

REPUBLIC OF THE PHILIPPINES

S e n a t e

Pasay City

Journal

SESSION NO. 26

Wednesday, September 22, 2004

**THIRTEENTH CONGRESS
FIRST REGULAR SESSION**

SESSION NO. 26
Wednesday, September 22, 2004

CALL TO ORDER

At 3:52 p.m., the Senate President, Hon. Franklin M. Drilon, called the session to order.

PRAYER

Sen. Rodolfo G. Biazon led the prayer, to wit:

Grant us, O Lord, forbearance and strength to be able to survive in this state that has befallen our beloved country.

Endow us with Your Divine Wisdom to seek solutions to our problems that are intrinsically germane to a growing nation.

Provide us with fortitude and courage to rebuke anyone who cannot abide by the values we hold dearly as a nation.

But most of all, O God, enable us to unite as a nation, ever guided by the precepts in Your Holy Word and the principles enshrined in our Constitution.

Make this Chamber and its Members an instrument to achieve Your purpose in the life of our nation that we may be able to glorify Your Name.

Amen.

ROLL CALL

Upon direction of the Chair, the Secretary of the Senate, Oscar G. Yabes, called the roll, to which the following senators responded:

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|----------------------------|----------------------|
| Angara, E. J. | Lacson, P. M. |
| Arroyo, J. P. | Lapid, M. L. M. |
| Biazon, R. G. | Lim, A. S. |
| Cayetano, C. P. S. | Madrigal, M. A. |
| Defensor Santiago, M. | Magsaysay Jr., R. B. |
| Drilon, F. M. | Osmeña III, S. R. |
| Ejercito Estrada, J. | Pangilinan, F. N. |
| Ejercito Estrada, L. L. P. | Pimentel Jr., A. Q. |
| Enrile, J. P. | Recto, R. G. |
| Flavier, J. M. | Revilla Jr., R. B. |
| Gordon, R. J. | |

With 21 senators present, the Chair declared the presence of a quorum.

Senator Villar arrived after the roll call.

Senator Roxas was absent.

ACKNOWLEDGMENT OF THE PRESENCE OF GUESTS

Senator Pangilinan acknowledged the presence of students from the Community of Learners headed by their teacher, Ms. Jing Pascual; members of the Freedom from Debt Coalition; members of the Philippine Legislators Committee on Population and Development; and Masters in Public Administration students from the University of Rizal System under Judge Silverio Panfilo.

APPROVAL OF THE JOURNAL

Upon motion of Senator Pangilinan, there being no objection, the Body dispensed with the reading of the Journal of Session No. 25 and considered it approved.

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. 1751, entitled

AN ACT AMENDING REPUBLIC ACT NO. 6539, AS AMENDED, OTHERWISE KNOWN AS THE ANTI-CARNAPPING ACT OF 1972

Introduced by Senator Gordon

To the Committee on Public Order and Illegal Drugs

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Senate Bill No. 1752, entitled

AN ACT CREATING THE NATIONAL REVENUE AUTHORITY, PROVIDING FUNDS THEREFOR, AND FOR OTHER PURPOSES

Introduced by Senator Serge Osmeña

To the Committees on Ways and Means; Civil Service and Government Reorganization; and Finance

Senate Bill No. 1753, entitled

AN ACT ESTABLISHING A PRODUCTIVITY AND PERFORMANCE INCENTIVES AND GAINSHARING PROGRAM, REPEALING FOR THE PURPOSE REPUBLIC ACT NO. 6971, OTHERWISE KNOWN AS THE PRODUCTIVITY INCENTIVES ACT OF 1990

Introduced by Senator Serge Osmeña

To the Committees on Labor, Employment and Human Resources Development; and Ways and Means

Senate Bill No. 1754, entitled

AN ACT AMENDING SEC. 3 OF PRESIDENTIAL DECREE NO. 1566, ALSO KNOWN AS AN ACT STRENGTHENING THE PHILIPPINE DISASTER CONTROL CAPABILITY AND ESTABLISHING THE NATIONAL PROGRAM ON COMMUNITY DISASTER PREPAREDNESS

Introduced by Senator Serge Osmeña

To the Committees on National Defense and Security; Local Government; and Finance

Senate Bill No. 1755, entitled

AN ACT GRANTING BENEFITS AND SPECIAL PRIVILEGES TO

FORMER OVERSEAS FILIPINO WORKERS AND FOR OTHER PURPOSES

Introduced by Senator Serge Osmeña

To the Committees on Labor, Employment and Human Resources Development; Foreign Relations; Ways and Means; and Finance

Senate Bill No. 1756, entitled

AN ACT AMENDING SECTION 1 OF REPUBLIC ACT NO. 9164

Introduced by Senator Gordon

To the Committees on Constitutional Amendments, Revision of Codes and Laws; and Local Government

Senate Bill No. 1758, entitled

AN ACT REQUIRING FULLY EQUIPPED SCIENCE LABORATORIES IN EVERY PUBLIC ELEMENTARY AND SECONDARY SCHOOL PROVIDING FUNDS THEREOF AND FOR OTHER PURPOSES

Introduced by Senator Magsaysay Jr.

To the Committees on Science and Technology; Education, Arts and Culture; Ways and Means; and Finance

Senate Bill No. 1759, entitled

AN ACT AUTHORIZING THE DISPOSAL AND/OR COMMERCIAL DEVELOPMENT OF CERTAIN MILITARY CAMPS AND RESERVATIONS, CREATING FOR THE PURPOSE THE MILITARY REAL ESTATE DEVELOPMENT AUTHORITY, APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES

Introduced by Senator Magsaysay Jr.

To the Committees on Government Corporations and Public Enterprises; National Defense and Security; Ways and Means; and Finance

Senate Bill No. 1760, entitled

AN ACT ALLOWING THE OMBUDSMAN TO EXAMINE ALL THE BANK DEPOSITS OF PUBLIC OFFICERS WITH THE LATTER'S WRITTEN CONSENT BY AMENDING SECTION 8 OF REPUBLIC ACT NO. 6713, OTHERWISE KNOWN AS THE CODE OF CONDUCT AND ETHICAL STANDARDS FOR PUBLIC OFFICIALS AND EMPLOYEES

Introduced by Senator Mar Roxas

To the Committee on Banks, Financial Institutions and Currencies

Senate Bill No. 1761, entitled

AN ACT PROVIDING PROTECTION AND BENEFITS TO PERSONS WHO DISCLOSE CONDUCT CONSTITUTING GRAFT AND CORRUPTION AND TO WITNESSES FOR THE PROSECUTION THEREOF, PROVIDING PENALTIES FOR VIOLATIONS HEREOF, AND FOR OTHER PURPOSES

