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SESSION NO. 86
Monday, May 23, 2011

FIFTEENTH CONGRESS
FIRST REGULAR SESSION

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CALL TO ORDER

At 3:26 p.m., the Senate President, Hon. Juan Ponce Enrile, called the session to order.

PRAYER

Sen. Alan Peter Compañero S. Cayetano led the prayer, to wit:

Lord Father God, we give You praise and honor, and come to You as we humble ourselves to You and ask for a humble spirit and obedient heart.

We lift up to You the next coming days, the important session days that we have. We ask that we will be of one heart, one mind and one spirit in following Your will and in coming up with a road map – a plan of action for the country; for the pressing problems that sometimes seem so insurmountable; for the many, many students who are now facing difficulties in studying or becoming out-of-school-youth; for the many more who are going hungry because of the increasing prices.

We ask, Lord, that You make the Senate an instrument of Your blessing.

We ask You to bless our Senate President, the whole leadership, and everyone in this Chamber, including everyone working here and the media who will be able to inform our people so we lift them up to You.

You said that if there are two or more gathered in Your name, You will hear our prayers. And we just ask, Lord, for a great session that we will be able to resolve especially the controversial measures that are before us.

We lift this up to You and thank You, in the name of our Savior Jesus Christ.

Amen.

NATIONAL ANTHEM

The Senate Choir led the singing of the national anthem.

ROLL CALL

Upon direction of the Chair, the Secretary of the Senate, Atty. Emma Lirio-Reyes, called the roll, to which the following senators responded:

| | |
|-----------------------|---------------------|
| Arroyo, J. P. | Honasan, G. B. |
| Cayetano, A. P. C. S. | Lacson, P. M. |
| Defensor Santiago, M. | Lapid, M. L. M. |
| Drilon, F. M. | Legarda, L. |
| Ejercito Estrada, J. | Sotto III, V. C. |
| Enrile, J. P. | Trillanes IV, A. F. |
| Guingona III, T. L. | Zubiri, J. M. F. |

With 14 senators present, the Chair declared the presence of a quorum.

Senators Angara, Escudero, Osmeña, Pangilinan and Revilla arrived after the roll call.

Senator Cayetano (P), who was on official business, also arrived after the roll call.

Senator Villar was on official mission abroad.

Senators Marcos and Recto were absent on account of sickness.

APPROVAL OF THE JOURNAL

Upon motion of Senator Sotto, there being no objection, the Body dispensed with the reading of the Journal of Session No. 85 (May 18, 2011) and considered it approved.

ACKNOWLEDGMENT OF THE PRESENCE OF GUESTS

At this juncture, Senator Sotto acknowledged the presence in the gallery of the following guests:

- Mayor Darell B. Dela Flor and Councilor Jerry M. Chavez of Belison, Antique; and
- Former Senator Leticia Ramos-Shahani.

Senate President Enrile welcomed the guests to the Senate.

At this juncture, Senate President Enrile relinquished the Chair to Senate President Pro Tempore Ejercito Estrada.

APPROVAL OF SENATE BILL NO. 2808 ON THIRD READING

Upon motion of Senator Sotto, there being no objection, the Body considered, on Third Reading, Senate Bill No. 2808, printed copies of which were distributed to the senators on May 17, 2011.

Pursuant to Section 67, Rule XXIII of the Rules of the Senate, upon motion of Senator Sotto, there being no objection, Secretary Reyes read only the title of the bill, to wit:

AN ACT AMENDING ARTICLE 39 OF ACT NO. 3815, AS AMENDED, OTHERWISE KNOWN AS THE REVISED PENAL CODE.

Secretary Reyes called the roll for nominal voting.

RESULT OF THE VOTING

The result of the voting was as follows:

In favor

| | |
|-------------------|------------|
| Arroyo | Lacson |
| Cayetano (A) | Lapid |
| Defensor Santiago | Legarda |
| Drilon | Osmeña |
| Ejercito Estrada | Pangilinan |
| Escudero | Revilla |
| Enrile | Sotto |
| Guingona | Trillanes |
| Honasan | Zubiri |

Against

None

Abstention

None

With 18 senators voting in favor, none against, and no abstention, the Chair declared Senate Bill No. 2808 approved on Third Reading.

PROPOSED SENATE RESOLUTION NO. 463

Upon motion of Senator Sotto, there being no objection, the Body considered Proposed Senate Resolution No. 463, entitled

RESOLUTION EXPRESSING THE PROFOUND CONDOLENCE OF THE MEMBERS OF THE PHILIPPINE SENATE ON THE DEATH OF HONORABLE JUSTICE LEONOR INES LUCIANO, MEMBER OF THE NINTH AND TENTH CONGRESS, JURIST, WOMEN'S RIGHTS LEADER AND HUMANITARIAN.

Thereupon, the Chair recognized Senator Guingona to sponsor the report.

SPONSORSHIP REMARKS OF SENATOR GUINGONA

Senator Guingona presented Proposed Senate Resolution No. 463 for the adoption of the Body.

Hereunder is the full text of his speech:

I stand here today to honor the late Justice Leonor Ines Luciano. She joined her Creator on April 28, 2011, at the age of nine-one (91). She is a woman who championed the rights and upheld the dignity of the Filipino women, children and migrant workers.

For more than sixty (60) years, she has lived a life of service. She is an accomplished jurist, legislator, educator, humanitarian and civic leader.

As an accomplished jurist, Justice Luciano served as the first judge of the Juvenile and Domestic Relations Court of Quezon City from 1967-1984 and capped her judicial career as a Justice of the Court of Appeals from 1984-1989. She actively participated in amending the Child and Youth Welfare Code and the New Family Code.

As a committed advocate for children's rights, she founded the Molave Youth Home, the first detention home for youth in the Philippines, to prevent the contact of minors with hardened criminals; the Youth Offender Network, as an alternative to the juvenile criminal justice system; the Quezon City *Lingap Kabataan* Center, a half-way home for youth on probation; and the *Tanglaw Sambayanan* Foundation for children on probation.

