



**REPUBLIC OF THE PHILIPPINES**

**S e n a t e**

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# **Journal**

**SESSION NO. 78**

Monday, April 25, 2005

**THIRTEENTH CONGRESS  
FIRST REGULAR SESSION**

**SESSION NO. 78**  
Monday, April 25, 2005

**CALL TO ORDER**

At 3:54 p.m., the Senate President, Hon. Franklin M. Drilon, called the session to order.

**PRAYER**

Sen. Luisa "Loi" P. Ejercito Estrada led the prayer, to wit:

Dear Lord,

We pray that You save us from ourselves. The world that You made for us, to live in peace, we have made into an armed camp.

We live in fear of war to come. We are afraid of the "terror that flies by night and the arrow that flies by day, the pestilence that walks in darkness and the destruction that wastes at noonday."

We have turned from You to go our selfish way. We have broken Your commandments and denied Your truth. We have left Your altars to serve the false gods of money and pleasure and power.

Forgive us and help us. Now, darkness gathers around us and we are confused in all our counsels, losing faith in You, we lose faith in ourselves.

Inspire us with wisdom, all of us of every color, race and creed, to use our wealth, our strength to help our brothers and sisters, instead of destroying them.

Help us to do Your will as it is done in heaven and to be worthy of Your promise of peace on earth.

Fill us with new faith, new strength and new courage, that we may win the Battle for Peace. Be swift to save us, dear Lord, before darkness falls.

Amen.

**NATIONAL ANTHEM**

The Teklado School of Music Singing Ensemble led the singing of the national anthem and, thereafter, rendered the song entitled *Isang Dugo, Isang Lahi, Isang Musika*.

**ROLL CALL**

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

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.
Drilon, F. M.	Pangilinan, F. N.
Ejercito Estrada, J.	Pimentel Jr., A. Q.
Ejercito Estrada, L. L. P.	Revilla Jr., R.B.
Enrile, J. P.	Roxas, M.
Flavier, J. M.	Villar, M. B.

With 18 senators present, the Chair declared the presence of a quorum.

Senators Gordon, Magsaysay, Osmeña and Recto arrived after the roll call.

Senator Defensor Santiago was absent on account of illness.

**ANNOUNCEMENT OF SENATOR PANGILINAN**

Senator Pangilinan announced that the Body would consider Proposed Senate Resolution No. 195 (Convention on Tobacco Control) for Third Reading at a later hour in view of Senator Enrile's request that he be given time to prepare his manifestation.

**APPROVAL OF THE JOURNAL OF SESSION NO. 77**

Upon motion of Senator Pangilinan, there being no objection, the Body dispensed with the reading of the Journal of Session No. 77 and considered it approved. *AS*

*to*

**REFERENCE OF BUSINESS**

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

**MESSAGE OF THE PRESIDENT  
OF THE PHILIPPINES**

Letter of Her Excellency, President Gloria Macapagal Arroyo dated 8 March 2005, submitting to the Senate for its consideration, certified true copies of the *Protocol Amending the Convention between the Government of the Republic of the Philippines and the Government of New Zealand for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income*, which was signed in Wellington, New Zealand on 21 February 2002.

**To the Committee on Foreign Relations**

**MESSAGE FROM THE HOUSE  
OF REPRESENTATIVES**

Letter from the Secretary General of the House of Representatives dated 18 April 2005, informing the Senate that on even date, the House of Representatives elected Representatives Roman, Figueroa and Marcos as additional conferees to the Bicameral Conference Committee on the disagreeing provisions of House Bill No. 3555, entitled

AN ACT RESTRUCTURING THE  
VALUE-ADDED TAX, AMENDING  
FOR THE PURPOSE TITLE IV OF  
THE NATIONAL INTERNAL  
REVENUE CODE OF 1997, AS  
AMENDED, AND FOR OTHER  
PURPOSES;

House Bill No. 3705, entitled

AN ACT AMENDING SECTIONS 106,  
107, 108, 109, 110 AND 111 OF THE  
NATIONAL INTERNAL REVENUE  
CODE OF 1997, AS AMENDED, AND  
FOR OTHER PURPOSES;

and Senate Bill No. 1950, entitled

AN ACT AMENDING SECTIONS 27, 28,

34, 106, 108, 109, 110, 111, 112, 113, 114, 116, 117, 119, 121, 122, 125, 148, 151, 236, 237 AND 288 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

**To the Committee on Rules**

**RESOLUTIONS**

Proposed Senate Resolution No. 236, entitled

RESOLUTION DIRECTING THE  
SENATE COMMITTEE ON GAMES,  
AMUSEMENT AND SPORTS TO  
CONDUCT AN INVESTIGATION,  
IN AID OF LEGISLATION, INTO  
THE IMPLEMENTATION OF  
THE ANTI-JUETENG LAW AMIDST  
THE RAMPANT OPERATIONS  
OF JUETENG AND OTHER FORMS  
OF ILLEGAL GAMBLING

Introduced by Senator Pimentel Jr.

