

TOURISM BOARD'S RISK REMEDIAL AND MANAGEMENT COMMITTEE

MINUTES OF THE MEETING
3 August 2023, 11:00 AM – 12:00 PM
Via Zoom Platform

ATTENDEES

Risk Remedial and Management Committee

Director Marievic M. Bonoan	Chairperson, Risk Remedial and Management Committee
Maria Margarita Montemayor Nograles	Vice-Chairperson, Risk Remedial and Management Committee
Director Eduardo F. Pelaez	Member, Risk Remedial and Management Committee

TPB Key Officials

Atty. Venancio C. Manuel III	Deputy Chief Operating Officer for Corporate Affairs
Jomar D. Tagao	Acting Head, Finance Department
Jennifer A. Alor	Acting Chief, Budget Division

Secretariat

Atty. Jemimah Nissi M. Tiambeng	Acting Corporate Board Secretary
Marvin David M. Velayo	Office of the Corporate Board Secretary / Legal Department
Benjamin Jose G. Gutierrez	Legal Department
Kristine Heizelle B. Aclan	Legal Department

Technical Staff

Melanie Joy. Y Chua	Office of the Chief Operating Officer
Donna Vee V. Baranda	Office of the Deputy Chief Operating Officer for Corporate Affairs

I. CALL TO ORDER

Atty. Jemimah Nissi M. Tiambeng (Atty. Tiambeng) called the meeting to order at 11:07 A.M.

TOURISM PROMOTIONS BOARD PHILIPPINES

II. INVOCATION

The invocation was led by Director Marievic M. Bonoan (Dir. Bonoan).

III. DETERMINATION OF QUORUM

The Secretariat, through Mr. Marvin David M. Velayo, certified the existence of a quorum to transact business, with all committee members present. He likewise certified that the meeting materials were sent to the committee members prior to the scheduled meeting.

IV. APPROVAL OF AGENDA

Upon the motion of COO Maria Margarita Montemayor Nograles (COO Nograles), which was duly seconded by Dir. Bonoan, the Committee approved the Agenda.

V. ELECTION OF THE COMMITTEE CHAIRPERSON

Dir. Eduardo F. Pelaez (Dir. Pelaez) nominated Dir. Bonoan for the position of Committee Chairperson, which was duly seconded by COO Maria Margarita Montemayor Nograles (COO Nograles). There being no objections, Dir. Bonoan was duly elected as the Chairperson of the Risk Remedial and Management Committee.

VI. FOR THE COMMITTEE'S APPROVAL

Atty. Venancio C. Manuel presented TPB's Request for Endorsement of the Declaration and Remittance of Dividends to the National Government, for the Tourism Board's approval.¹

There were neither comments nor objections to the request.

Upon the motion of Dir. Pelaez which was duly seconded by COO Nograles, the Committee approved TPB's Request for Endorsement of the Declaration and Remittance of Dividends to the National Government, for the Tourism Board's approval.

VII. OTHER MATTERS

Dir. Pelaez and COO Nograles thanked and congratulated Dir. Bonoan for accepting the position of Committee Chairperson.

¹ A copy of the presentation is attached as Annex "A."

VIII. SCHEDULE OF NEXT MEETING

The schedule of the next meeting was set on 12 December 2023, 10:00 am - 11:30 am. Atty. Tiambeng requested the Board to block their calendars for the said schedule.

IX. ADJOURNMENT

There being no other matters to be discussed, the meeting was adjourned at around 11:42 AM.

Prepared by:


ATTY. JEMIMAH NISSI M. TIAMBENG
Acting Corporate Board Secretary

Approved by:

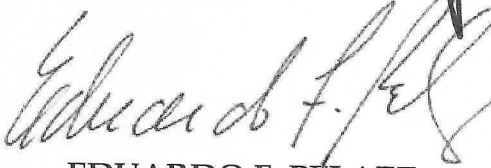
TOURISM BOARD RISK REMEDIAL AND MANAGEMENT COMMITTEE


MARIEVIC M. BONOAN

*Chairperson, Tourism Board Risk Remedial and Management Committee and
Director, Department of Trade and Industry*


MARIA MARGARITA MONTEMAYOR NOGRALES

*Vice-Chairperson, Tourism Board Risk Remedial and Management Committee and
Chief Operating Officer, Tourism Promotions Board*


EDUARDO F. PELAEZ

*Member, Tourism Board Risk Remedial and Management Committee and
Appointive Director (Other Accredited Tourism Enterprise)*



VI. FOR APPROVAL

A. Declaration and Remittance of Dividends to the National Government



Sagada

Photo by Hannah Reyes



VI. FOR APPROVAL

Background

The Tourism Promotions Board (TPB), the marketing arm of the Department of Tourism, is mandated under Section 46 of the Republic Act 9593, otherwise known as the Tourism Act of 2009, to market and promote the Philippines domestically and internationally.

