

Can GMA explain her wealth?

Special Report

By KAROL ANNE M. ILAGAN

Philippine Center for Investigative Journalism

(Second of three parts)

SAN RAFAEL, BULACAN
— This bucolic and remote municipality just about 60 kilometers north of Manila may not inspire dreams of wealth

among many people, but municipal assessor Teresa Perez remembers a time when land developers flocked here and began driving up land prices.

That was during the 1990s, she says, when the urban sprawl looked as if it would reach this area. But the investor interest

Turn to Page 8

was apparently short-lived, and now Perez says San Rafael's real estate market is in another slump.

"Land prices are going down here in San Rafael," she says. "No one's buying that's why land sellers are forced to lower their price just so they could sell."

Last December, however, documents that found their way to Perez's desk told of a land sale in Barangay Pulo, east of San Rafael, in which the purchase price was at least six times what Perez would have thought fair. But aside from the price tag of P4.15 million for a 29.63-acre square meter agricultural lot, what caught Perez's attention was the name and signature of the seller: Jose Miguel Arroyo, President Gloria Macapagal Arroyo's signature was also affixed in the deed of absolute sale, affirming the transfer of the land to a Richard Lim of Quezon City.

"We do not know of any agricultural land here that sells at that amount," says Perez, who has been with the real estate firm for the last two decades. "That's definitely high."

Asset investor

At the very least, his transaction may help explain the sudden increase in President Arroyo's net worth from 2007 to 2008. Some may also take it as a good indicator of the real estate acumen of the First Gentleman — whose clan's landholdings are legendary — which could be partly why the First Family's wealth has remained impervious to any downturn in the market from several angles. It is a deal that invites more questions than the answers it purportedly provides.

Just three months ago, President Arroyo declared a net worth of P14.6 million in his 2008 Statement of Assets, Liabilities, and Net Worth (SALN). Together with husband Jose Miguel "Mike" Arroyo, she had become richer by P44.1 million, compared to her declared 2007 net worth of P99.6 million.

The SALN is one of the documents public officials and employees have an obligation to accomplish and make public under the Freedom of Information Act No. 6713 and the Code of Conduct and Ethical Standards for Public Officials and Employees. Theoretically, the information provided

in the SALNs would help the public hold government officials accountable for any sudden increase in their wealth.

But like many government officials, President Arroyo provides few specific details in his SALNs. The media had to ask Press Secretary Gergo Remonde why her net worth rose so much between 2008 and 2007, and received the explanation that the Arroyos had sold a three-hectare lot that was being fetched top price.

True enough, the San Rafael Bulacan property that Arroyo had listed consistently in her SALNs from 1995 onward was no longer in her 2008 SALN.

Profitable investment

Arroyo was still senator when she first declared the San Rafael Bulacan property as her real estate assets. According to her 1995 SALN, the property's purchase price, as well as its then current fair market value was P1.2 million.

The deed of absolute sale prescribes that Lim had transferred ownership of the same 2.9-hectare property and certificate authorizing registration issued by the Bureau of Internal Revenue (BIR), however, show that Arroyo had transferred the property from a Leonardo de la Cruz at a considerably lower price of P100,000.

Getting all the paperwork done also seemed too slow since both the deed and the BIR registration was completed on June 14, 1996, or two months after then Senator Arroyo subscribed and sworn to the information she declared in her 1995 SALN on April 17, 1996. This means that the deed was signed under the name of de la Cruz when Arroyo declared it in her SALN.

In any case, it would turn out to be a profitable investment. Beginning 1997 until 2007, Gloria Arroyo's SALNs show that she had sold the fair market value of the San Rafael property at P4.7 million, or P159 per square meter. Given its acquisition cost of P33.37 per square meter or P100,000, the profit on the deal was estimated by over 4,600 percent.

As it turned out, the price was to climb even higher. In 2008, the First Gentleman finally sold the lot at P1,400 per square meter, or for a total of P4,200. The 2008 fair market value from the P100,000 the Arroyos paid back in 1996, and also eight times higher than its latest recorded fair market val-

ue. Current prices of agricultural lots in San Rafael, according to Arroyo, range from P100 to P230 per square meter, with properties located near the highway fetching top prices. The San Rafael property is located at the foothills of the Sierra Madre, but assuming it was able to command a price of P250 per square meter, its total value would be P7,407,500.

The PCJ tried to secure comments from the spokesperson of the First Gentleman, and was referred to Arroyo lawyer Ray Roldan, who in a letter responded to it. He has yet to do so as press time.

A visit to the site, some 30 minutes from the municipal hall by cab, reveals an unkempt lot, its unattractiveness made starkly clear by a well-manicured property beside it, stocked with huge mango trees.

"Parang jungle," says one resident in the area, referring to the lot that he says belongs to the Arroyos, apparently unaware of the well-manicured property he is talking about. "We caught a big snake there the other day. It was fat; it ate one of our chicks."

But another resident says part of the property the Arroyos owned was had been sold with 100,000 pesos, with seedlings and 5,000 mango seedlings fairly recently. He adds that it was Bulacan Representative Lorna Siliverio who sold the property, but the appellings because the president had bought it. He says the legislator "big road projects."

Conflict of interest?

PCJ sought Siliverio for comment, but she was out of the country. The Department of Agriculture's (DA) Highways (DPWH) database, meanwhile, shows that five road projects worth P44.8 million in all were constructed in Barangay Pulo — which has a population of just a little more than 100 — from 2004 to 2007.