**To the Committee on Games, Amusement  
and Sports**

Proposed Senate Resolution No. 237, entitled

RESOLUTION CREATING A SELECT  
OVERSIGHT COMMITTEE ON  
ANTI-TRAFFICKING IN PERSONS

Introduced by Senator M. A. Madrigal

**To the Committee on Rules**

**COMMUNICATION**

Letter from Director Lamberto R. Barbin of the Office of the President of the Philippines, transmitting to the Senate for its information and guidance a certified copy of Proclamation No. 822, entitled

DECLARING A PERIOD OF NATIONAL  
MOURNING OVER THE PASSING  
AWAY OF POPE JOHN PAUL II

**To the Archives**

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**ADDITIONAL REFERENCE OF BUSINESS****RESOLUTION**

Senate Joint Resolution No. 5, entitled

JOINT RESOLUTION EXPRESSING THE SENSE OF CONGRESS TO INCREASE THE DAILY SUBSISTENCE ALLOWANCE OF THE OFFICERS, ENLISTED PERSONNEL AND THOSE UNDERGOING TRAINING OF THE ARMED FORCES OF THE PHILIPPINES (AFP), PHILIPPINE NATIONAL POLICE (PNP), BUREAU OF FIRE PROTECTION (BFP) AND BUREAU OF JAIL MANAGEMENT AND PENOLOGY (BJMP), WITH A PERIODIC ADJUSTMENT EVERY THREE YEARS, PROVIDING FUNDS THEREFOR, AND FOR OTHER PURPOSES

Introduced by Senator Biazon

To the Committees on National Defense and Security; Public Order and Illegal Drugs; and Finance

**PRIVILEGE SPEECH  
OF SENATOR EJERCITO ESTRADA (J)**

Availing himself of the privilege hour, Sen. Jinggoy Ejercito Estrada delivered the following speech:

**WATCHING PAGCOR LIKE A HAWK:  
THE GAMBLING REPUBLIC, PART 2**

I rise again today to denounce the continuing and scandalous anomalies and excesses of the present management of the Philippine Amusement and Gaming Corporation, or Pagcor.

The last time I stood before this august Body on March 7, incidentally two years when I was freed on bail, to expose irregularities in Pagcor, I committed to watch this gambling apparatus like a hawk.

That is what I have precisely done. Some well-meaning friends and colleagues have advised me to give up this campaign.

*Binalaan ako na naghahanda raw ang mga opisyal ng Pagcor na gagamit ito ng malaking halaga at ng buong puwersa ng kapangyarihan at impluwensiya nito para siraan ako at maglunsad ng isang malawakang smear campaign laban sa akin at sa aking pamilya.*

*Sa unang privilege speech ko pa lamang tungkol sa Pagcor, nakatanggap na ako ng pahiwatig ng areglo at suhol para manahimik lang ako.*

*Nang hindi ako pumayag, hinigpitan nila ang galaw ng aking ama, ang Pangulong Joseph Estrada, sa Tanay sa pagtanggap ng mga dalaw at bisita.*

But I cannot, in conscience, stand idly and watch Pagcor's management bleed the agency and deprive our government of badly needed resources while we continue to impose new taxes on our citizens to raise funds.

I cannot close my eyes to the continuing plunder and pillage of Pagcor winnings and resources while a gambling culture continues to be institutionalized in our country today.

*Sa araw na ito, Abril 25, may apat na taon na ngayon ang nakararaan, ako at ang aking ama ay hinuli at ikinulong ng gobyernong ito dahil sa isyu ng sugal. Ito po ang ika-apat na anibersaryo ng aming pagkaka-aresto.*

I find this bitter and ironic *na kami ni Pangulong Estrada ang nakulong dahil sa paratang na may kaugnayan sa sugal, samantalang ang mga galamay ng gobyernong ito ang patuloy ngayong nagpapasasa sa sugal — kaliwa't-kanan, garapal at walang pakundangan.*

As I stand before you today, freed on bail, my father continues to suffer in detention and denied the society of his friends and family.

Meanwhile, the gambling and plunder machineries of the minions of this present administration continue to pursue their illegal activities with impunity, with boldness and audacity, to the extent of even expanding its illegal operations.

A lot of things have happened since my last privilege speech.

Three more slot machine arcades under the same dubious 60-40 contract arrangements have been opened. These are the East Bay Hotel Casino in Antipolo-Binangonan, the Sogo Hotel in San Pedro, Laguna, and the Subic International Hotel in the Subic Free Port Area. East Bay Hotel Casino, incidentally, not only operates slot machines, but also maintains table games.

*Sa madaling salita, sa halip na mag-palipas muna dahil may imbestigasyon na sa Senado, nagdagdag pa. Walang tigil ang panganganak ng programang ipina-abort kuno ni Ginang Arroyo. May bendisyon kaya ito ni Ginang Arroyo?*

These ventures will add up to the losses being incurred by government that are growing day by day, especially now that the operations of the Hyatt Casino are in full swing.

The Hyatt Casino — which is the main subject of my speech today — is an entirely different story.

This contract is more anomalous than the 15 contracts Pagcor has with private operators of slot machine arcades.