As a two-term sectoral representative for women, Justice Luciano engaged in mainstreaming existing policies and legislation, and drafted amendments and new laws resulting in equality and developmental rights for women. The laws she has helped in drafting were against human-trafficking, domestic violence, and work discrimination, as well as for the protection and welfare of migrant workers and their families.

As a dedicated civil servant, humanitarian and women's advocate, she held venerable positions as the former Chairperson of the Board of Governors of the Philippine National Red Cross, National President of the Catholic Women's League of the Philippines, and National President of the National Council of Women.

Because of her civic involvements, she had been the recipient of numerous awards, ranging from the *Pro Ecclesia et Pontifice* Papal Award, Mother Teresa Award, UP Lifetime Achievement Award, *Gintong Ina* Award, Outstanding Citizen of Quezon City Award and Farmer of the Year.

In the words of Chief Justice Reynato Puno, "in all her endeavors, Justice Luciano perfectly

exemplifies a woman who has not wasted a single moment as she attempts to pay forward and improve the world." Justice Luciano has led a life that exemplifies a dedicated Filipino servant.

It is in this note that I am enjoining my colleagues in the Philippine Senate as a gesture of appreciation to her noble work to express our profound sympathy and sincerest condolence on the demise of Honorable Justice Leonor Ines Luciano.

COAUTHOR/COSPONSOR

Upon their request, Senate President Pro Tempore Ejercito Estrada was made a coauthor and Senator Sotto, a cosponsor of Proposed Senate Resolution No. 463.

COSPONSORSHIP REMARKS OF SENATOR ZUBIRI

At the outset, Senator Zubiri informed the Body that he also filed Proposed Senate Resolution No. 468 entitled, "Resolution Honoring and Remembering Justice Leonor Ines Luciano for her Achievements and Contribution to Philippine Society and Nation Building." He said that Justice Luciano was among the outstanding women of the country, a leader as well as a board member of the Philippine National Red Cross.

Thereupon, Senator Zubiri delivered his cosponsorship speech on Propose Senate Resolution No. 468, as follows:

On April 29, 2011, the country lost one of its icons in nation-building and women empowerment, Justice Leonor Ines Luciano, who passed away after succumbing to cardiac arrest at the age of 91.

Justice Luciano, as she was respectfully called by many, served in the government for more than half a century and devoted most of her adult life to civic works and women empowerment.

In her 57 years in government service, Justice Luciano served as a school teacher, judge of the Juvenile and Domestic Relations Court, Associate Justice of the Court of Appeals and as Representative of the Women Sector in the House of Representatives during the Ninth and Tenth Congresses.

Justice Luciano was also involved in many advocacies and socio-economic works such as

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leading the 4H Club of the Philippines, the Rural Improvement Club and as national chairman and long-time governor, until her death, of the Philippine National Red Cross to help the youth, rural communities and people in distress to be secure and to attain their full development potential.

She was also one of the founders of the ISS. The ISS was in charge of assisting many of our OFW brothers and sisters to come home to the Philippines in times of need from their respective areas of work.

Justice Luciano, as a young woman, championed the role of women in the economy that was highlighted by being awarded "Farmer of the Year" in 1951 due to her outstanding rice production at 100 cavans per hectare, surpassing the norm of 40 cavans per hectare that time.

Justice Luciano has immensely contributed to women empowerment and protection of women's legal rights as a lawyer and as a two-time president of the Catholic Women's League, president of the National Council of Women in the Philippines and as a guiding light of other nongovernment organizations.

Justice Luciano promoted a high standard of morality, receiving the highly-priced awards of "Pro Ecclesia et Pontifice" from Pope Paul VI in 1975 and the Mother Teresa Award in 2001.

Justice Luciano was a real trailblazer as a student, a member of the Judiciary, civic leader and legislator, deserving the coveted University of the Philippines Lifetime Distinguished Achievement Award given during the Centennial Celebration of the University of the Philippines in 2008.

Justice Luciano will be sorely missed by many as her life is a meaningful testimony to dedicated public service and socio-civic works that should serve as an inspiration to our present crop of public servants and socio-civic workers for many generations to come.

And I would like to add that she was one of the reasons why, together with Lulu Casas-Quezon, another member of the Board of Governors of the Red Cross, I joined the Red Cross and has been an active member for the last eight years, serving my third term as member of the Board of Governors.

I hereby request that we honor the memory of Justice Luciano by adopting these two resolutions. Maybe these could be consolidated and be given to the family of the late Justice Luciano.

ADOPTION OF PROPOSED SENATE RESOLUTION NO. 463

Upon motion of Senator Sotto, there being no objection, Proposed Senate Resolution No. 463, taking into consideration Proposed Senate Resolution No. 468, was adopted by the Body, subject to style.

REFERENCE OF BUSINESS

The Secretary of the Senate read the following matters and the Chair made the corresponding referrals:

BILLS ON FIRST READING

Senate Bill No. 2832, entitled

AN ACT AMENDING REPUBLIC ACT NO. 7432, AS AMENDED BY REPUBLIC ACT NO. 9994, OTHERWISE KNOWN AS AN ACT TO MAXIMIZE THE CONTRIBUTION OF SENIOR CITIZENS TO NATION BUILDING, GRANT BENEFITS AND SPECIAL PRIVILEGES AND FOR OTHER PURPOSES

Introduced by Senator Pangilinan

To the Committees on Social Justice, Welfare and Rural Development; and Ways and Means

Senate Bill No. 2833, entitled

AN ACT ESTABLISHING A TOURETTE'S AWARENESS DAY

Introduced by Senator Defensor Santiago

To the Committee on Health and Demography

Senate Bill No. 2834, entitled

AN ACT TO ACCELERATE MOTOR FUEL SAVINGS NATIONWIDE AND PROVIDE INCENTIVES TO REGISTERED OWNERS OF HIGH FUEL CONSUMPTION AUTOMOBILES TO REPLACE SUCH AUTOMOBILES WITH FUEL EFFICIENT AUTO-

