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SESSION NO. 68
Wednesday, June 2, 2021

EIGHTEENTH CONGRESS
SECOND REGULAR SESSION

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Senate of the Philippines

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CALL TO ORDER

At 3:51 p.m., the Senate President, Hon. Vicente C. Sotto III, called the session to order.

PRAYER

Sen. Maria Lourdes Nancy S. Binay led the prayer, to wit:

Panginoong Diyos, Ama naming magpamahal at makapangyarihan, nagpapasalamat po kami sa kaloob Ninyong panibagong araw na mayroong dalang pag-asa.

Sa pagharap namin sa panibagong buwan, bigyan Mo po kami, Panginoon, ng sapat na lakas para harapin ang mga hamon ng buhay.

Sa pagpapatuloy ng aming sesyon, dalangin po namin na kami ay Inyong patuloy na basbasan at patnubayan upang magampanan namin ang aming mga tungkulin at responsibilidad sa bayan at sa aming kapwa.

Sa Inyong mapagmahal na kamay, matamo sana namin ang kasaganahan, maranasan sana namin ang kapayapaan,

at maghari nawa ang kalayaan at kata-rungan sa aming bansa.

Ang lahat ng ito ay aming hinihiling sa Ngalan ng Ama, ng Anak, at Espiritu Santo.

Amen.

ROLL CALL

Upon direction of the Senate President, the Secretary of the Senate, Atty. Myra Marie D. Villarica, called the roll, to which the following senators responded:

Physically Present:

Cayetano, P. S.	Lapid, M. L. M.
Dela Rosa, R. B. M.	Pacquiao, E. M. D.
Gatchalian, W.	Tolentino, F. T. N.
Go, C. L. T.	Sotto III, V. C.
Lacson, P. M.	Zubiri, J. M. F.

Virtually Present:

Angara, S.	Pangilinan, F. N.
Binay, M. L. N. S.	Poe, G.
Drilon, F. M.	Recto, R. G.
Gordon, R. J.	Revilla Jr., R. B.
Hontiveros, R.	Villanueva, J.
Marcos, I. R.	Villar, C. A.

With 10 senators physically present and 12 senators virtually present, or a total of 22 senators present, the Chair declared the presence of a quorum.

Senator Pimentel appeared online after the roll call.

Senator De Lima was unable to attend the session as she was under detention.

DEFERMENT OF APPROVAL OF THE JOURNAL

Upon motion of Senator Zubiri, there being no objection, the Body deferred the consideration and approval of the Journal of Session No. 67 (June 1, 2021) as it is still being finalized.

REFERENCE OF BUSINESS

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

MESSAGES FROM THE HOUSE OF REPRESENTATIVES

Letter from the House of Representatives, informing the Senate that on 1 June 2021, the House of Representatives designated Representatives Tan, Gonzales II and Belmonte as conferees to the Bicameral Conference Committee on the disagreeing votes, on House Bill No. 5870, entitled

AN ACT ESTABLISHING A THREE HUNDRED (300)-BED CAPACITY TERTIARY TRAINING AND GENERAL HOSPITAL IN BARANGAY MAUWAY, CITY OF MANDALUYONG TO BE KNOWN AS THE SENATE PRESIDENT NEPTALI A. GONZALES GENERAL HOSPITAL, AND APPROPRIATING FUNDS THEREFOR.

To the Committee on Rules

Letter from the House of Representatives, informing the Senate that on 1 June 2021, the House of Representatives designated Representatives Tan, Abueg-Zaldivar and Belmonte as conferees to the Bicameral Conference Committee on the disagreeing votes on House Bill No. 2582, entitled

AN ACT INCREASING THE BED CAPACITY OF THE LYING-IN

CLINIC IN THE MUNICIPALITY OF RIZAL, PROVINCE OF PALAWAN FROM TEN (10) BEDS TO TWENTY (20) BEDS, UPGRADING ITS SERVICE FACILITIES AND PROFESSIONAL HEALTH CARE SERVICES, AUTHORIZING THE INCREASE OF ITS MEDICAL PERSONNEL, AND APPROPRIATING FUNDS THEREFOR.

To the Committee on Rules

Letter from the House of Representatives, informing the Senate that on 1 June 2021, the House of Representatives designated Representatives Tan, Estrella III and Belmonte as conferees to the Bicameral Conference Committee on the disagreeing votes of House Bill No. 6850, entitled

AN ACT ESTABLISHING A GENERAL HOSPITAL IN THE MUNICIPALITY OF ROSALES, PROVINCE OF PANGASINAN TO BE KNOWN AS THE EASTERN PANGASINAN REGIONAL MEDICAL AND TRAUMA CENTER, AND APPROPRIATING FUNDS THEREFOR.