*Mas masahol ito dahil hindi lang 40 porsiyento ng kita sa slot machines ang ipinamimigay ng Pagcor sa ka-partner na private operator.*

*Pati po kita sa table games kasali na po sa hatian.*

*Sa madaling salita, 40 porsiyento ng kita ng buong Hyatt Casino ang nawawala sa gobyerno at napupunta sa may-ari ng hotel.*

*Sa halip na piso ang pumasok sa kaban ng bayan, 60 sentimos na lang.*

*At tulad po ng ibang kontrata, bayad daw ito sa renta.*

The Hyatt Casino generated net winnings of P1.22 billion from March 2004 to February 2005.

But out of this amount, only P733.8 million was recorded in the books of Pagcor as its income. A total of P489 million went to Marina Square Properties, Inc. supposedly as Pagcor's rental payment.

I say supposedly because the amount is not recorded in the financial books of Pagcor as rent.

If, as Pagcor officials say, what they have is a lease contract and not a joint-venture agreement, then how come it does not record a rental expense in its books?

I ask this because I have been informed that, by some kind of accounting magic, the rental payment is not recorded at all. We do not know how and why it passes the scrutiny of the Commission on Audit.

But that is not all.

The rent — if they wish to call it rent — is excessive, and is becoming more excessive everyday because it is fixed at 40 percent of the winnings of the entire casino.

In its first 12 months of operations, Pagcor paid Hyatt almost half-billion pesos in rent for one casino. This is more than half of the rent paid by Pagcor in its 13 other wholly owned casinos.

But what is more disadvantageous is that the Hyatt Casino — from which Pagcor gets only 60 percent of winnings—competes directly with those 100-percent owned by Pagcor. It cannibalizes Pagcor's own market.

*Patunay po dito ang patuloy na paglipat ng mga manlalaro mula sa ibang casino ng Pagcor patungo sa Hyatt Casino.*

*Kaya po habang tumatagal ang ganitong klase ng kontrata, ang kinikita po sa mga casinong pag-aaring buo ng Pagcor ay parang spaghetting pababa ng pababa. Samantala ang kinikita ng ka-partner ng Pagcor sa Hyatt ay parang spaghetting pataas ng pataas.*

There is another question that begs an answer.

Who owns Marina Square Properties and who owns the Hyatt Marina Hotel?

According to the contract, Marina Square Properties is a subsidiary of the Chow Tai Fook group of companies of Hong Kong.

The Chow Tai Fook group of companies is controlled principally by Henry Cheng, who also owns New World Hotel. Henry Cheng is an old partner of Mr. Stanley Ho. There are many companies to this day in which they remain partners, including casinos in Macau.

It is therefore not without basis when some people suspect that Mr. Stanley Ho is also involved in Marina Square Properties. Marina Square Properties supposedly acquired the land on which Hyatt Marina Hotel stands from Fairmont Holdings. Records in the Philippine Stock Exchange show that Mr. Stanley Ho not only owns substantial interest in Fairmont Holdings but is the chairman of the board.

Mr. Stanley Ho, if you will remember, was received warmly with open arms by Malacañang during his visit to the Philippines last March 2004. Malacañang even sent its Presidential Assistant for Foreign Investments, Atty. Dan Rolleda, to welcome Mr. Stanley Ho.

On top of this gracious welcome, Mr. Stanley Ho was conferred an honorary doctorate degree by the Angeles University Foundation in Mrs. Arroyo's home province, and which prompted Archbishop Oscar Cruz to return his honorary doctorate degree to the same university in protest.

That is why I ask the Senate also to investigate the true ownership of Marina Square Properties so that we may know if, in fact, Mr. Stanley Ho has taken a big chunk of casino operations in the Philippines.

*Napakarami pa pong anomalya sa Pagcor ang dapat pagtuunan ng pansin ng Senado.* Talking about the monster that Pagcor has become under Mrs. Arroyo is like opening Pandora's box. You do not know where to start, and you do not know where to end.

For instance, with respect to the Hyatt Casino, Pagcor has illegally extended the exemption it enjoys from customs duties to the owners of the hotel, by misrepresenting that the other importations made by Hyatt are that of Pagcor's.

*Mapapansin din na sa halos lahat ng casino ng Pagcor ay bumabaha ngayon ang kape, at hindi lang basta kape, kundi kapeng Figaro pa.*

*Lahat po ng kape para sa mga manlalaro ng Pagcor ay binibili sa branch ng Figaro Coffee sa loob ng casino ng Pagcor. Doble ang presyo nito kung ihahambing sa presyo ng Figaro sa labas.*

This exclusive contract was awarded to a company managed by the relatives of Pagcor President Rafael Francisco without bidding whatsoever. Since Pagcor has previously denied Mr. Francisco's relationship with any Figaro official, perhaps he may want to explain his relationship with Figaro Chief Operating Officer Regina Francisco and her fellow Figaro Directors Randy and Raffy Francisco. *Hindi kaya magkakapatid iyan?*

Equally anomalous is that Pagcor maintains 116 consultants and 103 retainers for various services. What these consultants and retainers do, I do not know yet, as of now, but we will find out.