Introduced by Senator Mar Roxas

To the Committees on Civil Service and Government Reorganization; and Finance

Senate Bill No. 1762, entitled

AN ACT GOVERNING THE ESTABLISHMENT, OPERATION AND REGULATION OF LENDING COMPANIES

Introduced by Senator M. A. Madrigal

To the Committee on Banks, Financial Institutions and Currencies

Senate Bill No. 1763, entitled

AN ACT REQUIRING THE MANDATORY LABELING OF FOOD AND PRODUCTS CONTAINING GENETICALLY-MODIFIED ORGANISMS OR THOSE PRODUCED BY GENETIC ENGINEERING TECHNOLOGIES, AMENDING FOR THE PURPOSE REPUBLIC ACT NUMBERED THREE THOUSAND SEVEN HUNDRED AND TWENTY OTHERWISE KNOWN AS "THE FOOD, DRUGS AND COSMETICS ACT" AND REPUBLIC ACT NUMBERED SEVEN THOUSAND THREE HUNDRED NINETY FOUR OTHERWISE KNOWN AS THE CONSUMERS ACT OF THE PHILIPPINES AND FOR OTHER PURPOSES

Introduced by Senator M. A. Madrigal

To the Committees on Trade and Commerce; and Health and Demography

Senate Bill No. 1764, entitled

AN ACT AMENDING CERTAIN PROVISIONS OF REPUBLIC ACT NO. 8550, OTHERWISE KNOWN AS THE PHILIPPINE FISHERIES CODE OF 1998

Introduced by Senator Magsaysay Jr.

To the Committees on Agriculture and Food; and Environment and Natural Resources

Senate Bill No. 1765, entitled

AN ACT RE-ESTABLISHING AN INVENTORS COMMISSION AS PER RA 3850, AS AMENDED,

THEREBY CONSOLIDATING
RA 7459, THE INVENTORS AND
INVENTION INCENTIVES ACT OF
THE PHILIPPINES, PROVIDING
FUNDS THEREFOR AND FOR
OTHER PURPOSES

Introduced by Senator Magsaysay Jr.

To the Committees on Science and
Technology; Trade and Commerce; Ways
and Means; and Finance

Senate Bill No. 1766, entitled

AN ACT AMENDING SECTION 13
OF REPUBLIC ACT NO. 6646,
OTHERWISE KNOWN AS "THE
ELECTORAL REFORMS LAW
OF 1987," TO REMOVE THE
MANDATE FROM PUBLIC
SCHOOL TEACHERS TO SERVE
AS MEMBERS OF THE BOARD
OF ELECTION INSPECTORS AND
FOR OTHER PURPOSES

Introduced by Senator Pangilinan

To the Committee on Constitutional
Amendments, Revision of Codes and Laws

Senate Bill No. 1767, entitled

AN ACT PROMOTING
BREASTFEEDING BY
ESTABLISHING AND MAINTAINING
LACTATION STATIONS IN
WORKPLACES FOR WORKING
MOTHERS PROVIDING
PENALTIES FOR ITS VIOLATION
THEREOF AND FOR OTHER
PURPOSES

Introduced by Senator Flavier

To the Committees on Labor, Employment
and Human Resources Development; Civil
Service and Government Reorganization; and
Ways and Means

Senate Bill No. 1768, entitled

AN ACT TO DETER AND PUNISH
ACTS OF TERRORISM AND FOR
OTHER PURPOSES

Introduced by Senator Lim

To the Committees on Public Order and
Illegal Drugs; Justice and Human Rights; and
Finance

Senate Bill No. 1769, entitled

AN ACT PROVIDING FOR
COUNSELING AND TESTING
OF PREGNANT WOMEN AND
NEWBORN INFANTS FOR
INFECTION WITH HUMAN
IMMUNODEFICIENCY VIRUS
AND FOR OTHER PURPOSES

Introduced by Senator Luisa "Loi" P.
Ejercito Estrada

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

Senate Bill No. 1770, entitled

AN ACT PROVIDING THE PUBLIC
WITH ADEQUATE NOTICE AND
EDUCATION ON THE EFFECTS
OF EXPOSURE TO MERCURY
THROUGH THE DEVELOPMENT
OF HEALTH ADVISORIES AND
BY REQUIRING THAT SUCH
APPROPRIATE ADVISORIES BE
POSTED, OR MADE READILY
AVAILABLE, AT ALL
BUSINESSES THAT SELL FRESH,
FROZEN, AND CANNED FISH
AND SEAFOOD WHERE THE
POTENTIAL FOR MERCURY
EXPOSURE EXISTS

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Introduced by Senator Luisa "Loi" P. Ejercito Estrada

To the Committees on Health and Demography; and Environment and Natural Resources

Senate Bill No. 1771, entitled

AN ACT TO RATIONALIZE THE COMPOSITION AND FUNCTIONS OF THE NATIONAL LABOR RELATIONS COMMISSION, AMENDING FOR THIS PURPOSE ARTICLES 213, 214, 215 AND 216 OF P.D. 442, AS AMENDED, OTHERWISE KNOWN AS THE LABOR CODE OF THE PHILIPPINES

Introduced by Senator Jinggoy Ejercito Estrada

To the Committees on Labor, Employment and Human Resources Development; and Civil Service and Government Reorganization

Senate Bill No. 1772, entitled

AN ACT TO INSTITUTIONALIZE THE BATAS KASAMBAHAY

Introduced by Senator Jinggoy Ejercito Estrada

To the Committee on Labor, Employment and Human Resources Development

Senate Bill No. 1773, entitled

AN ACT PROVIDING FOR RELIEF FROM AND EXECUTION OF FINAL DECISIONS AND AWARDS OF THE NATIONAL LABOR RELATIONS COMMISSION AND THE LABOR ARBITERS THEREBY AMENDING FOR THIS PURPOSE ARTICLE 223 OF THE LABOR CODE

Introduced by Senator Jinggoy Ejercito Estrada

To the Committee on Labor, Employment and Human Resources Development

Senate Bill No. 1774, entitled

AN ACT CONVERTING THE NATIONAL EDUCATION TESTING AND RESEARCH CENTER (NERTC) INTO A NATIONAL EDUCATION ASSESSMENT AND EVALUATION AUTHORITY (NEAEA), DEFINING ITS STRUCTURE, POWERS AND FUNCTIONS, APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES

Introduced by Senator Jinggoy Ejercito Estrada

To the Committees on Education, Arts and Culture; and Finance

Senate Bill No. 1775, entitled

AN ACT DECLARING AS AGAINST PUBLIC POLICY THE RELEASE OR INTRODUCTION OF GENETICALLY-MODIFIED ORGANISMS INTO THE ENVIRONMENT AND FOR OTHER PURPOSES

Introduced by Senator Jinggoy Ejercito Estrada

To the Committees on Health and Demography; and Environment and Natural Resources

Senate Bill No. 1776, entitled

AN ACT INSTITUTING FAMILY PRIVACY PROTECTION AND FOR OTHER PURPOSES

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Introduced by Senator Jinggoy Ejercito
Estrada