To the Committee on Rules

Letter from the House of Representatives, informing the Senate that on 1 June 2021, the House of Representatives designated Representatives Arroyo, Tiangco, Suntay, Vergara, Ty, Zubiri and Dagooc as conferees to the Bicameral Conference Committee on the disagreeing provisions of House Bill No. 9323, entitled

AN ACT ESTABLISHING THE REGULATORY FRAMEWORK FOR THE SAFE OPERATIONS OF THE LIQUEFIED PETROLEUM GAS INDUSTRY, DELINEATING THE POWERS AND FUNCTIONS OF VARIOUS GOVERNMENT AGENCIES, DEFINING AND PENALIZING CERTAIN PROHIBITED ACTS; and

Senate Bill No. 1955, entitled

AN ACT PROVIDING FOR THE NATIONAL ENERGY POLICY AND REGULATORY FRAMEWORK FOR

**THE PHILIPPINE LIQUEFIED PETRO-
LEUM GAS INDUSTRY.**

To the Committee on Rules

Letter from the House of Representatives, informing the Senate that on 1 June 2021, the House of Representatives adopted Senate Bill No. 2220 as an amendment to House Bill No. 9487, entitled

AN ACT ENHANCING THE POWERS AND FUNCTIONS OF THE JOINT CONGRESSIONAL ENERGY COMMISSION, FURTHER AMENDING FOR THE PURPOSE SECTION 62 OF REPUBLIC ACT NO. 9136, OTHERWISE KNOWN AS THE "ELECTRIC POWER INDUSTRY REFORM ACT OF 2001," AS AMENDED.

To the Archives

BILLS ON FIRST READING

Senate Bill No. 2249, entitled

AN ACT PROVIDING PROTECTION TO COOPERATIVE DEPOSITORS AND ESTABLISHING THE PHILIPPINE COOPERATIVE INSURANCE CORPORATION, DEFINING ITS POWERS AND FUNCTIONS, APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES

Introduced by Senator Pangilinan

To the Committees on Cooperatives; Banks, Financial Institutions and Currencies; Ways and Means; and Finance

Senate Bill No. 2250, entitled

AN ACT ENCOURAGING AND PROMOTING THE USE AND DEVELOPMENT OF SATELLITE-BASED TECHNOLOGIES FOR INTERNET CONNECTIVITY

Introduced by Senator Gatchalian

To the Committees on Public Services; Science and Technology; and Finance

Senate Bill No. 2251, entitled

AN ACT MANDATING GOVERNMENT FINANCIAL INSTITUTIONS TO CREATE A BANK ACCOUNT FOR EVERY UNBANKED FILIPINO, AND FOR OTHER PURPOSES

Introduced by Senator Gatchalian

To the Committees on Banks, Financial Institutions and Currencies; and Finance

Senate Bill No. 2252, entitled

AN ACT MANDATING THE CREATION OF A LOCAL HOUSING OFFICE IN EVERY CITY AND MUNICIPALITY, PROVIDING FOR ITS POWERS AND FUNCTIONS, AND FOR OTHER PURPOSES

Introduced by Senator Lapid

To the Committees on Urban Planning, Housing and Resettlement; and Local Government

Senate Bill No. 2253, entitled

AN ACT PROVIDING FOR ADDITIONAL CAPITALIZATION OF THE SOCIAL HOUSING FINANCE CORPORATION (SHFC) FOR IMPLEMENTATION OF THE LOCALIZED COMMUNITY MORTGAGE PROGRAM (LCMP)

Introduced by Senator Lapid

To the Committees on Urban Planning, Housing and Resettlement; and Finance

Senate Bill No. 2254, entitled

AN ACT CONVERTING THE SOLANA EXTENSION CAMPUS OF THE CAGAYAN STATE UNIVERSITY IN THE MUNICIPALITY OF SOLANA, PROVINCE OF CAGAYAN, INTO A REGULAR CAMPUS OF THE CAGAYAN STATE UNIVERSITY, TO BE KNOWN AS THE "CAGAYAN STATE UNIVERSITY-SOLANA

CAMPUS," AND APPROPRIATING FUNDS THEREFOR

Introduced by Senator Marcos

To the Committees on Higher, Technical and Vocational Education; and Finance

Senate Bill No. 2255, entitled

AN ACT DECLARING PEKKANG FALLS IN THE MUNICIPALITY OF SINAIT; BECQUES FALLS AND ARISUDUSOD FALLS IN THE MUNICIPALITY OF CABUGAO; PIKKANG FALLS AND TURTURAYOK FALLS IN THE MUNICIPALITY OF SAN JUAN; PIMMADER FALLS, PIMMILOV FALLS, AND ALVIN FALLS IN THE MUNICIPALITY OF STO. DOMINGO; AND BURAYOK FALLS, NAGBALDI FALLS, MASUNGAD FALLS, AND PUNDO FALLS IN THE MUNICIPALITY OF BANTAY, ALL LOCATED IN THE PROVINCE OF ILOCOS SUR, AS ECOTOURISM SITES, AND APPROPRIATING FUNDS THEREFOR