*Kasama dito ang isang arkitekto na kinikilalang Jeremiah T. Cruz na pinsan ni Pagcor Chairman Ephraim Cruz Genuino. Nguni't ang mabigat dito, pati ang mga designer at mga staff ng architectural company ni Architect Cruz ay mga consultant at retainer din na sumasahod sa Pagcor. Ang arkitekto ding ito, ayon sa kanyang biodata, ang nangasiwa sa renovation ng bahay sa La Vista ni Ginang Arroyo at itong consultant na ito ay tumatanggap ng P80,000 kada buwan sa Pagcor. Hindi kaya garapal ito?*

We also ask why Pagcor is probably the only casino in the world that resorts to the emergency purchases of its playing cards. This is done by making it look like there is always bidding failure to justify emergency

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purchases. The ultimate effect is that they have artificially jacked up the price of Pagcor playing cards from 54 cents per pack in 2001 to \$1.05.

This procurement fraud is not at all surprising with the appointment of a former official of the Trace Computer School, Mrs. Ma. Lourdes Jose, as managing head of Pagcor's Procurement Department. It is interesting to add that the Trace Computer School, which has now become a college, is owned by the Chairman of Pagcor, Mr. Ephraim Genuino. This is reflected in his Statement of Assets and Liabilities for the years 2003 and 2004.

Mrs. Lourdes Jose wasted no time awarding a purchase order in favor of Labelmen Enterprises based on a quotation submitted and signed by her husband, Jay Jose, and supported by quotations from nine other suppliers who uniformly indicated "no quote."

I cannot think of any government agency that can match this record especially at a time when this government is pontificating the need for austerity measures and avoid extravagant wastage of precious resources.

But even more appalling are the excessive benefits and perks enjoyed by Pagcor officials which no regular government agency or corporation can have, including the members and staff of the Philippine Senate.

One member of the board of directors of Pagcor, who served only for nine months, was given a retirement package of P3.3 million by the Pagcor Board. When this was leaked in the media, this retiring member returned the money. Well and good, but on the same day, the same amount returned by this member of the board was disbursed from the Pagcor's intelligence fund.

Meanwhile, the Pagcor chairman's benefits under the Pagcor's generous car plan program was increased from P1.3 million to P2.5 million, and which could now be availed of every three years.

*Napakasuwerte talaga nitong Chairman ng Pagcor. Lahat tayo tipid ng tipid, siya may bagong kotse every three years, at hindi lang ordinaryong kotse ang mabibili mo ng P2.5 million.*

I wish to stress that Mrs. Arroyo cannot claim ignorance of Chairman Genuino's new-found life of privilege since she has authorized more than 20 PSG personnel to act as his bodyguards, round-the-clock, three shifts a day.

And these bodyguards ride in style inside two black Nissan Safari Patrols costing more than P2 million each, and which were bought specifically as back-up vehicles for Chairman Genuino's day-to-day security convoy.

Meanwhile, Pagcor directors live it up in terms of membership in plush and expensive leisure clubs with related privileges such as playing rights and food consumption.

I am informed that the members of the Pagcor Board are members of such elite clubs as the Rockwell Leisure Club, the Wack-Wack Golf and Country Club, the Alabang Country Club, the Tagaytay Highlands, the Riviera Golf, Fairways and Blue Water and other clubs. All these are being paid for by Pagcor!

I have on hand a purchase order coming from Pagcor purchasing one Callaway golf set. I do not play golf but I understand the brand "Callaway" is very expensive, and this is for one of the board of directors of Pagcor amounting to P183,900. This is for Director Gozo, whoever he is, and for Director Roxas – not related hopefully to one of our colleagues – P185,300 for a Callaway golf set.

It is no wonder that Pagcor's net income remitted to the President's Social Fund, or PSF, has gone down during the last three years. In fact, in 2003, while it boasted net winnings of P16.5 billion, it remitted less than P500 million to the President's Social Fund.

In the first full two years of the administration of President Estrada, from

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1999 to 2000, Pagcor's winning in its operations grew by an average of 17.4 percent. During this time, the net income of Pagcor, after operating expenses and taxes, increased by an average of 35.3 percent.

But in the first three years of the Arroyo takeover, net winnings grew only by an average of 9.2 percent while net income grew only by 6.3 percent.

I maintain my position that Pagcor is grossly mismanaged, abused and bled by the very people that Mrs. Arroyo appointed to its management to oversee its operations.

While we in Congress are being pressured to burden our people with more and higher taxes to address the fiscal deficit, the Arroyo administration, in its Pagcor operations, is systematically squandering away billions and billions of pesos and giving them away to private partners.

Our people are suffering today because of the excesses and extravagance of this administration, and Pagcor is perhaps just the tip of the iceberg.

We must stop these excesses today with deep sense of urgency and mission because at stake is the future of this nation. And this august Body must be at the forefront of this crusade against these anomalies!

**SUSPENSION OF SESSION**

Upon motion of Senator Pangilinan, the session was suspended.

*It was 4:33 p.m.*

**RESUMPTION OF SESSION**

At 4:33 p.m., the session was resumed.