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MOBILES OR PUBLIC TRANSPORTATION

Introduced by Senator Defensor Santiago

To the Committees on Energy; Ways and Means; and Finance

Senate Bill No. 2835, entitled

AN ACT TO PROMOTE AND SUPPORT BREASTFEEDING AS AN ESSENTIAL COMPONENT OF RESPONSIBLE PARENTHOOD

Introduced by Senator Defensor Santiago

To the Committees on Health and Demography; and Youth, Women and Family Relations

RESOLUTIONS

Proposed Senate Resolution No. 478, entitled

RESOLUTION DIRECTING THE APPROPRIATE COMMITTEES IN THE SENATE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, INTO THE SAFETY STANDARDS AND PRACTICES BEING IMPLEMENTED IN THE COUNTRY'S MOTORCYCLE SPORTS EVENTS WITH THE END IN VIEW OF WARRANTING THE SAFETY OF OUR MOTORSPORTS RACERS AND ENTHUSIASTS

Introduced by Senator Lapid

To the Committee on Games, Amusement and Sports

Proposed Senate Resolution No. 479, entitled

RESOLUTION CONGRATULATING AND AMENDING THE PHILIPPINE CONTINGENT TO THE 2011 ARAFURA GAMES HELD IN DARWIN, NORTHERN TERRITORY, AUSTRALIA ON 7-14 MAY 2011 FOR EMERGING VICTORIOUS AFTER PLACING 3RD OVERALL

BRINGING HOME A TOTAL OF 24 GOLD, 24 SILVER AND 11 BRONZE MEDALS IN THE BIENNIAL MULTI-SPORTS MEET

Introduced by Senator Lapid

To the Committee on Rules

Proposed Senate Resolution No. 480, entitled

RESOLUTION URGING THE SENATE COMMITTEES ON ENVIRONMENT AND NATURAL RESOURCES; AND LOCAL GOVERNMENT TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE STATUS OF THE BAKUD REEF IN KIAMBA, SARANGANI AFTER A STRANDED CARGO SHIP DAMAGED A PORTION OF A DECLARED PROTECTED SEASCAPE, WITH THE END IN VIEW OF REINFORCING THE LEGAL FRAMEWORK THAT REGULATES OUR COUNTRY'S MARINE WEALTH

Introduced by Senator Villar

To the Committees on Environment and Natural Resources; and Local Government

Proposed Senate Resolution No. 481, entitled

RESOLUTION DIRECTING THE PROPER SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE NEED TO CREATE GUIDELINES IN THE SELECTION OF BENEFICIARIES FOR FINANCIAL AID BY THE PHILIPPINE CHARITY SWEEPSTAKES OFFICE DUE TO THE REPORTED REJECTION OF PREVIOUS GUARANTEES BECAUSE OF THEIR DIRE HEALTH SITUATION

Introduced by Senator Defensor Santiago

To the Committees on Health and Demography; and Social Justice, Welfare and Rural Development

Proposed Senate Resolution No. 482, entitled

RESOLUTION DIRECTING THE PROPER SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE IRREGULARITY IN THE INSTALLATION OF THE AIR TRAFFIC MANAGEMENT SYSTEM IN THE MANILA AREA CONTROL CENTER WHERE THE ADDITIONAL REVISIONS ALLEGEDLY AMOUNTED TO AN ADDITIONAL P220 MILLION TO THE ORIGINAL PROJECT COST OF P291 MILLION

Introduced by Senator Defensor Santiago

To the Committee on Public Services

Proposed Senate Resolution No. 483, entitled

RESOLUTION DIRECTING THE PROPER SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE REPORTED WORLD HEALTH ORGANIZATION'S CALL FOR GOVERNMENTS TO STRENGTHEN PROGRAMS TO CURB TRAFFIC ACCIDENTS AND REDUCE ROAD DEATHS IN ACCORDANCE TO THE AIMS OF THE UNITED NATIONS DECADE OF ACTION FOR ROAD SAFETY

Introduced by Senator Defensor Santiago

To the Committees on Public Services; and Public Works

Proposed Senate Resolution No. 484, entitled

RESOLUTION URGING THE EXECUTIVE DEPARTMENT TO CONSIDER THE FULL IMPLEMENTATION OF THE RO-RO (ROLL-ON ROLL-Off) PROJECT WITH THE INTENTION OF SPURRING ECONOMIC GROWTH, GENERATING EMPLOYMENT AND BRIDGING THE GAP BETWEEN URBAN AND RURAL COMMERCE

Introduced by Senator Villar

To the Committees on Public Services; and Economic Affairs

Proposed Senate Resolution No. 485, entitled

RESOLUTION URGING THE COMMITTEES ON PUBLIC INFORMATION AND MASS MEDIA; CIVIL SERVICE AND GOVERNMENT REORGANIZATION; AND LOCAL GOVERNMENT TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE FEASIBILITY OF MANDATING ALL LOCAL GOVERNMENT UNITS TO PROVIDE A COMPREHENSIVE HANDBOOK CONTAINING INFORMATION ON THE AVAILABLE GOVERNMENT SERVICES, THEIR SCHEDULES, AND PROCEDURES AND REQUIREMENTS WHEN DEALING WITH THESE GOVERNMENT AGENCIES, BUREAUS AND OFFICES LOCATED WITHIN THEIR JURISDICTION

Introduced by Senator Villar

To the Committees on Public Information and Mass Media; and Civil Service and Government Reorganization

COMMUNICATION

Letter from the Presidential Legislative Liaison Office, Office of the President of the Philippines, dated 12 May 2011, furnishing the Senate with a copy of the updated status of the Legislative-Executive Development Advisory Council's (LEDAC) Common Legislative Agenda in both Chambers of Congress.

To the Committee on Rules

SUSPENSION OF SESSION

Upon motion of Senator Sotto, the session was suspended.

It was 3:48 p.m.

RESUMPTION OF SESSION

At 3:50 p.m., the session was resumed with Senator Honasan presiding.

