint Venture Agreement was amended to escalate rates in land rentals, royalties, and profit shares;

WHEREAS, on 21 May 2003, the Consolidated Joint Venture Agreement was renewed, and based on this new contract, the BUCOR shall receive a guaranteed annual production share of Twenty-Six Million Five Hundred Forty-One Thousand Eight Hundred Nine Pesos (PhP 26,541,809.00), which will automatically increase by ten percent (10%) every five (5) years, and further provided that BUCOR shall receive profit shares with respect to the leased land where bananas are planted, the amount of which shall also automatically increase by ten percent (10%) every five (5) years;

WHEREAS, while this arrangement, at first glance, may appear beneficial, an examination of the surrounding circumstances as well as the prevailing industry practices would show otherwise;

WHEREAS, the existing contract, while guaranteeing the BUCOR a share of PhP 26,541,809.00 per year for 5,308.36 hectares, actually prejudices the same since the prevailing price of lease contracts in that area is PhP 25,000.00 per hectare per year;

WHEREAS, given the above figures, the government is prejudiced, at the very least, by as much as One Hundred Six Million One Hundred Sixty-Seven and One Hundred Ninety-One Pesos (PhP 106,167,191.00) per year;

WHEREAS, further, the share of BUCOR is only PhP 1.35428 per box, in contrast to the price of bananas at USD 12.00 per box FOB to China, the Middle-East, Japan, as well as other markets; given the present exchange rate of PhP 50.00 for every USD 1.00, the difference is PhP 600.00 per box;

WHEREAS, there have also been serious allegations that the workers in the banana plantation operated by TADECO have been ill-treated and exploited which warrants further inquiry;

NOW THEREFORE, IT IS HEREBY RESOLVED to direct the Committee on Good Government and Accountability to immediately conduct an inquiry, in aid of legislation, on the allegedly grossly disadvantageous contract between the TADECO and BUCOR and the supposed ill-treatment of the workers in the TADECO banana plantation;

Adopted,


PANTALEON D. ALVAREZ