Introduced by Senator Marcos

To the Committees on Tourism; Environment, Natural Resources and Climate Change; and Finance

Senate Bill No. 2256, entitled

AN ACT DECLARING KAPANGYAN FALLS IN THE MUNICIPALITY OF BATARAZA, PROVINCE OF PALAWAN AN ECOTOURISM SITE, PROVIDING FOR ITS DEVELOPMENT AND APPROPRIATING FUNDS THEREFOR

Introduced by Senator Marcos

To the Committees on Tourism; Environment, Natural Resources and Climate Change; and Finance

Senate Bill No. 2257, entitled

AN ACT DECLARING PAOAY LAKE

NATIONAL PARK LOCATED IN THE MUNICIPALITY OF PAOAY, ILOCOS NORTE AS A PROTECTED AREA UNDER THE CATEGORY PROTECTED LANDSCAPE, PROVIDING FOR ITS MANAGEMENT AND FOR OTHER PURPOSES

Introduced by Senator Marcos

To the Committees on Environment, Natural Resources and Climate Change; and Finance

Senate Bill No. 2258, entitled

AN ACT RENAMING THE MUNICIPALITY OF RODRIGUEZ IN THE PROVINCE OF RIZAL AS THE MUNICIPALITY OF MONTALBAN

Introduced by Senator Marcos

To the Committees on Local Government; and Electoral Reforms and People's Participation

Senate Bill No. 2259, entitled

AN ACT CONVERTING BAGONG FARMER'S AVENUE I TRAVERSING BARANGAY TUMANA IN THE SECOND DISTRICT, CITY OF MARIKINA INTO A NATIONAL ROAD

Introduced by Senator Marcos

To the Committee on Rules

Senate Bill No. 2260, entitled

AN ACT ESTABLISHING THE ECONOMIC ZONE AND FREEPORT IN THE PROVINCE OF SOUTHERN LEYTE CREATING FOR THIS PURPOSE THE SOUTHERN LEYTE ECONOMIC ZONE AND FREEPORT AUTHORITY APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES

Introduced by Senator Marcos

To the Committees on Economic Affairs; Local Government; Ways and Means; and Finance

Senate Bill No. 2261, entitled

AN ACT AMENDING ARTICLE 174(1)
OF THE FAMILY CODE AND
ARTICLE 364 OF THE CIVIL CODE

Introduced by Senator Sotto III

**To the Committee on Women, Children,
Family Relations and Gender Equality**

Senate Bill No. 2262, entitled

AN ACT REGULATING THE PRODUCTION,
IMPORTATION, SALE, DISTRIBUTION,
PROVISION, USE, RECOVERY,
COLLECTION, RECYCLING, AND DISPOSAL
OF SINGLE-USE PLASTIC AND SINGLE USE
STYROFOAM PRODUCTS

Introduced by Senator Pacquiao

**To the Committees on Environment, Natural
Resources and Climate Change; Trade, Commerce
and Entrepreneurship; and Finance**

Senate Bill No. 2263, entitled

MOTORCYCLE RIGHTS AND SAFETY
ACT OF 2021

Introduced by Senator Pacquiao

**To the Committees on Public Services; and
Finance**

Senate Bill No. 2264, entitled

AN ACT TO STRENGTHEN THE INTEGRITY
OF THE PHILIPPINE PASSPORT
ISSUANCE PROCEDURE AND PENALIZE
VIOLATIONS THEREOF, THEREBY
REPEALING REPUBLIC ACT NO. 8239,
OTHERWISE KNOWN AS THE "PHILIPPINE
PASSPORT ACT OF 1996," AS AMENDED
BY REPUBLIC ACT NO. 10928

Introduced by Senator Pimentel III

**To the Committees on Foreign Relations;
and Finance**

Senate Bill No. 2265, entitled

AN ACT INSTITUTIONALIZING THE
PHILIPPINE COAST GUARD AUXILIARY
(PCGA), AMENDING FOR THE PURPOSE
SECTION 11 OF REPUBLIC ACT NO. 9993,
OTHERWISE KNOWN AS THE PHILIPPINE
COAST GUARD LAW OF 2009, AND FOR
OTHER PURPOSES