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RECONSIDERATION OF THE TERMINATION OF THE PERIOD OF COMMITTEE AMENDMENTS ON SENATE BILL NO. 2701

Upon motion of Senator Sotto, there being no objection, the Body reconsidered the termination of the period of committee amendments of Senate Bill No. 2701, entitled

AN ACT EXPANDING THE EXCEPTIONS FROM THE NIGHT-WORK PROHIBITION OF WOMEN EMPLOYEES, THEREBY AMENDING ARTICLES 130 AND 131 OF PRESIDENTIAL DECREE NUMBER FOUR HUNDRED FORTY-TWO (PD 442), AS AMENDED, OTHERWISE KNOWN AS THE LABOR CODE OF THE PHILIPPINES.

Thereafter, the Chair recognized Senator Ejercito Estrada, Sponsor of the measure, for further committee amendments.

COMMITTEE AMENDMENTS

As proposed by Senator Ejercito Estrada, there being no objection, the following Committee amendments were approved by the Body, one after the other:

1. On page 3, line 5, insert a new section to read as follows:

SEC. 3. THE SUBSEQUENT ARTICLES IN BOOK 3, TITLE 3, CHAPTER I TO CHAPTER IV OF PRESIDENTIAL DECREE NO. 442, ARE HEREBY RENUMBERED ACCORDINGLY;

2. On page 4, line 1, after the abbreviation "SEC.," replace figure "3" with figure "4";
3. On page 9, line 20, insert a new section to read as follows:

SEC. 4. THE SUBSEQUENT ARTICLES STARTING FROM BOOK 4, TITLE 1, CHAPTER I OF PRESIDENTIAL DECREE NO. 442, ARE HEREBY RENUMBERED ACCORDINGLY; and

4. Renumber the succeeding sections accordingly.

Senator Ejercito Estrada manifested that all committee amendments were subject to style.

TERMINATION OF THE PERIOD OF COMMITTEE AMENDMENTS

There being no other committee amendment, upon motion of Senator Ejercito Estrada, there being no objection, the Body closed the period of committee amendments.

SUSPENSION OF CONSIDERATION OF SENATE BILL NO. 2701

Upon motion of Senator Sotto, there being no objection, the Body suspended consideration of the bill.

SUSPENSION OF SESSION

Upon motion of Senator Sotto, the session was suspended.

It was 3:53 p.m.

RESUMPTION OF SESSION

At 4:04 p.m., the session was resumed.

COMMITTEE REPORT NO. 29 ON SENATE JOINT RESOLUTION NO. 9

(Continuation)

Upon motion of Senator Sotto, there being no objection, the Body resumed consideration, on Second Reading, of Senate Joint Resolution No. 9 (Committee Report No. 9), entitled

JOINT RESOLUTION EXTENDING THE PERIOD OF EXISTENCE OF THE JOINT CONGRESSIONAL POWER COMMISSION.

Senator Sotto stated the parliamentary status was still the period of interpellations.

Thereupon, the Chair recognized Senator Osmeña, Sponsor of the measure, and Senator Angara for his interpellation.

INTERPELLATION OF SENATOR ANGARA

Asked why the life of the Joint Congressional Power Commission was being extended by 10 years

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and not six years, Senator Osmeña explained that the Committee felt that it would take 10 years to complete the reforms: the first three years, to finish the privatization of certain government assets; the fourth year, to sign transition supply contract; the fifth year onwards, to operationalize the Wholesale Electricity Spot Market (WESM), and start "open access" and link up with Mindanao with submarine cable, etc. He opined that it was a very optimistic guesstimate at that time.

Senator Angara noted that the main reason for extending the life of the PowerCom is to finish the unimplemented reforms in the energy sector and other items initiated during the 10-year period.

Asked about reforms to be pursued under the EPIRA, Senator Osmeña stated that the "Whereas" clause in page 2 of the Joint Resolution enumerated some of them, to wit:

- Formation of the Independent Market Operator (IMO) – a task that is now being undertaken by the Philippine Electricity Market Corporation (PEMC) but is supposed to be handed over to an independent private group;
- Determination of the Universal Charge (UC) to pay for the stranded debts of Napocor – this was never implemented – and the equalization of taxes and royalties applied to indigenous and renewable energy resources *vis-à-vis* imported energy fuels;
- Implementation of an open access regime where anyone with maximum demand of one megawatt – probably shopping malls and factories – would be able to choose from which generating companies to buy its electricity;
- Reduction of the royalties and returns and taxes collected for the exploitation of all indigenous sources of energy to effect parity of tax treatment;
- Performance by the National Power Corporation-Small Power Utilities Group (NPC-SPUG) of the missionary electrification function.

Senator Osmeña recalled that when the EPIRA was passed into law, Congress did not take into full consideration the business model of the remaining assets of the Napocor. He stated that Napocor used to generate up to 92% of the total demand; presently it has gone down to 80% not including the

Mindanao power plant. He averred that Napocor was having a hard time surviving because it needs to collect receivables from the Small Public Utilities Group (SPUG) for missionary electrification. He said that there were certain areas, like Aurora, that were not yet connected by the TRANSCO with any power generating company and, therefore, like small islands, they are powered by plants run by diesel.

Senator Osmeña disclosed that in the hearing last week, the PowerCom did not approve the business model that would allow the proponent to borrow money because of fear that the project might turn into another National Food Authority that borrows year in, year out. He said that the PowerCom asked the Department of Energy instead to draw up a more sustainable business model. Moreover, he stated that the PowerCom was looking at the Feed-in Tariff (FiT) System for the Renewable Energy Act (RA 9513).

Senator Angara observed that of the eight reforms, except for the implementation of the retail competition and open access, and the establishment of the IMO, issues like ensuring transparency in public bids can be looked into by the Committee on Energy of both Houses; on the other hand, the fixing of the universal charge and lowering of electric rates should be pursued through the usual oversight committees because it is basically a matter between the DOE and the ERC. He posited that the verification of reasonable amounts of the full recovery of stranded cost and contract cost have become a matter of usual traditional monitoring.