**To the Committee on Youth, Women and
Family Relations**

Senate Bill No. 1777, entitled

AN ACT PROVIDING FOR THREE
SMALL FARMERS'
REPRESENTATIVES IN THE
NATIONAL IRRIGATION
ADMINISTRATION (NIA) BOARD
BY AMENDING REPUBLIC ACT
NO. 3601, AS AMENDED BY
PRESIDENTIAL DECREE NO. 552
AND FURTHER AMENDED BY
EXECUTIVE ORDER 292, DATED
JULY 25, 1987 ENTITLED, AN ACT
CREATING THE NATIONAL
IRRIGATION ADMINISTRATION

Introduced by Senator Jinggoy Ejercito
Estrada

To the Committee on Agriculture and Food

Senate Bill No. 1778, entitled

AN ACT ESTABLISHING A
"TULONG-DUNONG PROGRAM"
FOR STUDENTS OF
UNDERPRIVILEGED FAMILIES
AND AUTHORIZING THE
APPROPRIATION OF ONE
HUNDRED MILLION PESOS
(Php 100,000,000.00) FOR THE
PURPOSE

Introduced by Senator Jinggoy Ejercito
Estrada

**To the Committees on Education, Arts
and Culture; and Finance**

Senate Bill No. 1779, entitled

AN ACT RATIONALIZING THE
FINANCIAL REGULATION OF
WATER UTILITIES, CREATING
THE WATER REGULATORY

COMMISSION AND FOR OTHER
PURPOSES

Introduced by Senator Jinggoy Ejercito
Estrada

**To the Committees on Public Works; Civil
Service and Government Reorganization; and
Finance**

Senate Bill No. 1780, entitled

AN ACT TO INSTITUTE A FREE
PUBLIC COLLEGE EDUCATION
SYSTEM IN THE PHILIPPINES
AND FOR OTHER PURPOSES

Introduced by Senator Jinggoy Ejercito
Estrada

**To the Committees on Education, Arts
and Culture; and Finance**

Senate Bill No. 1781, entitled

AN ACT ESTABLISHING THE
MOVEMENT TO HELP
ERADICATE RAPE AND OTHER
FEMALE ABUSES "(MOTHER),"
MANDATING THE COMPULSORY
TEACHING OF SELF-DEFENSE
TO ALL FEMALE CONSTITUENTS,
APPROPRIATING FUNDS
THEREFOR, AND FOR OTHER
PURPOSES

Introduced by Senator Jinggoy Ejercito
Estrada

**To the Committees on Youth, Women
and Family Relations; and Finance**

Senate Bill No. 1782, entitled

AN ACT INCREASING THE
INTERNAL REVENUE ALLOT-
MENT OF LOCAL GOVERNMENT
UNITS (LGUs) AND AUTHORIZING
ITS AUTOMATIC RETENTION,
AMENDING FOR THAT PURPOSE
SECTIONS 284 AND 286 OF

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R. A. NO. 7160 OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991

Introduced by Senator Jinggoy Ejercito Estrada

To the Committees on Local Government; and Finance

Senate Bill No. 1783, entitled

AN ACT TO RESTORE THE TAX EXEMPTION PRIVILEGES OF ELECTRIC COOPERATIVES CREATED UNDER P. D. 269, OTHERWISE KNOWN AS THE "NATIONAL ELECTRIFICATION ADMINISTRATION DECREE," AMENDING FOR THIS PURPOSE SECTIONS 193 AND 234 (d) OF R. A. NO. 7160 OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991

Introduced by Senator Jinggoy Ejercito Estrada

To the Committees on Cooperatives; and Ways and Means

Senate Bill No. 1784, entitled

AN ACT AMENDING SECTION 144 OF BATAS PAMBANSA BLG. 68, OTHERWISE KNOWN AS THE CORPORATION CODE OF THE PHILIPPINES BY INCREASING THE RANGE OF PENALTIES FOR VIOLATIONS OF ITS PROVISIONS AND FOR OTHER PURPOSES

Introduced by Senator Jinggoy Ejercito Estrada

To the Committees on Trade and Commerce; and Constitutional Amendments, Revision of Codes and Laws

Senate Bill No. 1785, entitled

AN ACT ESTABLISHING A BARANGAY DAY CARE AND WOMEN'S SUPPORT CENTER IN EVERY BARANGAY AND FOR OTHER PURPOSES

Introduced by Senator Jinggoy Ejercito Estrada

To the Committees on Social Justice, Welfare and Rural Development; Local Government; and Finance

Senate Bill No. 1786, entitled

AN ACT INCREASING THE PENALTY FOR ELECTION OFFENSES AND CLASSIFYING CERTAIN ELECTION OFFENSES AS HEINOUS CRIMES AND FOR OTHER PURPOSES

Introduced by Senator Jinggoy Ejercito Estrada

To the Committee on Constitutional Amendments, Revision of Codes and Laws

Senate Bill No. 1787, entitled

AN ACT AMENDING ARTICLE 266-B OF THE REVISED PENAL CODE AND FOR OTHER PURPOSES

Introduced by Senator Jinggoy Ejercito Estrada

To the Committees on Constitutional Amendments, Revision of Codes and Laws; and Youth, Women and Family Relations

Senate Bill No. 1788, entitled

AN ACT AMENDING SECTION 290 OF REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE

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LOCAL GOVERNMENT CODE
OF 1991

Introduced by Senator Flavier

**To the Committees on Local Government;
and Ways and Means**

Senate Bill No. 1789, entitled

AN ACT PROVIDING PROTECTION
AGAINST COMPUTER FRAUD
AND ABUSES AND OTHER
CYBER-RELATED FRAUDULENT
ACTIVITIES, PROVIDING
PENALTIES THEREFOR AND
FOR OTHER PURPOSES

Introduced by Senator Magsaysay Jr.

**To the Committees on Science and
Technology; and Constitutional Amendments,
Revision of Codes and Laws**

Senate Bill No. 1790, entitled

AN ACT REPEALING RELEVANT
PROVISIONS IN CHARTERS OF
GOVERNMENT-OWNED AND
-CONTROLLED CORPORATION
GRANTING ABSOLUTE
AUTHORITY TO DETERMINE
SALARIES AND WAGES

Introduced by Senator Villar Jr.