Introduced by Senator Gordon

**To the Committees on Public Services; and
Finance**

RESOLUTIONS

Proposed Senate Resolution No. 738, entitled

A RESOLUTION DIRECTING THE
APPROPRIATE SENATE COMMITTEES
TO CONDUCT FURTHER INQUIRY ON
THE GOVERNMENT'S EFFORTS TO
ADDRESS THE PURPOSE AND OBJECTIVES
OF THE NEW CENTENNIAL WATER
SOURCE – KALIWA DAM PROJECT AND
TO RESOLVE THE CONCERNS AFFECTING
THE FURTHERANCE OF SAID PUBLIC
WORKS PROJECT

Introduced by Senator Pacquiao

**To the Committees on Cultural
Communities; and Public Works**

Proposed Senate Resolution No. 739, entitled

A RESOLUTION DIRECTING THE
APPROPRIATE SENATE COMMITTEE
TO CONDUCT AN INQUIRY, IN AID
OF LEGISLATION, TO ASSESS THE
PREPAREDNESS OF BASIC EDUCATION
INSTITUTIONS TO CONDUCT CLASSES
AND TO OPEN SAFE SCHOOLS FOR
SCHOOL YEAR 2021 TO 2022,
TOWARDS THE CRAFTING OF
COMPLEMENTARY OR AMENDATORY
LEGISLATION TO ENSURE THE
DELIVERY OF QUALITY EDUCATION
WHETHER THROUGH DISTANCE
LEARNING,

SPC

**FACE-TO-FACE CLASSES, OR OTHER
ALTERNATIVE DELIVERY MODES**

Introduced by Senator Gatchalian

**To the Committee on Basic Education, Arts
and Culture**

COMMITTEE MEMBERSHIPS

Upon nomination by Senator Drilon, there being no objection, the following senators, representing the Minority of the Senate for the Third Regular Session of the 18th Congress from July 1, 2021 to June 30, 2022, were designated to the committees hereunder indicated:

1. Commission on Appointments – Senator Pangilinan in lieu of Senator Hontiveros; and
2. Senate Electoral Tribunal - Senator Hontiveros in lieu of Senator Pangilinan.

Thereupon, Senate President Sotto instructed the Senate Secretariat to notify the Commission on Appointments and the Senate Electoral Tribunal regarding the designations.

**CONFERENCE COMMITTEE REPORT
ON HOUSE BILL NO. 5870**

Upon motion of Senator Zubiri, there being no objection, the Body considered the Conference Committee Report on the disagreeing votes on House Bill No. 5870, entitled “Senate President Neptali A. Gonzales General Hospital.”

The Chair recognized Senator Go to sponsor the report.

SPONSORSHIP REMARKS OF SENATOR GO

Senator Go presented to the Body the Conference Committee Report on the disagreeing votes on House Bill No. 5870, entitled “Senate President Neptali A. Gonzales General Hospital.”

Following is the full text of Senator Go’s sponsorship remarks:

The Bicameral Conference Committee reports that the conferees agreed to adopt House Bill No. 5870, as amended by the Senate, as the working draft.

The Bicameral Conference Committee agreed to include a provision to ensure the hospital site of the general hospital to be constructed. For this purpose, the hospital site will be excluded from the coverage of Republic Act No. 5260 which mandates a Trustee Committee led by DSWD to supervise the sale of the Welfareville properties in Mandaluyong.

The Bicameral Conference Committee also retained the amendment of our good Minority Leader on the appropriations provision.

I thank our fellow conferees on the part of the Senate—Senator Migz Zubiri, Minority Leader Sen. Franklin Drilon, Sen. Ronald Dela Rosa, and Sen. Francis Tolentino. I also congratulate the conferees on the part of the House of Representatives—Congresswoman Angelina Tan, Congressman Neptali Gonzales II, and Congressman Kit Belmonte.

With this, we hope we could help improve the delivery of healthcare service in Mandaluyong City and nearby cities. This would also greatly benefit the inpatients and outpatients of the National Center for Mental Health.

It is therefore my humble submission that this Bicameral Conference Committee Report on the disagreeing votes of House Bill No. 5870 be ratified by the Senate.

**JOINT EXPLANATION
OF THE CONFERENCE COMMITTEE**

Upon motion of Senator Zubiri, there being no objection, the Body approved the insertion of the following Joint Explanation of the Conference Committee into the *Journal and Record of the Senate*.

**JOINT EXPLANATION OF THE BICAMERAL
CONFERENCE COMMITTEE
ON THE DISAGREEING VOTES
ON HOUSE BILL NO. 5870**

The Bicameral Conference Committee on the disagreeing votes on House Bill No. 5870, after having met and having fully discussed the said provisions, hereby report to their respective Houses the following, that:

1. The conferees agreed to adopt House Bill No. 5870, as amended by the Senate as the working draft.
2. On SEC. 2, a second sentence was added, which reads as follows: “The hospital development plan shall include a hospital site and physical facilities development covering the area of the mandated location as provided in this Act.”