As regards the reduction of royalties, returns and taxes collected for the exploitation of indigenous resources, Senator Angara asserted that the Committee on Ways and Means has been looking into them. He stressed that the usual congressional committees could very well investigate these matters in the exercise of their oversight functions.

As regards the SPUG, Senator Angara agreed that it is still an unfulfilled promise and that the development is so slow that it requires the urgent attention of a special commission like the PowerCom, while the weaknesses of the EPIRA can be addressed by the usual legislative work. He underscored that only three items are structural reforms promised under the original EPIRA, which to date have not been complied with and ought to be pushed more

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vigorously by the PowerCom. He maintained that the rest can be monitored, supervised and overseen by the congressional committees.

Senator Osmeña surmised that Senator Angara may have overlooked item No. 4, pertaining to the universal charge. He recalled that in 2000, it was discussed that the universal charge would be P0.30 but the Power Sector, Assets and Liabilities Management (PSALM) overspent. He said that while it started with a US\$16 billion debt in 2001, it has almost US\$16 billion liabilities today even after selling 90% of its power generating assets and 68% of its contracted liabilities. Moreover, he revealed that the previous administration had instructed the PSALM to sell power from the Napocor at lower than cost for political reasons and as a consequence, Napocor incurred huge debts. He informed the Body that the PowerCom would invite PSALM in July to explain the whole matter.

Senator Osmeña opined that the situation is better than before although there is an additional liability of US\$4 billion, a matter that was never factored in the computations in 2001. He expressed doubt if the P0.30 per kilowatt hour would be enough, although PSALM was confident that it could get away with P0.15 if government paid off certain debts immediately.

Senator Angara recalled that under the EPIRA, the universal charge of P0.30 would be collected from each end-user and out of its proceeds, government would start liquidating and servicing the stranded cost of Napocor and some electric distributors. He said that a total of P500 billion would be generated.

Senator Osmeña opined that the stranded contract cost and liabilities were bigger than the stranded debt of Napocor.

Senator Angara observed that the electric consumers accepted the idea of paying the universal charge on the premise that the proceeds therefrom would liquidate the stranded debt and stranded cost of Napocor and its distributors and ultimately in 15-25 years time, the cost would be taken off their bills and electricity would cost lower.

Senator Osmeña stated that the only universal charge today is P0.02 for the electrification.

Senator Angara argued that while the universal charge was not being collected, its equivalent has

been passed on to the end-users so the billing includes a charge for the stranded debt and cost of the Napocor and the distributors.

Senator Osmeña disagreed, as he explained that in 2001, the power plants were valued a little lower than what they actually sold for because after seven years, the Senate was able to convince Meralco and other distributors to at least give a transition supply contract to plants that were being sold so that at least 40% to 60 % of their power was already accounted for and in the process, the value of the plants doubled. He recalled that the first bidding for Masinloc was priced at US\$285 million and ballooned to US\$560 million in the second bid. He stated that as the years went by, electricity demand also increased and while the total debt computation done in 2001 would have paid for all the take-or-pay contracts involving Sual, Pagbilao, Masinloc, etc., more power was sold in the market and less subsidy was given to the plants, and this, he said, benefitted the public. He said that the total stranded liabilities of Napocor at that time was misleading because it added only the nominal amounts up to the end of the contracts.

Senator Osmeña explained that despite the low contract price for electricity sold to the government in the past, the Napocor continued to incur liabilities due to its failure to sell its power plants.

Relative thereto, Senator Angara adverted to a Meralco report which revealed that P1.87 of the P3.30/kwh paid by consumers under the purchase power agreement (PPA) was allotted to the Napocor while the remaining P1.43/kwh, including recoveries, was set aside for Meralco. As such, he pointed out that only 56% or half of an end-user's monthly electric bill comprises his actual consumption while the other half is actually payment to Napocor and the Meralco.

Senator Osmeña recalled that Shell had offered the government the opportunity to harness power from Malampaya gas field by building a US\$2 billion pipeline from Malampaya to Batangas on the condition that it be given a contract to sell the same; however, since the Napocor could no longer handle the full cost of paying for the additional 3,000 megawatts due to numerous "take-or-pay" commitments, it agreed to purchase only 1,500 megawatts while Meralco covered the balance. He said that a few hearings had been held concerning the arrangement

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and that, in fact, the Senate President had even proposed that royalties on natural gas be lowered from P1.40 to P0.22, which is the equivalent cost of imported natural gas. He said that the payment for royalties and high taxes, which are estimated at P0.40/kwh, has made it more expensive for the country to use natural gas than import the same from Indonesia, Malaysia or Brunei, but it allowed Shell to recover its investments in seven years. However, he said that the government finds it hard to give up US\$700 million in annual revenues in the face of a P325 billion national deficit.

On another matter, Senator Osmeña denied that the Lopezes profited from the arrangement because the cost for power generation is only passed through to the customer, and as such only the distribution charge approved by the Energy Regulatory Commission could be charged to the end-user.

However, Senator Angara argued that Senator Osmeña's claim was not proven by record. For instance, he adverted to 2002 data which revealed that the Meralco-owned First Gas charges almost double the cost of Napocor's Ilijan power plant with that of Meralco's First Gas. Moreover, he noted that Quezon Power, another Lopez-affiliated firm, was charging nearly twice the generation cost of the Napocor-owned Masinloc plant. As such, he surmised that power plants owned by private distributors like Meralco were passing on much more items of cost to the end-user.

Since electricity rates in the Philippines remain the highest in the region, Senator Angara lamented that EPIRA had not fulfilled its objective of reducing the price of electricity by promoting and fostering competition among market players. Moreover, he said that the high cost of power due to the additional charges passed on by the Napocor and private distributors to consumers, has even resulted in a loss of investment and job generation opportunities.

Regarding the issue behind the alleged ownership of the Lopez family of Quezon Power, Senator Osmeña clarified that the Lopezes had no stake in the power firm which was actually owned by a consortium comprised of the Bechtel Corporation, InterGen and another group.