To fund the TPB's various programs and projects, it receives subsidies from the percentage shares on the earnings of the Duty Free Philippines Corporation (DFPC), Philippine Amusements and Gaming Corporation (PAGCOR), and international airports and seaports.

Aside from the said subsidies, the TPB realizes additional funding from its earnings, consisting of the collection of participation fees on various implemented projects, sale of promotional materials, proceeds from Facebook and Google incentives, and interest income from bank account deposits and the Tourism Promotions Trust, among others.

VI. FOR APPROVAL

Background

Pursuant to Section 54 of RA 9593, the Tourism Promotions Trust (TFT) shall be established from the sale or lease of the assets of the PTA (now TIEZA), which shall be managed by a government -owned bank or financial institution selected by the Tourism Board.

In 2020, TPB received from TIEZA the amount of **EIGHT HUNDRED SEVENTY-SEVEN MILLION FIVE HUNDRED EIGHTY-FIVE THOUSAND TWO HUNDRED SEVENTY-SEVEN PESOS ONLY (P877,585,277.00)** from the proceeds of the sale of its asset which was placed by the TPB in a restricted trust fund with the Landbank of the Philippines in July 2020, under Board Resolution No. 257 series of 2020. Only the investment earnings or the income earned from the trust fund is available for use by the TPB for its marketing operations.

Based on the Audited Annual Report (AAR) released by the Commission on Audit (COA) on 08 June 2023, the total net earnings of the TPB for the years 2020 to 2022 is **THIRTY-TWO MILLION THREE HUNDRED THIRTY-TWO THOUSAND FIVE HUNDRED EIGHTY-SIX PESOS AND 52/100 ONLY (Php32,332,586.52).**

VI. FOR APPROVAL

Background

PARTICULARS	AMOUNT (PHP)
Registration Fees	1,646,449.00
Sale of promotional materials	109,000.00
Collection from IPG Mediabrand Phils representing Facebook and Google incentives	2,220,983.26
Net collections from the sale of bid documents after deducting the payment for honorarium	419,218.92
Sale of valueless records	3,979.50
Booth rental of Nestle Philippines, Inc. relative to the Madrid Fusion	143,000.00
TPB Bank Deposits	1,281,599.63
Fines and Penalties	11,868.00
Investment income from the TPB Trust Fund	26,716,396.21
Total	32,552,494.52
Less: Expenses charged to the corporate fund	(219,908.00)
Net Earnings	Php 32,332,586.52

VI. FOR APPROVAL

Background

Total net earnings include the investment income from the Tourism Promotions Trust in the amount of **TWENTY-SIX MILLION SEVEN HUNDRED SIXTEEN THOUSAND THREE HUNDRED NINETY-SIX PESOS AND 21/100 ONLY (Php26,716,396.21)**.

To date, the total net earnings from 2020 to 2022 remains in the TPB's bank accounts with the Land Bank of the Philippines.

The Republic Act 7656 is an “Act Requiring the Government-Owned or/and Controlled Corporations (GOCCs) to Declare Dividends Under Certain Conditions to the National Government and for Other Purposes”.

VI. FOR APPROVAL

Background

Under Section 2 of the Revised Implementing Rules and Regulations to Republic Act No. 7656 (2016), an “*Act Requiring the Government-Owned or/and Controlled Corporations (GOCCs) to Declare Dividends Under Certain Conditions to the National Government and for Other Purposes*”, all Government-Owned or Controlled Corporations (GOCCs), without impairing their viability and the purposes for which they have been established, shall share a substantial amount of their net earnings to the National Government.

Likewise, under Section 5 of the Revised Implementing Rules and Regulations to Republic Act No. 7656 (2016), all GOCCs shall annually declare and remit dividends representing at least fifty percent (50%) of their net earnings directly to the National Government in the name of the Treasurer of the Philippines.

VI. FOR APPROVAL

Rationale

The objective of TPB's declaration and remittance of the dividends to the National Government is to comply with the provisions of RA 7656. More importantly, the dividends will provide additional funding for the various programs and projects of the National Government.

VI. FOR APPROVAL

Legal Bases

Section 2 of the Revised Implementing Rules and Regulations (RIRR) of the Republic Act No. 7656 (2016)

“Section 2. Declaration of Policy

*It shall be the policy of the State that in order for the National Government to realize additional revenues, Government-Owned or Controlled Corporations (GOCCs), **without impairing their viability and the purposes for which they have been established**, shall share a substantial amount of their Net Earnings to the National Government.”*

VI. FOR APPROVAL

Legal Bases

Section 5 of the Revised Implementing Rules and Regulations (RIRR) of the Republic Act No. 7656 (2016)

“Section 5. Dividends

1. Except as otherwise provided herein, all GOCCs covered by these Rules, regardless of shareholdings, shall annually declare and remit Dividends directly to the National Government in the name of the Treasurer of the Philippines in accordance with the following guidelines:

- i. On or before 15 May of each year, at least fifty percent (50%) of their Net Earnings, as Cash, Stock and/or Property Dividends to the National Government.”*

VI. FOR APPROVAL

Legal Bases

Section 55a of RA 9593

*“Section 55. Tourism Promotions Fund. — The **proceeds of the following shall be placed in a special Tourism Promotions Fund to finance the activities of the TPB:***

(a) The investment earnings from the Tourism Promotions Trust;”

VI. FOR APPROVAL

Issue / Concern

TPB has not declared and remitted dividends in prior years to the National Government.