3. Still on SEC. 2, a second paragraph was added, which reads as follows:

“The hospital site shall be at least two thousand (2,000) square meters within the premises of the National Center for Mental Health (NCMH). For this purpose, this provision shall be considered an exception to the provisions of Republic Act No. 5260, and other related laws, executive orders, regulations and issuances.”

Thus, SEC. 2, as amended, reads as follows:

“SEC. 2. The DOH shall develop a hospital development plan to reflect the developmental goals of the hospital. Any future increase in bed capacity, and upgrading of health care services and facilities shall be based on the hospital development plan. The hospital development plan shall include a hospital site and physical facilities development covering the area of the mandated location as provided in this Act.

The hospital site shall be at least two thousand (2,000) square meters within the premises of the National Center for Mental Health (NCMH). For this purpose, this provision shall be considered an exception to the provisions of Republic Act No. 5260, and other related laws, executive orders, regulations and issuances.”

4. On SEC. 3, the sentence “The Secretary of Health shall immediately include in the Department’s program the implementation of this Act, the funding of which shall be included in the annual General Appropriations Act” was deleted. It was replaced by the following sentence: “The amount of Nine Hundred Million Pesos (P900,000,000.00) is hereby appropriated for the implementation of this Act which shall be included and funded under the 2022 General Appropriations Act under the Health Facilities Enhancement Program (HFEP) of the DOH.”
5. The standard separability and repealing clauses were inserted.
6. The succeeding section was renumbered accordingly.

In case of conflict between the statements/amendments stated in this Joint Explanation and that of the provisions of the consolidated bill in the accompanying Conference Committee Report, the provisions of the latter shall prevail.

APPROVAL OF THE CONFERENCE COMMITTEE REPORT

Submitted to a vote, there being no objection, the Conference Committee Report on the disagreeing votes on House Bill No. 5870 was approved by the Body.

CONFERENCE COMMITTEE REPORT ON HOUSE BILL NO. 6850

Upon motion of Senator Zubiri, there being no objection, the Body considered the Conference Committee Report on the disagreeing votes on House Bill No. 6850, entitled “Eastern Pangasinan Regional Medical and Trauma Center.”

The Chair recognized Senator Go to sponsor the report.

SPONSORSHIP REMARKS OF SENATOR GO

Senator Go presented to the Body the Conference Committee Report on the disagreeing votes of House Bill No. 6850, entitled “Eastern Pangasinan Regional Medical and Trauma Center.”

Following is the full text of Senator Go’s sponsorship remarks:

The Bicameral Conference Committee reports that the conferees agreed to adopt House Bill No. 6850, as amended by the Senate, as the working draft.

The Bicameral Conference Committee agreed to name the health facility as the Conrado F. Estrella Regional Medical and Trauma Center, thus, changing the appropriate provision and the title of the bill. The Bicameral Conference Committee also agreed to specify that the hospital shall be a 100-bed Level II hospital.

The Bicameral Conference Committee also retained the amendment of our good Minority Leader on the appropriations provision.

I thank our fellow conferees on the part of the Senate—Senator Migz Zubiri, Minority Leader Senator Franklin Drilon, Senator Ronald Dela Rosa, and Senator Francis Tolentino. I also congratulate the conferees on the part of the House of Representatives—Congresswoman Angelina Tan, Congressman Conrad Estrella III, and Congressman Kit Belmonte.

With this, we hope the establishment of this hospital would improve the delivery of health-care services in Pangasinan. Eastern Pangasi-

nenses would not need to travel long hours just to receive emergency medical services. This would also greatly benefit people from Nueva Vizcaya, portions of Nueva Ecija and Tarlac.

It is therefore my humble submission that this Bicameral Conference Committee Report on the disagreeing votes on House Bill No. 6850 be ratified by the Senate.

JOINT EXPLANATION OF THE CONFERENCE COMMITTEE

Upon motion of Senator Zubiri, there being no objection, the Body approved the insertion of the following Joint Explanation of the Conference Committee into the *Journal and Record of the Senate*.