To the contention that the Lopezes bought electricity from Quezon Power at a higher pass-on rate than a comparable Napocor power plant, Senator

Osmeña clarified that the PowerCom had actually investigated the matter upon the request of Senator Enrile.

As regards the higher generation cost of First Gen's plant compared to that of KEPCO, Senator Osmeña explained that this was due to several reasons. In the first place, he pointed out that although both plants ought to offer the same generation charges, KEPCO had hedged the generation cost of its Ilijan plant to P0.11/kwh unlike First Gen, which opted to sign contract with Shell without a hedge as it had expected a lowering in the price of crude oil. On the other hand, he stated that since KEPCO built the plant to generate only 1,200 megawatts, Napocor had the equivalent of 300 MW of unused gas which is still being paid by government since 2001.

Senator Osmeña also pointed out that unlike KEPCO, which enjoyed lower financing costs for its power plant due to a sovereign guarantee by the Philippine government, First Gen did not have a government guarantee and was not subsidized by government.

Moreover, he recalled that in case of emergencies and to ensure that there is power in the Metro Manila area, First Gas made provisions to ship in liquid natural gas via tankers and keep about a 60-day supply in storage while KEPCO had storage tanks good for only seven days.

He also explained that the First Gen-owned First Gas Power Corporation financed the construction of its own transmission line while the government and Napocor built the transmission linking KEPCO's plant to the Calaca main transmission line.

As regards reports concerning a supposed "sweetheart deal" between Meralco and First Gas that benefitted the Lopezes, Senator Osmeña replied that if this were the case, then Napocor ought to have filed charges against Meralco.

Senator Angara underscored the fact that both the Napocor and Meralco passed on the cost of high electricity rates to consumers such that Napocor charged end-users for unused power while Meralco paid First Gas almost P1 billion for undelivered electricity.

Senator Osmeña recalled that a Senate investigation on the matter revealed that the P1 billion either

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was part of a "take-or-pay" scheme or was actually delivered through the Calaca plant.

Senator Angara underscored the fact that even with the EPIRA and the oversight of the PowerCom, the electricity rate charged to end-users in the country is still scandalously high even though almost half of the cost covers inefficient delivery of electricity, the passing-on of excessive system losses and income taxes to end-users, and the corruption reflected in the luxuries enjoyed by owners of these IPPs.

Senator Osmeña stated that transparency in electric consumption started when EPIRA unbundled the rates so that the monthly bill began reflecting the rates for electric generation, distribution, transmission, ancillary services and missionary electrification. He noted that in the past, the electric bill did not indicate these rates which left the people wondering where the total amount came from. Consequently, he said, Congress reorganized the Energy Regulatory Board and formed the Energy Regulatory Commission which was basically the same body with a different name.

As to the percentage of non-delivered electricity, Senator Osmeña said that it was not as high as 48% but about 25% which was still bad. He recalled that *the over-order and over-pricing occurred when Congress granted President Fidel Ramos in 1992 emergency powers that enabled the Administration to enter into contracts with power producers without any bidding.* According to a recent study by the European Chamber, he revealed that one the reasons for that situation was that government ordered too much power which was overpriced to begin with. He said that after 10 years, all that power had been absorbed, and now, there is simply a 300-megawatt shortage.

Senator Angara opined that the high cost of electricity in the country from 2001 onwards was the result of over-supply, over-buying and outright corruption and inefficiency.

With regard to systems loss, Senator Osmeña said that it has been cut down to about 10% for the private utilities and 17% for electric cooperatives due to awareness. He explained that systems loss is a natural occurrence and in the United States, it averages about 7½%.

To the observation that the average system loss is 4-5%, Senator Osmeña stated that he would check

the figures for clarification. He added that countries with good highways have low systems loss, noting that the degradation of electricity is caused by highways. He stated that he was surprised to learn that the Association of Mindanao Rural Electric Cooperative Inc. (Amreco) has improved its systems loss. He added that EPIRA's transparency enlightened people about systems loss, universal charge and missionary electrification. Hopefully, he said, "open access" would soon be a byword, and that he looks forward to giving every household the choice of where to buy electricity.

Senator Angara observed that a solution was provided under the EPIRA open access to foster competition. He also said that the other bargain sharing mechanism under EPIRA is the universal charge. In connection therewith, he asked the Committee to provide him information on the collection of the universal charge from the beginning of its availment, pointing out that the universal charge was being collected for missionary areas and for the environment and not to service and pay off the standard cost and debt.

Senator Osmeña replied that the amount was too small – only about P0.01 or P0.02. He added that *as the business model of Napocor is being revamped, the universal charge would have to be increased.* He reasoned that Napocor cannot exist by just collecting what the electric cooperatives owe it since this amounts to only 65% and even only 10% in some cases.

Senator Angara clarified that he was interested in the amount collected from the very beginning to date and the spending pattern. He noted that Northern Aurora was still under spot after almost 20 years. Napocor, he said, used to provide the region 20-hour electricity, but now, it would be fortunate to have 4-5 hours of electricity because apparently, the diesel generator has no diesel.

In response, Senator Osmeña stated that the Committee would provide the requested data the next day. Since Aurora is part of Luzon, he suggested that TRANSCO be convinced to connect the electricity there. He said that the Committee would call a special PowerCom hearing to ask TRANSCO to cover missionary areas since it already has a line to Nueva Ecija going all the way to Isabela. He also mentioned the windmills in the North that generate electricity. He said that he was open to an

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arrangement where the government would also fund the missionary electrification of the island groups of Bantayan, Palawan, Mindoro, Romblon, Marinduque, Camiguin, and also Aurora.

At this juncture, Senator Honasan yielded the chair to the Senate President Pro Tempore.

Senator Angara stated that the potential of renewable energy from the northeastern part of Luzon is almost 400 megawatts, which is more than enough to justify a 120-kilometer extension, a 69 KBA line, of the national grid which would cost around P700 million as estimated by the technical people. But he reasoned that it would be justified by the 300 megawatt power to be produced, whether from renewable or coal-fired power.