**To the Committees on Government
Corporations and Public Enterprises; and
Civil Service and Government Reorganization**

Senate Bill No. 1791, entitled

AN ACT ESTABLISHING REGIONAL
EDUCATION CENTERS FOR THE
DISABLED AND FOR OTHER
PURPOSES

Introduced by Senator M. A. Madrigal

**To the Committees on Education, Arts
and Culture; Youth, Women and Family
Relations; and Finance**

Senate Bill No. 1792, entitled

AN ACT CREATING AND
ESTABLISHING THE NATIONAL
LANDMARKS REGISTER AND
FOR OTHER PURPOSES

Introduced by Senator M. A. Madrigal

**To the Committees on Education, Arts and
Culture; and Finance**

Senate Bill No. 1793, entitled

AN ACT PROHIBITING ANY
PERSON FROM PRIVATELY
COMMUNICATING WITH A
JUDGE, FISCAL, ADMINISTRATIVE
OFFICER, OR ANY OTHER
PUBLIC OFFICER INVESTIGATING
OR HEARING A CASE ON ANY
MATTER PERTAINING TO SUCH
CASE, PROVIDING PENALTIES
THEREFOR, AND FOR OTHER
PURPOSES

Introduced by Senator Flavier

**To the Committee on Justice and Human
Rights**

Senate Bill No. 1794, entitled

AN ACT REQUIRING PROVINCIAL
GOVERNORS, CITY AND
MUNICIPAL MAYORS, AND
PUNONG BARANGAY TO POST AND
PUBLISH WITHIN THE
TERRITORIAL JURISDICTION OF
THEIR LOCAL GOVERNMENT
UNITS A SUMMARY OF ALL
INCOME AND REVENUE FROM
BOTH PUBLIC AND PRIVATE
SOURCES AS WELL AS A LISTING
OF ALL DISBURSEMENTS,
EXPENDITURES AND UTILIZATION
OF FUNDS, AND FOR OTHER
PURPOSES

Introduced by Senator Flavier

To the Committee on Local Government

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Senate Bill No. 1795, entitled

AN ACT CREATING THE DEPARTMENT OF INFORMATION AND COMMUNICATIONS TECHNOLOGY, DEFINING ITS POWERS AND FUNCTIONS, APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES

Introduced by Senator Magsaysay Jr.

To the Committees on Public Services; Civil Service and Government Reorganization; and Finance

Senate Bill No. 1796, entitled

AN ACT TO GOVERN THE INTRODUCTION, PROMOTION & DEVELOPMENT OF TELECOMMUNICATIONS-RELATED CONVERGING TECHNOLOGIES & SERVICES

Introduced by Senator Magsaysay Jr.

To the Committee on Public Services

RESOLUTIONS

Proposed Senate Resolution No. 100, entitled

RESOLUTION STRONGLY URGING THE RESUMPTION OF THE DEPLOYMENT OF OVERSEAS FILIPINO WORKERS IN SELECTED AREAS IN IRAQ PARTICULARLY IN U.S. MILITARY BASES LOCATED THEREIN

Introduced by Senators Jinggoy Ejercito Estrada, Pimentel Jr., Angara, Luisa "Loi" P. Ejercito Estrada, Enrile, Lacson, Lim, M. A. Madrigal and Serge Osmeña

To the Committees on Labor, Employment and Human Resources Development; and Foreign Relations

Proposed Senate Resolution No. 101, entitled

RESOLUTION DIRECTING THE SENATE COMMITTEE ON NATIONAL DEFENSE TO CONDUCT AN INVESTIGATION IN AID OF LEGISLATION ON THE PROMOTION SYSTEM OF THE ARMED FORCES

Introduced by Senators Pimentel Jr., Enrile, Lacson, Jinggoy Ejercito Estrada, Lim and Angara

To the Committee on National Defense and Security

Proposed Senate Resolution No. 102, entitled

RESOLUTION DIRECTING THE SENATE COMMITTEE ON PUBLIC WORKS TO INQUIRE, IN AID OF LEGISLATION, INTO THE PLAN OR COURSE OF ACTION TAKEN BY THE DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS ON THE MACARTHUR HIGHWAY AS AN ALTERNATIVE ROUTE TO THE NORTH LUZON EXPRESSWAY IN VIEW OF THE LATTER'S IMPENDING INCREASED TOLL FEES AS A CONSEQUENCE OF ITS CONVERSION INTO A BUILD-OPERATE-TRANSFER SCHEME, AND FOR OTHER PURPOSES

Introduced by Senators Magsaysay Jr., Gordon, Manuel "Lito" M. Lapid and Ramon Bong Revilla Jr.

To the Committee on Public Works

Proposed Senate Resolution No. 103, entitled

RESOLUTION URGING THE PRESIDENT OF THE PHILIPPINES TO UNDERTAKE SUCH STEPS AS MAY BE NECESSARY TO ALLOW ELECTRONICS AND

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SEMICONDUCTOR EXPORTERS REGISTERED WITH THE BOI AND PEZA OPEN/DIRECT ACCESS TO ELECTRIC POWER PRODUCERS AND TO CERTIFY AS URGENT, FOR THIS PURPOSE, THE BILL AMENDING R.A. 9136 OTHERWISE KNOWN AS THE ELECTRIC POWER INDUSTRY REFORM ACT (EPIRA)

Introduced by Senators Mar Roxas, Magsaysay Jr., Enrile, Gordon, Flavio and M. A. Madrigal

To the Committee on Energy

**ADDITIONAL REFERENCE
OF BUSINESS**

RESOLUTIONS

Senate Joint Resolution No. 3, entitled

JOINT RESOLUTION APPROVING THE REORGANIZATION PLAN OF THE PHILIPPINE NATIONAL POLICE PURSUANT TO SECTION 13 OF REPUBLIC ACT NO. 8551, OTHERWISE KNOWN AS THE PHILIPPINE NATIONAL POLICE REFORM AND REORGANIZATION ACT OF 1998

Introduced by Senator Villar Jr.

To the Committee on Public Order and
Illegal Drugs

Senate Concurrent Resolution No. 5, entitled

CONCURRENT RESOLUTION EXPRESSING THE STRONG COMMITMENT OF THE PHILIPPINE CONGRESS TO PEACE AND HUMAN RIGHTS BY ADOPTING THE UNITED NATIONS (UN) RESOLUTION 55/282 DATED 02 SEPTEMBER 2001, AS APPROVED DURING THE FIFTY-FIFTH SESSION OF THE UN GENERAL ASSEMBLY,

PROCLAIMING 21 SEPTEMBER OF EACH YEAR AS THE INTERNATIONAL DAY OF PEACE

Introduced by Senator Drilon

To the Committee on Rules

COMMUNICATION

Letter from Acting Executive Secretary Eduardo R. Ermita of the Office of the President of the Philippines, transmitting to the Senate the letter of Her Excellency, President Gloria Macapagal-Arroyo, dated September 20, 2004, addressed to Speaker Jose C. De Venecia Jr. of the House of Representatives, certifying to the necessity of the immediate enactment of House Bill No. 2933, entitled

AN ACT GRANTING A ONE-TIME TAX AMNESTY ON ALL UNPAID NATIONAL INTERNAL REVENUE TAXES IMPOSED BY THE NATIONAL GOVERNMENT FOR TAXABLE YEAR 2003 AND PRIOR YEARS,

pursuant to the provisions of Article VI, Section 26(2) of the Constitution.

To the Committee on Rules

COAUTHOR

Senator Pangilinan manifested that Senator Cayetano is coauthor of Senate Bill No. 1767.

**PRIVILEGE SPEECH
OF SENATOR BIAZON**

Availing himself of the privilege hour, Senator Biazon delivered the following speech:

I rise today to bring to the attention of the Members of this Chamber an issue that is central to the burning subject matter of the "country's financial crisis." In fact, this issue is not only relevant to

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the present economic quagmire that the country is experiencing. This issue is relevant to the lives of present-day Filipinos and of Filipinos yet unborn. The issue I am talking about is the country's debt situation.