The projects were enrolled in the DPWH database of civil works contracts, which showed these to have involved the improvement and widening of the San Rafael Road leading to the ex-Arroyo property.

The huge spending spree that the DPWH infused P13,812 worth of projects per person in Pulo. The roads were worth P100,000 per person, says Tukod, which has 2,360 residents. In all, the five projects translate to a per capita spending of the DPWH of

P1,999. This is twice the current market price of agricultural lands in San Rafael, but the P1,437 the DPWH spends on average for every Filipino across the nation.

For sure, the road projects had to be easier to travel to and from the property. But they also may have exposed President Arroyo to a possible conflict-of-interest situation since they were approved and completed while she and her husband still owned the property.

Republic Act 6713 states that "conflict arises when a public official or employee is a member of a board, an officer or a substantial stockholder of a private corporation or owner or has a substantial interest in a business, and the interest of such corporation or business, or his rights or duties therein, may be opposed to or conflict with the proper performance of official duty."

In addition, the Anti-Grat and Corruption Practices Act (Republic Act No. 3019) cites among the "corrupt practices of public officers" the act of "accepting or soliciting any gift, present, share, percentage, or benefit, for himself or for any other person, in connection with any contract or transaction between the Government and a private party." It also defines the public officer in his official capacity has to intervene under the law.

By all indications, the road projects helped push up the value of the property. It also did the seedlings supposedly paid for by Rep. Siliverio, although when asked to appraise the value of the property including the new mango and mahogany plants, the municipal engineer said he came up with P7.7 million, or just P300,000 more than the estimated top price without these.

'Good for mining'

When reached by PCJ, however, the property's buyer, Richard Lim, says he is more interested in what is under the ground. In an emailed response to PCJ's queries, Lim said he had never heard about the property from a "geologist friend" who had apparently done a study on the area "showing its vast potential in mineral content."

Lim had dodged requests for a face-to-face interview, even after the PCJ paid him a visit at his house in Quezon City. In his email, Lim says that

he was fully aware of the current market price of agricultural lands in San Rafael, but that the First Gentleman also knew of the mineral deposits in the property. "That is why he demolished a prime high school site to acquire a lot," Lim said. "We started haggling from market price till we reached the acquisition cost."

Lim has paid some P42.3 million in the process of buying the lot, P28.1 million in documentary stamp and transfer taxes to the government and P41.5 million to the First Gentleman. Official records show that the First Gentleman paid P7.2 million in capital gains tax to complete the transaction.

According to Lim, an initial assessment of the property indicates an estimated reserve of 600,000 metric tons of pozolana, 100,000 metric tons of diatom silica, and 148,000 cubic meters of aggregates.

Engineer Leo Jasareno of the Mines and Geosciences Bureau describes pozolana as a new generation raw material in cement production. He says that Bulacan is one of the areas in the country where pozolana is abundant, adding that this is why there are many cement plants in the area.

Last March, Lim filed an application for small-scale mining permit with the Bulacan Environment and Natural Resources Office (ENRO). Lim since been issued a permit.

"There are great demands in cement production and big construction companies," he says. "My calculation dictates that aggregates alone would cover the cost of my investment."

Loosing proposition?

The businessman says he expects to earn P13.5 million gross annually since small-scale mining can produce 30,000 metric tons of extracted minerals per year. By Lim's estimates, he would be selling one metric ton of pozolana at P220.

Because of the 30,000-metric ton annual limit for small-scale mining, it will take 12 years for all of the property's estimated pozolana reserve of 600,000 metric tons to be extracted.

Jasareno, who puts the current price of pozolana at around P200 per metric ton, is not too enthusiastic over Lim's business projections. "In the

immediate term, it does not make sense," he says. "It does not seem balanced, the way I see it, he might even be losing money if you would compare the purchase cost of the land and his immediate income in the next four years."

A small-scale mining permit lasts for two years, and is renewable only for another two years. An individual is thus entitled to engage in small-scale mining for a maximum of only four years.

During the first four years or the maximum life span of Lim's small-scale mining permit, the businessman must pay the 20 percent gross estimate of P44 million, P13.5 million for 50,000 metric tons of pozolana per year.

Jasareno says that assuming quarrying costs would amount to half of the gross estimate, Lim's net earnings would not cover what he paid for the land.

"His property (value) should be lesser than the gross sale," Jasareno says, noting that in mining, the return on investment is not as low as lower than 15 percent. "Otherwise, if it's lower, you should have not bought it for quarrying. You should have invested your money in other areas."

Jasareno also points out that 2.9 hectares is relatively small for quarrying since 20 hectares is the maximum area allowed for small-scale mining. "At the very least, the life of quarrying must be around 10 years to cover your investment," he says. "So if you quarry and it's small and might only take two years, you may not be able enough to recover your investment."

Jasareno admits, though, that the law does not prohibit it a relative or business partner of Lim to continue and operate in his stead once he uses up his maximum four years to engage in small-scale mining on his property. Jasareno also says that Lim may have other plans for the property in the long run.

That means Lim would need to fork out more money — considerable amounts of it, in fact. "He would have to spend for the rehabilitation of the property in the long run, just as when it after mining," says Jasareno. "After rehabilitation, it can be converted into a tree plantation. But that's another investment."

Lim says he would need to spend again. "— PCJ, August 2009