Senator Osmeña pointed out that among the five types of renewable energy which were given incentives under the Renewable Energy Act — ocean, solar, hydro, biomass and wind — the last is clustered around North Luzon, adding that there are no proposals for areas along the Pacific Coast. He noted that 200-300 megawatts electricity is being provided in Bangui, Ilocos Norte because it is windy in that area the whole year round. He said that wind energy has a capacity factor of about 16%, hence, the weather vane would not be utilized most of the time.

Senator Angara stated that wind energy must be combined with hydro energy. He said that according to the wind map provided by the Department of Energy, the best wind pattern is not only in Northern Mindanao but also in Eastern Luzon, including Aurora.

Senator Osmeña explained that private operators have gone all over the country to look for wind energy, which is very expensive to produce because it will cost about P17 per Kwh while the national grid power cost is between P4.50 to P5.00, the so-called avoided cost; therefore, the government would be paying a huge amount of P12 per Kwh to subsidize wind energy. He said that he has spoken with some developers who were willing to bet on hydro energy, particularly in Aurora, because of the forest. He stated that the one of the advantages of hydro energy is that it has an affordable subsidy of P6.15 per Kwh. He bared that in the next Committee hearing, he would recommend to the energy companies and the DOE to utilize hydro energy first.

On the suggestion to use biomass energy, Senator Osmeña pointed out that it costs P7.00 per

Kwh. He noted that the best bets for harnessing energy are mini-hydro and biomass. He stated that harnessing energy from ocean current is impossible because only Subic Bay has one continuous current and even at that, only up to 10 megawatts is produced which makes it very expensive.

Asked whether the key is the extension of the national grid line, Senator Osmeña replied that it is, and it is for reason that he would be talking to the National Grid Corporation. He noted that the Corporation was very delayed in putting up the so many kilometers of transmission lines it was supposed to, thus, it was not putting out money. He said that he was going to ensure that the areas that are supposed to be connected to the national transmission system would be put on line.

Senator Angara stated that he would be grateful for such development, saying that the extension would benefit not only Aurora but also Southern Isabela, Quirino and Nueva Vizcaya.

At this juncture, Senator Angara sought leave to continue his interpellation in the next day's session.

Senator Osmeña agreed as he promised to provide Senator Angara the requested documents.

SUSPENSION OF CONSIDERATION OF SENATE JOINT RESOLUTION NO. 9

Upon motion of Senator Sotto, there being no objection, the Body suspended consideration of the resolution.

REPORT OF SENATOR DRILON

On behalf of the Philippine Congressional Delegation headed by Senator Villar, at the instance of Senator Drilon, there being no objection, the official report on the country's participation in the 124th Inter-Parliamentary Union Assembly held in Panama City from April 15 to 20, 2011, was deemed read into the Journal and Record of the Senate.

Following is the full text of the report:

REPORT TO THE SENATE ON THE PHILIPPINE PARTICIPATION TO THE 124TH INTER-PARLIAMENTARY UNION ASSEMBLY IN PANAMA CITY, PANAMA, APRIL 2011

Allow me to submit a brief report, in behalf of the Philippine Congressional Delegation

headed by our own Senator Manny Villar, of our participation to the 124th Inter-Parliamentary Union (IPU) Assembly which was held in Panama City, Republic of Panama, last April 15 to 20, 2011.

I thank the Honorable Senate President for allowing this representation to join Senator Manny Villar to this IPU Assembly, together with the Members of the House of Representatives headed by Deputy Speaker Raul Daza as well as Congressmen Rufus Rodriguez, Rosendo Labadlabad, Maria Zenaida Angping, and Rachel Marguerite Del Mar.

Once again, the sending of a congressional delegation to the IPU highlights our commitment to the goals of the organization as well as our solidarity to the parliamentary colleagues from all over the world. Our continuing participation emphasizes the importance we place on the role of legislatures as representative institutions in the pursuit of peace and cooperation among peoples of the world.

The highlights of our delegation's activities during the 124th Assembly are as follows:

ASEAN +3 and the Asia Pacific Geopolitical Group Meetings

On April 15, Senator Manny Villar headed the Philippine Delegation which attended the two geopolitical group meetings to which our country belongs, the ASEAN +3 and the Asia Pacific Group (APG). In these two meetings, the Philippines immediately and strongly voiced its support to the proposed IPU Resolution which sought to express the profound sympathy and solidarity of all Member-Parliaments of the IPU to the people and Government of Japan for the extreme loss of lives and damage to homes and property suffered by their nation as a result of the devastation wrought by the earthquake and tsunami that hit the northeastern part of Japan in the afternoon of March 11, 2011. We likewise conveyed to the Japanese parliamentary delegation there that both the Philippine Senate and the House of Representatives earlier passed Resolutions in their respective Chambers expressing the same sense of solidarity and sympathy to the people of Japan.

Furthermore, upon the nomination of Senator Villar, Congressman Rufus Rodriguez was elected as member of the Drafting Committee to the Third Standing Committee on Democracy Promotion and Human Rights which tackled the Proposed Resolution on "Transparency and Accountability in the Funding of Political Parties and Election Campaigns," an issue that

continues to be very relevant for us here in the Philippines and which has been the subject of many legislative initiatives both in the Senate and House of Representatives.

Philippine Statement on the General Debate

On April 17, during the General Debate of the IPU in Plenary Session, Congressman Rufus Rodriguez, upon the request of our Head of Delegation, Senator Manny Villar, delivered in his usual eloquent style, the Philippine Statement which expounded on the theme of this Spring Assembly, "*Parliamentary accountability: living up to people's expectations.*"

In a statement prepared by Senator Villar, the Philippines emphasized that there could not have been a more opportune time to discuss the theme – Parliamentary Accountability – more than ever as a wave of political turmoil currently swept and continues to envelope many countries in the Arab World. While popular uprisings have met with success in Tunisia and Egypt, revolts in other countries have been drenched with blood of demonstrators.