**MANIFESTATION OF SENATOR ROXAS**

Senator Roxas manifested that he does not have relatives working in Pagcor.

The Chair confirmed that Manuel Roxas, a member of the board of directors of Pagcor, is not related to Senator Roxas.

**APPROVAL OF PROPOSED SENATE RESOLUTION NO. 195 ON THIRD READING**

Upon motion of Senator Pangilinan, there being no objection, the Body considered, on Third Reading, Proposed Senate Resolution No. 195, printed copies of which were distributed to the Senators on April 21, 2005.

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

RESOLUTION CONCURRING IN THE RATIFICATION OF THE FRAMEWORK CONVENTION ON TOBACCO CONTROL.

Secretary Yabes called the roll for nominal voting.

**RESULT OF THE VOTING**

The result of the voting was as follows:

*In favor*

- |                      |            |
|----------------------|------------|
| Angara               | Lim        |
| Arroyo               | Madrigal   |
| Cayetano             | Magsaysay  |
| Drilon               | Pangilinan |
| Ejercito Estrada (J) | Pimentel   |
| Ejercito Estrada (L) | Recto      |
| Enrile               | Revilla    |
| Flavier              | Roxas      |
| Lacson               | Villar     |
| Lapid                |            |

*Against*

none

*Abstention*

none

With 19 senators voting in favor, none against, and no abstention, the Chair declared Proposed Senate Resolution No. 195 approved on Third Reading.

**EXPLANATION OF VOTE OF SENATOR ENRILE**

Explaining his affirmative vote, Senator Enrile recalled that Senator Flavier made the country proud

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when he bravely battled the tobacco giants by ensuring the passage of Republic Act No. 9211, the Tobacco Regulatory Act of 2003.

He pointed out that while concurrence to the convention may seem unnecessary in view of R.A. No. 9211, it is, nevertheless, an affirmation of the country's commitment to the community of nations to be a partner in the worldwide effort to control the use of tobacco; in the prevention of tobacco-related diseases; and in the promotion of the campaign against youth smoking to protect the future of the nation.

He stated that his affirmative vote on the resolution was in line with his position on the sin tax measure.

#### **INTERPELLATIONS ON THE SPEECH OF SENATOR EJERCITO ESTRADA (J)**

At this juncture, the Body proceeded to the interpellations on the privilege speech of Senator Ejercito Estrada (J).

#### **INTERPELLATION OF SENATOR ANGARA**

At the onset, Senator Angara congratulated Senator Ejercito Estrada (J) for bringing out for the second time to the attention of the Senate the scandalous and alarming state of affairs in Pagcor.

Asked whether the Pagcor's franchise is being renewed, Senator Ejercito Estrada (J) replied that the bill renewing the Pagcor franchise has already been approved on Third Reading in the House of Representatives while a similar bill is still with the Senate Committee on Public Services.

Senator Angara posited that a committee hearing would be a good occasion, first, to look into the operations and activities of Pagcor and second, to find out a better approach to improve the Philippine gaming industry as had been done by the Chinese government when it opened the casino and gambling industry in Macau to everyone. This was the reason, he said, why the big gambling operators in Las Vegas are now in Macau which used to be the private enclave of Stanley Ho. He stated that as long as the gambling operation is in the hands of the government, it would be grossly mismanaged.

In this regard, Senator Angara disclosed that even Singapore would be allowing gambling albeit

through a regulatory body which shall be licensing the gambling operators. He explained that this would ensure that the Singaporean government shall have a fixed income from the gaming industry and a more accurate reporting of money.

Senator Angara lamented that the complete opposite is happening in the case of Pagcor which, he noted, has entered into dubious financial arrangements with private entities to operate slot machines throughout the country without tangible money going to the national government. Senator Ejercito Estrada (J) agreed with the observations of Senator Angara.

Asked about the net winnings of Pagcor for 2004, Senator Ejercito Estrada (J) gave the assurance that he would provide the data to Senator Angara.

As to the allocation of its P16.5 billion net winnings in 2003, Senator Ejercito Estrada (J) noted that specific amounts were allocated to the local government units and the President's Social Fund. He gave assurance that the information would also be provided.

Senator Angara recalled that last year, Great Britain celebrated the 10th year anniversary of the launching of the UK lottery which netted a total of £29 billion or US\$ 60 billion. He revealed that the UK lottery publishes a detailed report on the allocation and distribution of its earnings, a greater portion of which has gone to social causes.

On whether Pagcor would be able to claim the same achievement, Senator Ejercito Estrada (J) replied in the negative as he stated that only the Pagcor chairman and board members know how much is being remitted to the President's Social Fund.

To the assertion that the government could easily have a minimum of P25 billion earnings yearly—P10 billion from the Philippine Charity Sweepstakes Office (PCSO) and P15 billion from Pagcor—Senator Ejercito Estrada (J) agreed that both agencies could easily earn those amounts.

Senator Angara recalled that the PCSO was originally established to raise money to combat tuberculosis in the country and more particularly, specific amounts from horse racing were once earmarked to support the Quezon Institute that has already been abolished. Asked where the money from horse racing is now being allocated,

ps

Senator Ejercito Estrada (J) replied that based on PCSO's charter, some of its funds are being allocated to the National Commission on Culture and the Arts and other government agencies.