Oh Boy We are in Deep Trouble: The Country's Present Debt Situation

According to the Department of Finance, the current consolidated public sector debt stood at P5.9 trillion at the end of 2003. This figure represents all domestic and foreign debts of the National Government (NG), 14 monitored government-owned and -controlled corporations (GOCCs), the old Central Bank, social security institutions (the GSIS, the SSS, and the Philippine Health Insurance Corporation), the current *Bangko Sentral ng Pilipinas*, and government financial institutions. Divided among an estimated 84 million currently living Filipino man, woman and child, this means each and every one of us owes some domestic or foreign creditor a total of P70,238.09.

In 2003, the Executive branch allotted -- and we, legislators, approved that portion intended for interest payments in the GAA as the principal payment is off-budget due to the Automatic Appropriation Law—P425.6 billion for both principal and interest payments. This year, the proposed amount for debt service is P542.2 billion. Next year, 2005, the total proposed debt service amounts to P645.8 billion, consisting of P344.1 billion for maturing principal and P301.7 billion for interest payments.

This means that in 2003, we were paying our creditors P1.2 billion a day in interest and principal payments, or P48.5 million an hour, or P809,741 a minute. This year, we will be paying P1.48 billion a day, or P62 million an hour, or P1.03 million a minute.

Reading these mind-boggling figures reminds me of those children, all 60 to 80 of them, cramped in a very small classroom in Kasiglahan Village in Rizal that I visited one year ago and how much these amounts would make a difference in their education, and consequently, in their future life.

These figures, with all their seemingly infinite zeros at the end, remind me of our countrymen who are living under flyovers and bridges, along the banks of the river, railroad tracks, on top of garbage dumps, and in danger zones. I wonder how much these amounts could give them in terms of affordable and decent shelter.

These figures remind me too of the destitute whom we see everyday on our way to this Chamber. Again, I wonder how much these amounts could provide them with at least one decent meal a day.

Next year, it gets worse. If the submitted budget of the Executive branch is approved, we will shell out debt payments to the tune of P1.76 billion a day, P73 million an hour, or P1.2 million a minute. It increases everyday.

The amount that we have to pay increases every year. How much will it be when my one-year old granddaughter reaches the age of maturity 20 years from now? Will she be able to provide for herself? Will she be able to provide for her family? Will her generation be able to live a decent life?

Oh Boy, Aren't We in Deep Trouble?

That is the gravity of the debt problem. That is the enormity of the public sector debt. The problem of the debt lies at the heart of the fiscal quagmire we are currently stuck in. How did this situation evolve? How did we end up neck-deep in this fiscal dilemma?

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Through the years, the Executive department, in order to put a mark in history, put impact projects in place, funded through borrowings and fiscal arrangements that carried sovereign guarantees. How much did the former governments fund the operations of government through borrowings? How much did the former governments sink us because they could not fund properly what they wanted to do?

The P5.9 Trillion Public Sector Debt: A Historical Perspective

In 1965, the Philippines' debt stood at just under US\$1 billion. At that time, the private sector's debt accounted for half of the country's foreign debt.

During the 14-year period of the Marcos administration, the government bestowed sovereign guarantees on loans of certain private entities and corporations.

The national government also extended guarantees on foreign loans directly contracted by government banks like the Philippine National Bank, the Development Bank of the Philippines, and Philguarantee. Loans were then extended by these GOCCs to beef up the capital of these firms. Despite these interventions, the businesses of these private entities and corporations turned sour, and the government ended up assuming their liabilities and debts.

These "favors" extended by the national government have been pointed out by some economists and financial analysts, as well as cause-oriented groups, as one of the culprits in the increase of the country's debt during the Marcos administration. Another culprit being pointed to is the international creditors.

As oil prices rose in the early 1970s, trade among the nations of the world slumped while the oil-producing countries earned so much foreign exchange which they deposited in banks in the Western

countries. These became the so-called petrodollars.

Consequently, these banks and financial institutions were suddenly awash with extra cash and capital. Driven by the need to invest the surplus capital, they aggressively peddled loans to Third World countries like the Philippines—whether or not these loans were actually needed for development.

At one time, I, as chairman of the housing committee in the Ninth Congress, was approached by petrodollar holders willing to fund our housing programs and projects, and exacting, as they say, only 2% interest a year on the loan that we may take out.

Loans were lent irresponsibly to corrupt governments and dubious projects that were nonviable, damaging to communities and the environment, or tainted with fraud and onerous terms. These creditors also liberally extended loans to private corporations requiring government guarantees, conveniently ensuring repayment, in case of default, with taxpayers' money.

The end result? The enormous growth of the external debt of Third World countries eventually leading to a debt crisis in the early 1980s. Mexico's threat of default in 1982 signaled the gravity of the debt crisis. By then, many developing and poor countries were teetering on the brink of financial collapse or going through severe economic contraction. In the Philippines, this was evidenced by the debt moratorium declared by the Marcos government in 1983.

When Ferdinand Marcos was overthrown by a military-supported popular revolt in 1986, the country had an outstanding foreign debt of \$26 billion. The Aquino administration, when it took over government in 1986, decided to honor all debts incurred by the Marcos administration.

Handwritten marks: a checkmark and a signature.

As such, before the end of 1986, the Aquino government assumed up to \$2.74 billion of private sector debts. By 1988, assumed debts accounted for 38% of the increase in the national government's foreign debt.

By 1992, the government had assumed foreign and domestic obligations amounting to P194.86 billion. It also assumed the liabilities of government financial institutions that earlier bailed out corporations owned by private citizens. These include the following:

Philippine National Bank	- P72 billion
Development Bank of the Philippines	- P83.7 billion
Philguarantee	- P6.3 billion

Aside from these assumed liabilities, the borrowings of the Aquino government reached P383.3 billion, further exacerbating our debt problem.

When President Ramos took over the presidency in 1992, the country was plagued by a power crisis that threatened to wreak havoc on the nation's economy. He asked and eventually got Congress to enact Republic Act No. 7648, "An Act Prescribing Urgent Related Measures Necessary and Proper to Effectively Address the Electric Power Crisis and for Other Purposes," on April 5, 1993.

Section 3 of said law authorized the President "to enter into negotiated contracts for the construction, repair, rehabilitation, improvement or maintenance of power plants, projects and facilities...." Thus, the government, through the National Power Corporation (Napocor), entered into Build-Operate-Transfer (BOT) contracts with Independent Power Producers (IPPs). Per government records, from September 1992 to November 1997, government entered into 31 BOT contracts with IPPs.

Whatever form, the government, through the Napocor, extended its guarantees to these IPPs, whether debt obligations, incomes and profitability, or the so-called performance guarantees; and whether or not these contracts were onerous and disadvantageous to the government, the fact remains that these Napocor deals still contributed to the escalation of the country's public sector debt. In fact, according to a study by Manasan, these guarantees would eventually make the NPC the biggest contributor to the public sector deficit -- about 77% to 78% in 2004.