And thus, our statement stresses that "to view these events as mere revolts against unpopular leaders is to completely miss the point. This series of uprisings is, understood in its larger context, indicative of a collective will of a people to be heard. And it is a message that should be heard around the world... That all governments must heed the call of the *Demos*, or the people of the nation, the masses, for more transparency, accountability and participation."

Our statement further emphasizes that "at the core of these demands for stronger democratic institutions is the role played by our legislative assemblies, as there is no other institution of government that is more representative of the will of the people other than parliaments. As the representatives of the people, we embody the will of the people in the government. Our mandate is thus temporary and depends on how we account to the electorate how we have exercised the power delegated unto us."

In conclusion, our statement to the Plenary stresses the point that the recent events that have unfolded in the past months in the Middle East and Northern Africa send a clear message to all parliaments, to all government. "It is a message," and I quote, "that we have to make democracy work for the people, especially for the common people. Democracy cannot simply be an abstract concept buried in the constitutions and treaties or in speeches of politicians." And drawing from our own experience in the

Philippines, our statement makes the bold assertion that "It is not true that power comes out of the barrel of the gun, but comes from collective courage of our people. And it is a message that we will be foolish to ignore."

**Panel Discussion on
"Recent political upheavals in the world:
Lessons for Democracy"**

Finally, allow me to add that this Representation was honored to have been invited by the IPU as one of five Resource Persons to lead a Panel Discussion on April 18 on a topic which coincidentally has been the subject of our Philippine Statement and naturally continues to grip the attention of the world today, "Recent political upheavals in the world: Lessons for Democracy."

The discussion sought to provide parliamentarians from the different parts of the world the opportunity to share their experiences and their outlook on the prospects for true democratic change in several countries in Northern Africa and the Middle East which have been besieged by the spontaneous uprisings and yearnings for reform by their citizens, a phenomenon which have been dubbed the "Arab Spring."

The Discussions looked back as well to the recent past and reviewed other historical moments of democratic change from the other regions of the world, notably in Asia and Europe, hopefully providing some comparisons or even parallelisms between what went before and what was now happening during this so-called "Arab Spring."

For my part, I briefly shared our country's own experience of its return to democratic rule which was triggered by the "People Power Revolution" at EDSA in February of 1986. I said, "*The Middle East upheavals and recent success of yet another People Power Revolution in [Tunisia and in] Egypt may have surprised some people, but not those who are familiar with the cries and clamor for democracy that resonated across Asia in the 20th century. Though there are differences in terms of geography, culture, ethnicity and religious beliefs, the themes and aspirations are the ones we have seen in Asia and some parts of Europe in the last century.*"

I further stressed that we should uphold democracy by all means and "*With the people's continued faith in democratic ideals and vigilance against elements that pose a threat to our democratic institutions and processes, as well as unwavering support for individuals and*

institutions that champion democratic causes, I am confident that my country will never stray from the democratic path again."

In the open forum that ensued, the issues raised were those as varied as the Middle East issues, the issue for foreign interference and the validity to extend humanitarian assistance; the participation of the youth in the recent political uprisings and their use of new media; and the role of the IPU in all these.

In my concluding statement, I also said that fair, transparent and credible elections are the best and the most legitimate thing to happen in a democracy in order to provide for a peaceful, democratic and legal transfer of power. I also highlighted the remarkable influence that new forms of media and communication played in the Arab uprisings and said that the powerful emergence of social media and networking sites was *inevitable and very influential, specially to the youth of the 21st century*. As in our experience here in the Philippines, it is an instrument or tool which we best harness for the common good.

Other members of the panel included distinguished parliamentarians who shared their own sharp insights on the matter: Ms. Zoha Bitat Drif, Vice President of the Algeria Parliament's Council of the Nation and Vice President of the IPU's Executive Committee; Mr. Juan Pablo Letelier, Vice President of the Senate of Chile; and Mr. Norbert Lammert, Speaker of the German Bundestag and Head of the German Delegation.

Filipino Workers Overseas

As an end-note, I wish to share with my colleagues here in the Senate that the Parliamentary Delegation of Bahrain also met with this Representation to convey the appreciation of the Bahraini Government to the Philippine Government through our representatives in Congress for its kind understanding of its internal political situation and for allowing them to sort out their internal problems. For its part, the Bahrain Delegation extended their Government's assurances that the safety and welfare of our Filipino workers in Bahrain would be attended to and secured. I thanked them for their assurances and promised to convey their Message as well to our Foreign Affairs Department as well as to our agencies in Government attending to the welfare of our Overseas Filipino Workers, particularly those in Bahrain.

I also note the presence of a small Filipino community working and thriving in the Central American country of Panama as reported to us by our long-serving Consul General there, the

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Honorable Ernesto Arias y Manriquez. In his update, the Consul General said that the Filipino community in Panama consists of a small group of mostly professionals and nuns working as missionaries. They also have a number of female professionals who have happily married into Panamanian families.

What is significant though is the considerable number of Filipino seafarers that pass through Panama and register here under vessels flying the Panama flag. At the moment, there does not appear to be any danger at hand to our Filipino professionals and other workers here nor any pending case involving our Filipino seamen. Panama has itself transitioned into a full-working democratic republic with a vibrant and surging economy after years of stagnation during the quasi-military rule in the '70s and the '80s.

With that, I conclude my report, in behalf of the Philippine Congressional Delegation, on our participation to the 124th IPU assembly in Panama City, and request that this report be entered into the Records.

COAUTHOR

Senator Sotto manifested that the following senators are coauthors of bills hereunder indicated:

Senator Revilla : Senate Bill Nos. 2748, 2817 and 2818;


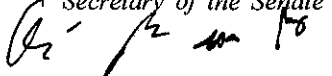
Senator Escudero : Senate Bill Nos. 2735 and 2736.

ADJOURNMENT OF SESSION

Upon motion of Senator Sotto, there being no objection, the Senate President Pro Tempore declared the session adjourned until three o'clock in the afternoon of the following day.

It was 5:05 p.m.

I hereby certify to the correctness of the foregoing.


EMMA LIRIO REYES
Secretary of the Senate


Approved on May 24, 2011