TPB received an Audit Observation Memorandum (AOM) last 04 May 2023 from the Commission on Audit (COA) relative to the TPB's non-declaration of dividends in 2022. Likewise, COA reiterated and reminded the TPB to comply with the AOM in 2022 regarding the TPB's non-declaration of dividends in the previous years (2020 to 2021).

VI. FOR APPROVAL

Discussion

As mandated under RA 9593, the TPB was not primarily created to generate revenue but to market and promote tourism through the use of the tourism promotions fund. TPB is also exempted from the payment of income tax and its funds are mainly derived from government subsidies.

However, last 04 May 2023, the TPB received an Audit Observation Memorandum (AOM) from the Commission on Audit (COA) relative to the TPB's non-declaration of dividends in 2022. Likewise, COA reiterated and reminded the TPB to comply with the AOM in 2022 regarding the TPB's non-declaration of dividends in the previous years (2020 to 2021).

To date, the TPB has not declared and remitted dividends to the National Government.

VI. FOR APPROVAL

Discussion

In the said AOM, COA recommended that TPB should declare and remit an amount of **SIXTEEN MILLION ONE HUNDRED HUNDRED SIXTY-SIX THOUSAND TWO HUNDRED NINETY-THREE PESOS AND 26/100 ONLY (Php16,166,293.26)** or 50% of the total net earnings of TPB from 2020 to 2022 in the amount of **THIRTY-TWO MILLION THREE HUNDRED THIRTY-TWO THOUSAND FIVE HUNDRED EIGHTY-SIX PESOS AND 52/100 ONLY (Php32,332,586.52)**.

This amount includes the investment income from the Tourism Promotions Trust in the amount of **TWENTY-SIX MILLION SEVEN HUNDRED SIXTEEN THOUSAND THREE HUNDRED NINETY-SIX PESOS AND 21/100 ONLY (Php26,716,396.21)**.

VI. FOR APPROVAL

Discussion

In compliance with the IRR of R.A. 7656, which provides that TPB shall declare and remit 50% of its annual net earnings to the National Government, the TPB, in its reply to the AOM, committed to declare and remit the dividends due to the National Government subject to re-computation and adjustments as necessary.

It is worthy to note that *“Net Earnings shall likewise apply to GOCCs that are exempted from income tax”*. Parenthetically, *“Net Earnings derived from operations funded by monies not held in a fiduciary or trustee capacity by the above cited GOCCs shall be subject to declaration of dividends as herein required.”*

VI. FOR APPROVAL

Discussion

In a meeting with the COA last 13 July 2023, the TPB presented a revised computation of the net earnings/dividends base for 2020 to 2022. In the revised computation, the TPB **excluded** the interest income from the Tourism Promotions Trust in the amount of **TWENTY-SIX MILLION SEVEN HUNDRED SIXTEEN THOUSAND THREE HUNDRED NINETY-SIX PESOS AND 21/100 ONLY (Php26,716,396.21)**, based on the provisions under Section 55 (a) of RA 9593, which provides that the earnings from the Tourism Promotions Trust should be placed in a Tourism Promotions Fund to finance the activities of the TPB.

Moreover, **the investment income from the Trust Funds has a special purpose which is to finance the operation of the TPB. This is classified as programmed revenue/subsidy since it is intended to be utilized for the implementation of the marketing function of the TPB. Under Section 3 (I) of the revised IRR of RA 7656, “Program Subsidies” are not part of earnings. Thus, these are not subject to dividend declaration.**

VI. FOR APPROVAL

Discussion

The total dividends for declaration and remittance is **TWO MILLION EIGHT HUNDRED EIGHT THOUSAND NINETY-FIVE PESOS AND 16/100 ONLY (Php2,808,095.16)**, computed as follows:

Net Earnings based on COA computation	Php 32,332,586.52
Less: Investment income from Tourism Trust Fund	<u>26,716,396.21</u>
Revised Net Earnings	5,616,190.31
Multiplied by: Dividend Rate	<u>50%</u>
Dividends for declaration and remittance	<u>Php 2,808,095.16</u>

VI. FOR APPROVAL

Requested Action from the Committee

The TPB is respectfully requesting the Tourism Board's Risk Remedial and Management Committee's approval and endorsement to the Tourism Board of the declaration and remittance of dividends to the National Government in the amount of **TWO MILLION EIGHT HUNDRED EIGHT THOUSAND NINETY-FIVE PESOS AND 16/100 ONLY (Php2,808,095.16)** covering the years 2020 to 2022.