Under the Ramos government, by the end of 1996, the public sector domestic debt reached P1.5 trillion and total government borrowings reached P401 billion.

In its two-and-a-half years in power, the Estrada government borrowed P725.1 billion and paid out P597.7 billion in interest and principal payments. Some analysts point to the drop in government tax effort from 16.3% of Gross National Product (GNP) in 1997 to about 12% of GNP in 2000, as one of the contributory factors to the escalation of indebtedness of that administration.

From the year 2001 to 2004, following the ouster of the Estrada government, the Arroyo administration borrowed P1.32 trillion. One does not need a degree in Economics to understand the effect of these borrowings on the country's debt situation.

Presently, the National Government continues to absorb liabilities from GOCCs, local government units and even private companies. This only further increases the country's debt stock. We do not even know if this is all.

In the hearings this afternoon, I raised the issue of whether or not the government

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knows the actual magnitude of our indebtedness since our economic managers, even our fund managers, are not in possession of the actual figures.

In my presentation of the history of our outstanding public sector debt, I have mentioned each administration's borrowings in passing. For the record, and for purposes of comparison, allow me again to present each administration's borrowings.

National Government (NG) Borrowings 1986-2003: Who Borrowed Most?

The administration of Cory Aquino from 1986 to 1991 borrowed a total of P383 billion. Out of this amount, gross domestic borrowings accounted for P273.4 billion, while gross foreign borrowings accounted for P109.9 billion.

The National Government borrowings during the Ramos administration from 1992 to 1997, amounted to P401 billion; gross domestic borrowings amounted to P245.5 billion; and gross foreign borrowings amounted to P146.4 billion.

During the short-lived Estrada administration from 1998 to 2000, the government borrowed a total of P725.2 billion. Gross domestic and foreign borrowings were P411 billion and P314.1 billion, respectively.

From 2001 to 2003, the Arroyo administration borrowed a total of P930.3 billion. Out of this total amount, P545 billion was borrowed domestically and P385.3 billion was borrowed from abroad.

The figures speak for themselves on which administration borrowed most. As to the reasons behind each administration's borrowings, this Body's guess is as good as mine.

In fact, I have many more questions regarding the country's present public sector debt.

Musings From An Inquisitive Legislator: Issues and Concerns on the Debt Problem

With the country's P5.9 trillion in public sector debt staring us in the face, one cannot help but ask certain questions. Why is it that we seem to be addicted to borrowings? We seem to have the propensity to borrow and to pay what we borrowed. Confusing as it may seem, this is what is happening to us right now.

Our country is like our small farmers who have to borrow at every step in the production cycle. They have been doing so for a long time now, shackled to the whims and caprices of the usurious "5-6" operators. Is our country in the same boat as our farmers?

Why is it that even if the Constitution vests Congress with the power of the purse, it does not seem to have control over how we pay our debt and more importantly, probably, to a great extent, how much we borrow?

How are impact projects identified? What are the parameters involved in granting sovereign guarantees on these projects? How should government grant guarantee covers?

What is the nature and extent of our P5.9 trillion debt? How much do we owe and to which creditor? When will these debts fall due?

I do not know the answers to these questions.

What are the mechanisms, policies and laws that perpetuate this vicious cycle of borrowing to pay off old loans that keeps us shackled and at the mercy of our creditors?

To these questions too, I do not know the answers.

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Amidst all these questions, one thing is certain -- we have to grapple with the country's debt situation honestly, fairly and squarely, bereft of all the politics that usually accompanies such discussions. This we have to do if we are to provide a peaceful, progressive and sustainable future for our countrymen. Not of this generation alone but the generations of Filipinos yet to be born.

Grabbing the Bull By Its Horns: Yesterday Was the Time to Act

Clearly, yesterday was the time to grab the bull by its horns. However, it may not be too late if we are to do it now.

We have procrastinated too long already on our debt problem. We have tested the famous and often misinterpreted Filipino characteristic of resiliency too much. Let us remember that, just like the bamboo, it breaks when it is buffeted by very strong winds. So too will this fabled Filipino resiliency if so much pressure is forced upon it. Let us not wait for it to break.

It is in this light that this Representation filed Joint Resolution No. 1, "Creating a Congressional Commission to Review and Assess the Debt Policies, Strategies and Programs of the Philippines, Conduct a Public Audit of all Loans Acquired Including Assumed and Contingent Liabilities, Validate the Utilization of Loan Proceeds, and the Payments Made Thereon, and Recommend Policies and Strategies to Reduce Debt Service as Well as Institutional and Infrastructural Measures to Ensure Sound Fiscal and Monetary Status of the National Government Principally Through Effective Debt Management".

May I take this opportunity to inform the Body that this resolution has already been adopted by our colleagues in the House of Representatives. I thought that they passed this on Third Reading last

night. By this time, it may have been transmitted already to this Chamber.

Clearly, the ball is in our hands, esteemed colleagues. I therefore urge the Members of this honorable Chamber to act urgently on this resolution. The trust and confidence bestowed upon us by the people give us no reason to act otherwise.

INTERPELLATION OF SENATOR ENRILE

At the outset, Senator Enrile agreed with Senator Biazon that it is time the debt problem of the country was addressed and, if possible, controlled.

Senator Enrile observed that the joint resolution, in effect, seeks to create an office and appropriate funds therefor. He asked if such a legislative effort has any precedent in the history of Congress. Senator Biazon replied that he was not aware of any.

Asked if the resolution was based on a study made by the legal office of either the House of Representatives or the Senate, Senator Biazon replied that many sectors, realizing that something has to be done about the current problem, put the idea together.

Senator Enrile agreed that there is need to urgently address the problem but expressed concern that any effort of the Congress might be cut short by a proactive Supreme Court if the matter is brought before it for decision. He recalled that there was never an instance in the past when a joint resolution of Congress created an office, installed public officers and appropriated money for the purpose.

Senator Biazon admitted that no legal studies were made on the issue, saying that in the general concept of legislation, however, it could be crafted at the appropriate time.

On the observation that it would be better for the Congress to enact a law on the matter rather than experiment, the result of which might just be overthrown by an act of the Supreme

Court, thereby wasting the people's money, Senator Biazon agreed as he said that it would mean having to go through the legislative process.

Senator Enrile clarified that he was in favor of the resolution but he was simply being cautious as the Members might encounter problems in enacting it.

Asked how the debt problem could be addressed, Senator Biazon replied that the first step is to create a commission which shall determine the magnitude and nature of the national debt and how it was incurred, and then provide the subsequent steps that have to be taken.

Asked if Malacañang should be asked to stop borrowing while the Senate is still debating the matter, Senator Biazon replied that it is a course of action that could be taken. He said that he was not sure, however, if Congress could require Malacañang to stop borrowing.