But Senator Angara noted that funds set aside for specific government agencies are miniscule compared to the total take of the PCSO. He reiterated that gambling and lottery could provide the government substantial amounts of money to support social welfare and services like education, health and poverty alleviation. He expressed doubt whether the P5 billion President's Social Fund was really being spent for the purpose it was created.

Asked if it was time that gaming and lottery were treated as separate sources of revenue for the national government and that the income of Pagcor and PCSO either remitted to the National Treasury or earmarked by Congress for specific social programs and projects, Senator Ejercito Estrada (J) replied in the affirmative.

Moreover, Senator Angara disclosed that in the bicameral conference on the VAT measure today, the Secretary of Finance made an elaborate explanation why the government needed not only P60 billion out of a single tax measure but P130 billion to which some Senate conferees generally agreed. However, he noted that some of them pointed out that government funds could be raised not only through taxation but also through other means such as gambling and lottery, assets privatization, operations of entities like NAIA and PPA, and motor vehicle registration which, when added, could top P300 billion a year and could reduce the country's huge foreign and domestic debts.

Senator Angara decried that so much revenue is being expected from a single tax measure as if it is the only source of income. He stated that the government should present a revenue-generating program involving both tax and non-tax sources so that it could share the tax burden with consumers, citizens and corporate citizens. Senator Ejercito Estrada (J) agreed as he suggested that to help address the fiscal deficit, Pagcor should cancel the 60-40 joint venture agreements from which it is losing billions of pesos.

Senator Angara bared that in the next hearing on the Pagcor franchise, he would propose that a provision be inserted in the franchise that any and all

existing contracts with any and all entities be repealed, and if impairment of contract would be raised, the government could invoke the police power of the state as provided for in the Constitution.

On another matter, Senator Angara recalled a not so favorable magazine article on Stanley Ho and his empire. The article, he said, showed a link between Mr. Ho's organization and the triad in Macau and explained that he had to leave because apparently, the Chinese government was not satisfied with his operation. He said that this background information may be of help to Senator Ejercito Estrada (J) and at the same time be an eye-opener to all.

Asked if Stanley Ho is now operating the Laoag Casino, Senator Ejercito Estrada (J) replied that rumors has it that Stanley Ho is managing the Fort Ilocandia Casino in Laoag, Ilocos Norte. He stated that in his speech, he mentioned that he had found the connection between Stanley Ho and the Hyatt Casino which was formerly known as Hyatt Marina Hotel. He surmised that Mr. Ho might be the operator of said casino since the land on which Hyatt Casino stands was formerly owned by Fairmont Holdings which, based on the records of the Philippine Stock Exchange, is owned by Stanley Ho and Marina Properties that acquired said land from Fairmont Holdings, the owner of Marina Properties being Mr. Henry Cheng. He added that Mr. Henry Cheng and Mr. Stanley Ho are business partners in Macau.

Relative thereto, Senator Angara said that he is not against the idea of casino and lottery as long as these are conducted in a transparent and accountable manner which is not happening now. He said that he only knows of Stanley Ho by his reputation. He underscored that it is not the person being questioned but how an otherwise lucrative industry that can yield substantial revenue to government is being run. He observed that the situation is not being taken advantage of and, in effect, income is misappropriated.

Asked if there is a screening procedure or any mechanism where applicants are checked before being allowed to run gambling or lottery operation in the country, Senator Ejercito Estrada (J) replied that a thorough discussion on said mechanism could be done during the committee hearing, if there would be any. Senator Angara pointed out that the Rules

provide that a public hearing may be compelled and a Senator could invoke the rule if need be.

Senator Ejercito Estrada (J) disclosed that two weeks ago, Senator Arroyo, Chair of the Committee on Public Services, informed him that Pagcor has been directed to answer charges made against it. Senator Angara maintained that a public investigation should be conducted if Pagcor wants its franchise to be renewed.

Upon queries of the Chair, Senator Ejercito Estrada (J) explained that Hyatt Casino, presently located in Mabini, is different from Hyatt Hotel which is located along Roxas Boulevard and owned by the Chan family.

### INTERPELLATION OF SENATOR LIM

Upon query of Senator Lim, Senator Ejercito Estrada (J) replied that the beneficiary of Pagcor's earnings is the government.

Asked if there is a call for belt-tightening because of the current financial crisis, Senator Ejercito Estrada (J) said that it is what is being asked of every citizen as he added that austerity measures are also being put in place.

As to the names of the members of the board of directors who received golf sets as gifts, Senator Ejercito Estrada (J) said that the purchase order was under the name of one Director Gozo and one Director Manuel Roxas, formerly a member of the Philippine National Police. He added that the golf set carries the brand name Callaway which, to his knowledge, is the most expensive in the market today, the cheapest being priced at P60,000.

On the observation that there are Pagcor officials who are making unnecessary purchases in spite of a nationwide call to save money, Senator Ejercito Estrada (J) stated that it is the Senate's responsibility to investigate the actuations of Pagcor officers and board members.