JOINT EXPLANATION OF THE BICAMERAL CONFERENCE COMMITTEE ON THE DISAGREEING VOTES ON HOUSE BILL NO. 6850

The Bicameral Conference Committee on the disagreeing votes on House Bill No. 6850 hereby reports to their respective Houses the following, that:

1. The conferees agreed to adopt House Bill No. 6850, as amended by the Senate as the working draft.
2. On Section 1 of the bill, between the article "a" and the word "general", the phrase "one-hundred (100)-bed capacity, Level II" was inserted. Then the phrase "Eastern Pangasinan" was deleted and replaced with the phrase "Conrado F. Estrella." Thus, Section 1, as amended, now reads as follows:

SECTION 1. There is hereby established a one-hundred (100)-bed capacity, Level II general hospital in the Municipality of Rosales, Province of Pangasinan to be known as the Conrado F. Estrella Regional Medical and Trauma Center, which shall be under the direct control and supervision of the Department of Health (DOH).

3. On SEC. 2, the sentence "The DOH shall immediately include in the Department's program the implementation of this Act, the funding of which shall be included in the annual General Appropriations Act" was deleted. It was replaced by the following sentence: "The amount of Nine Hundred Million Pesos (P900,000,000.00) is hereby appropriated for the implementation of this Act which shall be included and funded under the 2022 General Appropriations Act

under the Health Facilities Enhancement Program (HFEP) of the DOH.

4. On the title of the bill, the phrase "Eastern Pangasinan" was deleted and replaced with the phrase "Conrado F. Estrella." Thus, the title of the bill, as amended, now reads as follows:

AN ACT ESTABLISHING A GENERAL HOSPITAL IN THE MUNICIPALITY OF ROSALES, PROVINCE OF PANGASINAN TO BE KNOWN AS THE CONRADO F. ESTRELLA REGIONAL MEDICAL AND TRAUMA CENTER, AND APPROPRIATING FUNDS THEREFOR.

5. The standard separability and repealing clauses were inserted.
6. The succeeding section was renumbered accordingly.

In case of conflict between the statements/ amendments stated in this Joint Explanation and that of the provisions of the consolidated bill in the accompanying Conference Committee Report, the provisions of the latter shall prevail.

APPROVAL OF THE CONFERENCE COMMITTEE REPORT

Submitted to a vote, there being no objection, the Conference Committee Report on the disagreeing votes on House Bill No. 6850 was approved by the Body.

CONFERENCE COMMITTEE REPORT ON HOUSE BILL NO. 2582

Upon motion of Senator Zubiri, there being no objection, the Body considered the Conference Committee Report on the disagreeing votes on House Bill No. 2582, entitled "Rizal, Palawan Lying-In Clinic (Increasing Bed Capacity)."

The Chair recognized Senator Go to sponsor the report.

SPONSORSHIP REMARKS OF SENATOR GO

Senator Go presented to the Body the Conference Committee Report on the disagreeing votes on House Bill No. 2582, entitled "Rizal, Palawan Lying-In Clinic (Increasing Bed Capacity)."

Following is the full text of Senator Go's sponsorship remarks:

The Bicameral Conference Committee reports that the conferees agreed to adopt House Bill No. 2582, as amended by the Senate, as the working draft.

The Bicameral Conference Committee agreed to name the lying-in clinic in Rizal, Palawan as the Jose P. Rizal Lying-in Clinic.

The Bicameral Conference Committee also acknowledged that the lying-in clinic in Rizal, Palawan is part of the Rural Health Unit. Thus, it is under the jurisdiction of and shall funded by the Municipal Government of Rizal, Palawan and not the Provincial Government.

The Bicameral Conference Committee also retained the amendment of our good Minority Leader on the appropriations provision.

I thank our fellow conferees on the part of the Senate—Senator Migz Zubiri, Minority Leader Senator Franklin Drilon, Senator Ronald Dela Rosa, and Senator Francis Tolentino. I also congratulate the conferees on the part of the House of Representatives—Congresswoman Angelina Tan, Congresswoman Beng Abueg-Zaldivar, and Congressman Kit Belmonte.

With this, we hope we could help improve the delivery of healthcare service in Rizal, Palawan. Thus, it is my humble submission that this Bicameral Conference Committee Report on the disagreeing votes on House Bill No. 2582 be ratified by this Chamber.

JOINT EXPLANATION OF THE CONFERENCE COMMITTEE

Upon motion of Senator Zubiri, there being no objection, the Body approved the insertion of the following Joint Explanation of the Conference Committee into the *Journal and Record of the Senate*.

JOINT EXPLANATION OF THE BICAMERAL CONFERENCE COMMITTEE ON THE DISAGREEING VOTES ON HOUSE BILL NO. 2582

The Bicameral Conference Committee on the disagreeing votes of House Bill No. 6850, after having met and having fully discussed the said provisions, hereby reports to their respective Houses the following, that:

1. The conferees agreed to adopt House Bill No. 2582, as amended by the Senate, as the working draft.
2. On Section 1, a second sentence was added, which reads as follows: "The lying-in clinic

shall be named as the Jose P. Rizal Lying-in Clinic."