On whether the Congress should pass a resolution asking Malacañang to stop borrowing while Joint Resolution No. 1 is still being considered, Senator Biazon replied that he would support such a move, especially if it is constitutionally permissible.

Senator Enrile stressed that the Body should not be tentative about its decisions. He argued that any resolution presented to the Body should be well-thought out and well-studied, the author being sure of his legal and constitutional position. He said that he was testing the strength of the proposal by asking about the specific position of Senator Biazon. He explained that he agreed with the thrust of the resolution that the Body should look into the propensity of the government to borrow and how these funds were being utilized.

On whether he was prepared to ask the Macapagal Arroyo administration to stop borrowing in light of the government's present fiscal position, Senator Biazon replied that he filed Joint Resolution No. 1 so that a deliberate study of the problem could be undertaken.

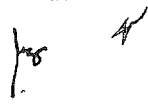
Senator Enrile inquired about the current foreign debt of the country as he recalled that when the Marcos regime was toppled, this was pegged at \$26 billion. Senator Biazon pointed out that even the country's economic managers do not have that data, thus, the need for the creation of the commission. Senator Enrile estimated that the Philippine foreign debt at present is between US\$59 billion and US\$60 billion, to which Senator Biazon agreed.

Assuming that the difference in the aggregate borrowings of the Marcos regime and the present administration is US\$33 billion, Senator Enrile asked how much of it was brought about by the balance of payment problem, the operational needs of the government and the government infrastructure projects. Senator Biazon replied that he did not have a breakdown of the expenditure and neither did the representatives of the Executive department able to provide the data.

Senator Enrile stated that the US\$26 billion foreign debt left by the Marcos regime was the debt accumulated from the time of Aguinaldo up to 1986. In reaction, Senator Biazon replied that when President Marcos ascended to the presidency in 1965, the country's foreign debt stood at US\$1 billion; when he left office, the foreign debt stood at US\$26 billion which means he accumulated US\$25 billion in debt. However, Senator Enrile pointed out that this amount was accumulated during the 20 years that President Marcos was in power; so between 1986 and 2004, the country borrowed US\$33 billion.

Asked whether the Marcos administration was more wasteful than those that succeeded it, Senator Biazon replied that it was a judgment call as he stressed the need for an examination of the utilization of the borrowed funds.

Senator Enrile expressed support for the proposed creation of the commission so it could establish how the country's borrowings were utilized. He pointed out that the \$26 billion debt accumulated by the late President Marcos was used for the construction of "friendship highways," the Mactan Airport, San Juanico



Bridge, harbor development, rural electrification, dams, the Bataan Nuclear Power Plant, irrigation canals, highways and other modernization projects. He opined that it is better for the people to learn how these funds were used so that they could judge the late President justly.

On the observation that even the GSIS building was a product of the Marcos administration, Senator Biazon agreed as he added that the edifice was not completed until the term of then President Corazon Aquino. Senator Enrile stated that the Aquino administration received credit for the project which was conceptualized by the Marcos administration. He opined that it was the Marcos administration that conceptualized many projects.

Senator Enrile cautioned the Body, however, to carefully study the matter and see whether offices like the proposed commission could be created through a resolution and if funds could be appropriated for the purpose. Moreover, he agreed to the proposal to conduct a full-dress inquiry into the borrowings of the government, including those of past administrations, to avoid repeating past mistakes. He suggested that limits be established on government borrowings and that Congress ought to exercise some degree of control over the Executive department. Senator Biazon stressed that Joint Resolution No. 1 aims to address these matters.

Asked about the total amount of borrowings of independent power producers (IPPs) that the Aquino and Ramos administrations guaranteed, Senator Biazon said that he was still waiting for the list of loans and projects guaranteed by government that Power Sector Assets and Liabilities Management Corporation (PSALM) representative Raphael Lotilla had promised to submit to his office last Monday. Senator Enrile said that data from the National Association of Electricity Consumers for Reforms (NASECOR) put the amount at P700 billion. Senator Biazon agreed.

Relative thereto, Senator Enrile suggested that the proposed commission also conduct an inquiry into the inordinate contracting of power generation that had heavily indebted the

Philippines owing to guarantees it made for the National Power Corporation. Senator Biazon noted that the construction of the San Roque and Casecan dams are good examples of questionable projects. He pointed out that two years ago, the government began paying P6.8 billion annually for the Casecan project and the payment would continue for the next 20 years.

Relative to the Estrada administration, asked whether the P597.1 billion for interest payment was taken out of the P725.1 billion borrowings, Senator Biazon assumed that it was so.

Asked whether then President Estrada had to borrow P725.1 billion because of a loan that he inherited, Senator Biazon explained that the practice of borrowing was started by the Macapagal administration and has been continued by succeeding administrations as the loans matured.

In closing, Senator Enrile said he would support the proposal but stressed that the mechanics for its implementation should be studied.

INTERPELLATION OF SENATOR OSMEÑA

Senator Osmeña noted that in the speech, Senator Biazon mentioned the P5.9 trillion domestic and foreign debts as of December 2003; however, he said the figure did not include the P1.8 trillion contingent liability of government broken down into P1.4 trillion for SSS and P400 billion for GSIS. He said that the reason it does not appear immediately is that these are debts contingent upon certain things not happening, which represents a great danger to the country's future fiscal position because it may suddenly become due and payable or demandable. Besides, he pointed out, there are many other loans incurred by the GOCCs that have the *imprimatur* of sovereign debt; meaning, if these companies do not pay, the Philippine government undertakes to pay on their behalf. For instance, he said, the direct financial debt of Napocor does not include the foreign guarantees that have been extended by the Philippine government, as in the CBK-IMPISA project.

Asked whether the pensions that have to be paid to servicemen who have contributed for years to the AFP Retirement and Separation Benefits System (RSBS) are included in the P5.9 trillion, Senator Biazon replied in the negative.

Senator Osmeña believed that the RSBS, which is practically bankrupt, should be closed. Senator Biazon explained that a committee hearing on the RSBS is being conducted to examine the following options: 1) the liquidation of RSBS and the return of all the contributions of the members; 2) the restructuring of RSBS so it can take over from the government the payment of the pension of military retirees; or 3) getting the government to pay the liability of RSBS. Senator Osmeña believed that this contingent liability should be added to the total debt of the government because RSBS does not have the money to pay. He said that the total assets of RSBS which used to be P24 billion or P25 billion is now only P5 billion.

Based on the RSBS report during the last hearing, Senator Biazon said that its total assets at this time is P12 billion but whether it is P24 billion or P25 billion is subject to an accurate projection of its earnings from investments. Senator Osmeña observed that whenever the Senate investigates a pension fund or pre-need plan, the claim of the managers is that they can catch up but, apparently, it would be impossible for the RSBS to do so. Probably, he said, the only way it can catch up is to gamble and see if it can make a hundred percent return every year for the next five years. But essentially, he pointed out, these institutions are supposed to be the most conservative because they are handling the savings of members — 100,000 to 200,000 reservists in the case of RSBS, 25 million in the case of the SSS, and 1.5 million in the case of the GSIS. He explained that these are funds that have to be conservatively invested to ensure that the actuarial estimates would be met when the obligation matures.