Upon further query, Senator Ejercito Estrada (J) said that the Committee had already sent communication to Pagcor to answer the charges against it and that he has been furnished a copy of Pagcor's reply.

On the administration's lack of interest to look into the allegations against Pagcor, Senator Ejercito

Estrada (J) revealed that a month after his privilege speech, three slot machine arcades were opened in East Bay Casino Hotel in Antipolo-Binangonan, Sogo Hotel in San Pedro, Laguna and Subic International Pacific Casino in the International Free Port Area in Subic, respectively.

On whether this was a challenge to the administration's efforts to intensify its campaign to save funds and raise revenues, Senator Ejercito Estrada (J) stated that, in fact, Secretary Silvestre Afable directed Pagcor in a memorandum to submit a report on the status of compliance with the directive of the President "to abort its slot machine operation." Apparently, he said, the President's directive was never followed and he did not know exactly why.

Senator Lim noted that the directive was a commendable response to the exposé and he concluded that the problem is not with the President but with the lower officials of Pagcor.

Adverting to a statement made by former Senator Avelino about using one's position and power to one's advantage, Senator Lim asked whether the abusive Pagcor officials are adherents to this concept. Senator Ejercito Estrada (J) surmised that the Pagcor head who went against his boss' directive must have felt secure in the knowledge that he had strong connections with his superior's spouse. He agreed that like a fly resting on the back of a carabao, such people think they are more powerful than the chief.

On what government could do to officials who continue to abuse their position and destroy the public trust, Senator Ejercito Estrada (J) believed that such people should be removed from office. However, he conceded that it would be difficult to remove the Pagcor official concerned considering that he is a close friend of the First Gentleman.

Senator Lim pointed out that there is no evidence to show that the abusive Pagcor official has the support of his alleged powerful backers. As such, he wondered whether it would be better if these abusive officials were simply struck by lightning. He underscored that such extravagance like the purchase of a P180,000 golf set constitutes a major crime against the Filipino people. Senator Ejercito Estrada (J) agreed as he noted that such luxuries could have been used instead to buy food

and medicines for the poor or even pay for the education of their young.

Upon further queries, Senator Ejercito Estrada (J) said that a Pagcor consultant is paid P80,000 a month, so that a board member who has a higher position would most likely be receiving more than P80,000 monthly, decidedly higher than the P35,000 monthly salary of a senator. He added that each of these board members also gets a golf set and membership in exclusive golf clubs such as the Wack-Wack, Tagaytay Highlands and Riviera, courtesy of Pagcor. He said that he was aware that membership fees in such clubs are expensive and that only the rich could afford to use such exclusive facilities. But he stressed that the latter use their own money while all five Pagcor board members enjoy this rich lifestyle at the expense of the government.

Senator Lim wondered how the government could justify its proposal for new tax measures such as the expanded VAT which would be mostly shouldered by ordinary citizens in the face of such extravagant living by public officials such as those in the Pagcor.

Senator Ejercito Estrada (J) replied that precisely he wants the Senate to investigate the excessive privileges and benefits received by these Pagcor officials like its president Rafael Francisco and its chairman Mr. Genuino. Further, he reiterated that a relative of Mr. Francisco was granted concession rights for Figaro coffee shops in all Pagcor casino outlets around the country and Pagcor obligates casino players to drink Figaro coffee which is sold double its regular price.

To the suggestion that a hearing be held by the Committee on Public Services as soon as possible, he replied that he was leaving it to Senator Arroyo who chairs the committee.

Asked whether the golf sets of the Pagcor officials could be presented as evidence in the proposed hearing, Senator Ejercito Estrada (J) said that he could only present the purchase orders for the Callaway golf sets but he would ask the Pagcor officials if they would be willing to present their golf sets to the committee.

#### REFERRAL OF SPEECH TO COMMITTEE

Upon motion of Senator Pangilinan, there being no objection, the Chair referred the privilege speech

of Senator Ejercito Estrada (J) and the interpellations thereon to the Committee on Public Services.

#### COMMITTEE REPORT NO. 13 ON SENATE BILL NO. 1936 (Continuation)

Upon motion of Senator Pangilinan, there being no objection, the Body resumed consideration, on Second Reading, of Senate Bill No. 1936 (Committee Report No. 13), entitled

#### AN ACT ESTABLISHING A CREDIT INFORMATION SYSTEM, AND FOR OTHER PURPOSES.

Senator Pangilinan stated that the parliamentary status was the period of interpellations.

Thereupon, the Chair recognized Senator Angara, Sponsor of the measure.

#### INTERPELLATION OF SENATOR MAGSAYSAY

At the outset, Senator Magsaysay lauded the bill's intent to make the *Bangko Sentral ng Pilipinas* a partner of the Credit Information Bureau. He noted that the old Central Bank which formed the original Credit Information Bureau in the early '80s privatized the same in order to involve private groups in getting the information needed for financial and other transactions. He asked how the 49% BSP equity proposed in the bill would affect the private players who have expressed concern that the bill would shut them out.