3. A new Section 4 was inserted, which reads as follows:

"SEC. 4. Any future increase in bed capacity and upgrading of health care services and facilities shall be consistent with the development plan of the health facility, which shall be prepared by the management of the Jose P. Rizal Lying-in clinic."

Rationale: This provision will ensure that the upgrading of the Jose P. Rizal Lying-in clinic will be in accordance with its hospital development plan. This is a standard provision, proposed by the DOH, that is included in all hospital bills.

4. The succeeding sections were renumbered.
5. On Section 4 renumbered as Section 5, the phrase "Provincial Government of" was deleted and replaced with the phrase "Municipal Government of Rizal."

Rationale: The Lying-in clinic in Rizal, Palawan is part of the Rural Health Unit. Thus, it is under the jurisdiction of and is funded by the Municipal Government of Rizal, Palawan and not under the Provincial government.

6. Still on Section 5, the third sentence was deleted and replaced by the following sentence:

"The amount of Eight Million Pesos (P8,000,000.00) is hereby appropriated for the implementation of this Act which shall be included and funded under the 2022 General Appropriations Act under the Health Facilities Enhancement Program (HFEP) of the Department of Health."

7. The standard separability and repealing clauses were inserted.
8. The succeeding section was renumbered accordingly.

In case of conflict between the statements/ amendments stated in this Joint Explanation and that of the provisions of the consolidated bill in the accompanying Conference Committee Report, the provisions of the latter shall prevail.

APPROVAL OF THE CONFERENCE COMMITTEE REPORT

Submitted to a vote, there being no objection, the Conference Committee Report on the disagreeing votes on House Bill No. 2582 was approved by the Body.

PRIVILEGE SPEECH OF SENATOR PACQUIAO

Availing himself of the privilege hour, Senator Pacquiao spoke on the alarming effect of power plant outages which would aggravate the impact of the COVID-19 pandemic in the country.

Following is the full text of Senator Pacquiao's speech:

This Monday, Luzon was placed on a red alert status due to additional power plant outages.

The Department of Energy reported that the 316-megawatt GMCC Coal-Fired Power Plant Unit 2 went offline on Tuesday due to a suspected boiler tube leak. The DOE stated that the plant is expected to be back on line by June 8, 2021.

This is on top of the reported power plants that were on outage on Monday, including the GNPower Dinginin Coal-Fired Power Plant Unit 1, San Roque Hydroelectric Power Plant, and Sual Coal-Fired Power Plant Unit 2.

We learned that from 1,285 megawatts forced outages on Monday, this has increased to 1,579 megawatts on Tuesday. The available power capacity on Tuesday also declined to 11,408 megawatts from the previous day's reserve of 11,729 megawatts, while peak demand is slightly higher from Monday's 11,514 megawatts to yesterday's 11,593 megawatts power requirement.

Ano po ba ang epekto nitong rotational brownout sa ating mga kababayan lalong-lalo na roon sa ilang bahagi ng Metro Manila, Bataan, Batangas, Camarines Sur, Nueva Ecija, Pangasinan, Isabela, pati Probinsya ng Ifugao, and Mindoro Province?

Naaawa po ako sa mga naghihirap nating mga kababayan pati na sa mga naghihikahos na mga negosyo na apektado nitong brownouts. Karamihan sa mga work-from-home arrangement ay umaasa sa mga gadgets at internet connection. Kahapon nga po, ang ilan sa ating mga kasamahan ay nawalan ng signal dahil sa brownout. Okay lamang po doon sa may mga generator set. Pero paano po naman ang mga kababayan natin na wala po silang mga generator na hanggang kandila lamang po ang kanilang kayang bilhin dahil walang budget para sa ganitong sitwasyon para sa emergency lamps at power banks?

Ano po ba ang contingency plan ng Department of Energy? Do we have the capability to address this problem?

Nagkaroon po ng hearing ang Joint Congressional Energy Commission noong April 27, 2021 upang pag-usapan ang power demand supply outlook for the summer. Kung mata-tandaan po natin, tinanong ni Senator Pimentel si Secretary Cusi kung may malaking chance ba na magkaroon ng blackout/brownout or power outage ngayong summer.

Ang sagot po ng secretary, "I have discussed the scenarios in case of power plant breakdown." He ended his reply by saying, "Through the end of the year, the supply is reaching the blue line so we have enough contingency regulating and dispatchable reserve. That is the comfortable level that we have. So, to make it short, sa ngayon po wala tayong nakikitang high risk kung magkakaroon tayo ng shortage."