Senator Biazon disclosed that during the hearing, the SSS could not assure the payment of the retirement benefits of workers. He said that in the case of the GSIS, the workers contribute 9%, and the employer, 12%, or a total

of 21% based on the base pay, and after retirement, the government worker is assured of a minimum pension of only P2,500 per month. In the case of RSBS, he explained, the contribution of soldiers in the active service is only 5% and there is no counterpart contribution from the government; however, the pension of a soldier after retirement is way above the pension of a government worker. For instance, he said that a retired soldier with the rank of master sergeant, would get a basic pension of about P15,000 per month with an additional old age pension of P5,000 when he reaches the age of 65, and additional P1,700 or a total of P21,700 when he reaches the age of 70. In terms of fund build-up, he said, RSBS is way below the GSIS or SSS, that is why, RSBS can never take over from the government the payment of the pension of all military retirees, even if the fund is managed well and investments earn high.

Senator Osmeña noted that some government institutions like Napocor have their own pension plans, while the GSIS takes care of those not covered by other pension plans, and understandably, the worker will always choose the plan that gives more. He stated that one of his worries is that with only 5% contribution from the members, it would be impossible for RSBS to meet the statutory payments several years down the line. Senator Biazon agreed, adding that the government counterpart to that contribution was supposed to amount to P720 million, of which only P200 million was actually given.

Senator Osmeña believed that the P720 million would not also make sense because the government counterpart would depend upon the number of members of the system.

Senator Osmeña noted that the Congress mandated an increase in SSS or GSIS benefits without looking at the commensurate need for an increase in contributions to ensure that actuarially, the increase in benefits being declared would be met. He disclosed that the GSIS, aside from having a bigger contribution rate than SSS (9.4%), has a big advantage in that it has an almost 30% monopoly on the non-life insurance market because all government agencies, properties and buildings have to be insured only

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through GSIS; and this is used to subsidize or to fatten up the GSIS fund. However, in spite of this, he said, the GSIS is still actuarially behind by P400 billion such that if it decides to close today and merely serves all the contributions that have been collected in the past three or four decades from its members, it would be in the red. He reiterated that the P400 billion of the GSIS and the P1.4 trillion of the SSS are components of the government's contingent liability. He pointed out that in the case of the SSS in 2003, it collected P38 billion, including income from investments, and spent P42 billion, which means a gap of P4 billion.

Noting that the government cannot rely on the accuracy of the reports of the managers of such institutions, Senator Biazon stressed the importance of creating a commission precisely to enable the government to determine the real amount of liabilities, how they were incurred and how they could be paid up. Senator Osmeña agreed as he pointed out that of the five principles of management — planning, organizing, staffing, financing and control — control, the most important, should be exercised by Congress, otherwise, it would be like giving the Executive department a blank check to spend. However, in the absence of congressional control on spending, he said that he would propose the creation of a permanent oversight committee where the DBM, the DOF and the GOCCs have to report quarterly so that Congress could look into how they have spent their funds. Congress should not allow unauthorized spending, he added. He stated that he would not be surprised if the wasteful spending would continue. He decried that the administration has window-dressed the balance sheet which is unacceptable.

Senator Biazon agreed, noting the propensity of the incumbent administration to put up impact projects funded by borrowings. He averred that to prevent the collapse of government and to continue operating, a cash-strapped administration would continue to borrow. Sadly, he said, the administration incurs debts without the knowledge of Congress; and the only time the Congress becomes aware of it is when the administration asks Congress to increase the automatic debt service appropriation or to enact tax measures.

Senator Osmeña stated that unlike the Philippine Congress, the United States Congress has two separate committees -- the Budget Committee which determines how money is going to be spent and the Appropriations Committee which determines the spending limit. He added that the U.S. Congress passes seven appropriations bills and continuously monitors the spending level of government. He said that in the Philippines, the Congress is kept in the dark as the administration officials keep lying through their teeth, and this is disrespectful both to Congress and to the system of checks and balances in a democracy.

Senator Osmeña suggested that the mandate of the proposed commission be expanded so that it could have a full-time staff to continuously monitor the budget. He noted that money from committees that do nothing but are fully staffed could be used for this purpose.

Senator Osmeña stated that the Members of Congress have complained about guarantees and debts incurred for past projects, yet they have allowed the government to enter into loans and commit to long-term repayment. He adverted to the recent trip of President Macapagal Arroyo to China when a US\$400 million loan was signed to upgrade the national railway, a project that did not pass through Congress. He said that such project would lose money.

Citing project studies done in the U.S. on railroads, Senator Osmeña said that passenger trains do not make money, only long railways for trains which carry heavy loads such as coal, steel and cars. He added that the proposed bullet train from Los Angeles to Las Vegas was cancelled because it was going to lose money, and the elevated rail system in Los Angeles continue to lose money.

Senator Osmeña noted that the debt service for 2005 is P301 billion and for 2004, P275 billion with principal repayment at P150 billion. He added that in 2004, the consolidated public sector deficit is another P150 billion; the national government deficit is P200 billion. He said that new borrowings in 2004, in effect, would roughly total P350 billion.

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Senator Biazon said that he was beginning to doubt the information given by the country's economic managers. He added that the creation of the commission would enable the Members to get accurate information.

Senator Osmeña opined that the Congress should not pass the national budget until the following are put in place: a system of control, certain conditionalities on how the money would be spent; and also an examination of who should be criminally charged for wasting the people's money.

Asked if the national budget could be passed in two to three months' time, Senator Biazon replied that it would depend on how the Congress could fast-track it, and one way of doing it is by convening the Senate as Committee of the Whole.

Senator Osmeña stated that he would abide by the collective decision of the Members.

REFERRAL OF SPEECH TO THE COMMITTEES

Upon motion of Senator Pangilinan, there being no objection, the Chair referred the speech of Senator Biazon and the interpellations thereon to the Committee on Finance as the primary committee, and to the Committee on Economic Affairs as the secondary committee.

COAUTHORS

Upon his request, Senator Pangilinan was made coauthor of Senate Joint Resolution No. 1.

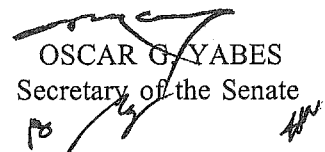
Senator Pangilinan manifested that Senators Magsaysay and Gordon are coauthors of Proposed Senate Resolution No. 100.

ADJOURNMENT OF SESSION

Pursuant to the legislative calendar, upon motion of Senator Pangilinan, there being no objection, the Chair declared the session adjourned until three o'clock in the afternoon of Monday, October 25, 2004.

It was 5:43 p.m.

I hereby certify to the correctness of the foregoing.


OSCAR G. YABES
Secretary of the Senate

Approved on October 25, 2004