Senator Angara replied that at present, there are credit information gathering entities like the Philippine Rating Services Corporation and the CIBI Foundation that are mandated to collect credit information. He explained, however, that the information being circulated at present is based primarily on voluntary submission of credit information, and so it is not comprehensive. He said that since most of these agencies are owned by private investors, they do not project the required credibility of a credit gathering information agency.

On the other hand, Senator Angara pointed out that the proposed Credit Bureau will be owned by the Central Bank which can compel a bank or a financial institution to provide the needed credit

information. He explained that the bill would attract institutional investors like the Bankers Association of the Philippines instead of individual banks and institutions in order to avoid any potential conflict of interest, as a bank shareholder in the Credit Bureau would naturally have an edge over the rest of the banking system.

Upon query, he affirmed that the 51% equity may come from multilateral international financial institutions or local players constituting an official industry or trade organization provided that they do not exceed the 15% cap.

To the observation that big banks do not want to share positive credit information of their valued clients, Senator Angara conceded that much of the credit information circulating among lenders are negative as the positive information about borrowers are kept by the banks. But in banking as in many other known organizations, knowledge is power, he said.

Recalling an incident when all his credit cards were shut off on account of his failure to pay a \$30 bill, Senator Magsaysay asked about the credit information system in the United States which is touted as one of the most effective systems in the world.

Senator Angara replied that he is not familiar with the credit information system in the U.S. because it is mainly private. He surmised that owing to the maturity of the market, the sophisticated practices and the advanced technology in the U.S., even information on a \$30 default can be circulated immediately among the lending community. He noted that in the Philippines, borrowers get black-listed only if they have incurred at least three defaults; however, a sound credit standing would merit points every year and upon reaching a certain level, they would get preferential credit.

On another issue, asked whether he supports the national or the multipurpose ID system considering that the mantra of the Anti-Money Laundering Law is "Know Your Customers" (KYC), Senator Angara replied in the affirmative. In fact, he said, he was one of the principal authors of the bill on the National ID System which is still pending in the Committee on Constitutional Amendments, Revision of Codes and Laws and which had the widest public consultation among the bills that had been filed in the Senate. He added that said bill was

consolidated by the ID issuing agencies of the government such as the National Census and Statistics Office, SSS, GSIS, NBI and DFA. He said that a technical committee including IT providers had been working to have a good ID system that could be used for crime-fighting or for ferreting out terrorists. He assured the Body that the information imbedded in that ID would be used only for identification purposes.

Senator Magsaysay expressed apprehension that once a law is enacted allowing the BSP to come in, the credit information bureau industry might be out of business and replaced with a BSP-led credit information bureau that could be used for political purposes. He pointed out the need to empower the private sector to enable the Philippines to be at par with other advanced countries whose approach to credit is more private and objective.

Senator Angara stated that the proposed CIB would be a private corporation. He explained that while the Central Bank may own up to 49%, the management and the majority of the board members would be from the private sector; moreover, because of the provision that the private sector can come in as equity holder—provided, in the meantime, that they represent industry rather than individual credit providers in order to avoid conflicts of interest—it is possible that when the market shall have become more mature and the source of credit information more assured and free-flowing after a number of years, the board may decide to open it to public ownership. He underscored the need to bring in the BSP at the beginning to ensure the quality, completeness and credibility of the credit bureau, without which, the element of compulsion among credit providers to submit complete information about their creditors would be absent.

On a related matter, Senator Angara said that while it is possible, it is improbable to use the information for partisan or political purposes because the information required by the credit bureau is related to the creditworthiness of the borrower.

On whether he would be willing to consider amendments, at the appropriate time, to clarify the situation of the private parties that are involved in credit information, Senator Angara replied in the affirmative. He said that the committee staff would be more than willing to help craft the necessary amendments.

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Senator Angara reiterated that the purpose of the credit bureau is to expand lending capacity because it is easier to give credit once the credit-worthiness of the individual is established. He expressed optimism that the cost of credit would be lesser and the scope, wider. He assured the Body that the proposed law would not throw out any business existing entities but would ensure the quality, completeness and credibility of information.

Senator Magsaysay proposed that government officials who are being confirmed by the Commission on Appointments go through the process of credit information check. Senator Angara replied that while it sounds appealing and helpful, opening the use of credit information for confirmation purposes might open an avenue for certain groups to suggest that an applicant for almost any job should be subjected to a credit check which might overload the system. He said that the more worrisome aspect of the suggestion is that once an exception is started, there is no point where it can be stopped.

#### RESERVATION TO INTERPELLATE

At this juncture, Senator Cayetano stated that Senator Arroyo made reservation to interpellate on the bill at a later date.

#### SUSPENSION OF CONSIDERATION OF SENATE BILL NO. 1936


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

#### ADJOURNMENT OF SESSION

Upon motion of Senator Cayetano, there being no objection, the Chair declared the session adjourned until three o'clock in the afternoon of the following day.

*It was 5:51 p.m.*

I hereby certify to the correctness of the foregoing.

  
OSCAR G. YABES  
Secretary of the Senate  
*16 1/2 11/11*

Approved on April 26, 2005