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SENATE  
S. B. No. 1491

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Introduced by Senator Miriam Defensor Santiago

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### EXPLANATORY NOTE

The present lottery system of the Philippine Charity Sweepstakes Office (PCSO) has been plagued by allegations of graft and corruption, especially in connection with the authority of this agency to conduct lotteries and other similar activities, in collaboration, association, or joint venture with any person, association, company, or entity, whether domestic or foreign, including any arrangement that bears an identifiable resemblance to the subsisting Equipment Lease Agreement (ELA).

Aside from the conduct of the lottery system, other reports of graft and corruption in the PCSO include the following:

1. Failure to account for some EIGHT HUNDRED MILLION PESOS (P800,000,000.00) reportedly earned under the STL, or small-town lotto operation.
2. Disregard by the Office of the President of the repeated confidential reports from former PCSO chairperson Tavera that the lottery bidding was rigged.
3. The lease contract in connection with the lottery is grossly disadvantageous to the government.
4. The ELA is a fraudulent misrepresentation, because in actual practice, it is the Philippine Gaming Management Corporation (PGMC) and not the PCSO which controls and operates the main computer.

Two lotto cases have been filed before the Supreme Court on the lease contract between the PCSO and the PGMC. In the first case, the Court ruled that the contract was

in effect a joint venture agreement and was therefore invalid as the charter prohibits the PCSO from engaging in a joint venture.

In the second case, the Supreme Court held that the second lease contract, ELA, was a true lease contract and thus valid. It even went further and ruled that a joint venture agreement would be valid under the PCSO charter.

The legislative branch has the power of reversing a Supreme Court decision, if in its judgment the interpretation given to a law by the court is not in harmony with the general policy of the State, by enactment of a new law or by an amendment of the old, giving it a non-disputed meaning and interpretation as to clearly wipe out the decision of the judicial department. "*Aleandrino vs. Quezon*, 46 Phil. 83 (1942)). And since in the second lotto case, the judicial branch of government has deliberately ignored the intent of the legislative branch so clearly and explicitly recorder in the legislative journal, it is now necessary to pass a law in order to make it completely clear that the prohibition against a joint venture applies not only to investments, but also to programs, projects and activities, including so-called as exemplified by the ELA presented at the second case.

Hence, there is a need to amend the PCSO Charter, or Republic Act No. 1169, to remove from the agency the authority to conduct lotteries or other similar activities, in collaboration, association, or joint venture with any person, association, company, or entity, whether domestic or foreign, including any arrangement that bears an identifiable resemblance to the existing Equipment Lease Agreement, or ELA. The early passage of this bill is earnestly recommended.

  
MIRIAM DEFENSOR SANTIAGO

THIRTEENTH CONGRESS OF THE REPUBLIC)  
OF THE PHILIPPINES )  
First Regular Session )

SENATE  
OFFICE OF THE SECRETARY

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S. B. No. \_\_\_\_\_

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**AN ACT  
AMENDING SECTION ONE OF REPUBLIC ACT NUMBERED ELEVEN  
HUNDRED AND SIXTY-NINE, OTHERWISE KNOWN AS THE CHARTER OF  
THE PHILIPPINE CHARITY SWEEPSTAKES OFFICE**

*Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:*

SECTION 1. Section 1 of the Republic Act Numbered Eleven Hundred and Sixty-Nine is hereby amended to read as follows:

“Sec. 1. *The Philippine Charity Sweepstakes Office.* The Philippine Charity Sweepstakes Office, hereinafter designated the Office, shall be the principal government agency for raising and providing for funds for health programs, medical assistance and services and charities of national character, and as such shall have the general powers conferred in section thirteen of Act Numbered One thousand four hundred fifty-nine, as amended, and shall have the authority;

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“B. *The Philippine Charity Sweepstakes Office shall have authority to engage in health and welfare related investments, programs, projects and activities which may be profit-oriented by itself or in collaboration, association, or joint venture with any person, association, company or entity, whether domestic or foreign, except charity sweepstakes, races, lotteries, and other similar activities.*

SECTION 2. *Repealing Clause.* – All laws, decrees, orders, proclamations, rules and regulations or parts thereof, inconsistent with the provisions of this Act are hereby amended or modified accordingly.

SECTION 3. *Effectivity Clause.* – This Act shall take effect after fifteen days from its publication in at least two (2) papers of general circulation.

Approved.

FN: 282