Patuloy pong nagtanong si Senator Pimentel tungkol sa estado ng power plants. Secretary Cusi said that they are very particular about the preventive maintenance of the power plants. Towards the end of the statement, Secretary Cusi said, "Sa simula pa lamang ng pandemic na ito—and I am very proud to say na the energy sector prepared for contingency or business continuity plan in case a situation arises. And, in fact, mayroon tayo ngayong nangyari and it is major, tinutuloy-tuloy natin na make sure the business continuity plan is in place and hindi tayo magkakaroon ng interruption."

Sa joint hearing na iyan, paulit-ulit na itinanong ng ating mga mambabatas kung magkakaroon pa ng power interruption mula sa April hanggang June.

During that hearing in April, Sen. Win Gatchalian, chairman of the Senate Committee on Energy, emphasized that there should be unimpeded power supply especially for the cold storage facilities of COVID-19 vaccines. Isa po iyan sa mga ikinababahalang natin. Sapat nga ba ang power supply para sa mga cold storage facilities ng COVID-19 vaccines?

Kaunting flashback pa. Do we remember that time in 2016 when brownouts hit Luzon? It was around July and August that year when power supply ran short. There were simultaneous maintenance shutdowns and forced outages of several power plants due to technical glitches. Five years ago, Secretary Cusi declared that there is no looming power crisis.

And here we are having brownouts. Nasa red alert pa rin naman tayo ngayon.

Are we expecting bigger problems pertaining to power supply? Have we done enough

preparations for the surge in power supply demand this summer?

This is a recurring problem. We cannot rely on the same strategies to solve this problem on the rapidly growing demand for power supply. We need to innovate. We need to secure renewable energy sources.

I am with Sen. Win Gatchalian and our colleagues in the Senate in calling for accountability for all the concerned agencies. We need proactive leaders. We need dedicated officials who will fulfill their sworn duties and responsibilities to the Filipino people.

Paulit-ulit po ako na nananawagan na itigil na muna natin ang politika dahil napakarami po nating problema na dapat nating harapin at hanapan ng solusyon. Pero nakalungkot isipin na iyong ibang mga opisyaes po natin na dapat ay mangasiwa ng sitwasyon, ng mga problema na kinakaharap natin ngayong panahon na ito, ang inuuna po ay iyong pamomolitika.

I am talking directly to Secretary Cusi as a PDP-Laban member na kung ano man iyong mga ganiyang sitwasyon, ano man iyong mga pagkukulang natin ay nakaapekto sa aming mga PDP-Laban member na kasama namin sa isang partido. Nadadamay tayong lahat doon sa mga problema na nangyayari ngayon. Marami pong naapektuhan hindi lamang po ang mga maliliit na tao pati po iyong mga malalaking businessman.

Sa isa pong blackout, hindi lang po siguro milyong ngunit bilyon ang nalulugi ng Pilipinas kung nagkakaroon ng blackout. Iyan po ang sinasabi ko na unahin po muna natin iyong pagtulong kaya po kapag politika ang pinag-uusapan, partido, aayusin natin iyan at the right time, walang problema diyan. Pero ang ibig kong sabihin, iyong problema muna ng bansa natin ang atupagin natin dahil maraming mga kababayan ang maapektuhan, especially during this crisis, kapag nagkakaroon ng blackout sa Metro Manila and in other places in this country.

Maraming naapektohan especially iyong pag-aaral ng mga bata sa school, iyong mga estudyante natin na nag-o-online. Ang daming nag-o-online na mga estudyante natin ngayon na hindi pumapasok. Iyong negosyo pa. Tatlong senador ang nawala (online) kahapon dahil sa brownout. Naapektohan sila. So, ang ibig ko lamang sabihin dito, hindi naman sa personal kong concern kung hindi sa lahat ng mga concerns.

Anticipated ko na kasi iyan na kapag dumating iyong problema, ang partido ng PDP-Laban ang maaapektohan dahil Secretary Cusi is a member of PDP-Laban party. So, lahat kaming mga member nadadamay kami. So, that is our concern.

We are not going to talk about politics right now. This is not the right time to talk about politics. *Ang nais ko lamang naman sana na iyong problema na muna natin ang siguraduhin muna natin at kailangan wala pong maantulang business at saka iyong mga pag-aaral ng mga kabataan, especially iyong concern natin sa storage ng COVID-19 vaccines. Kapag iyon ang naantala, ilang bilyon ang malulugi sa atin at mawawala sa atin kapag iyon na ang nasira—iyong mga vaccine natin na nakalagay sa storage.*

So, iyang concern po na iyan nawa ay mapansin at mabigyan ng action na matugonan lahat ng problema. Hindi ito para sa akin o para kanino man kung hindi para sa sambayang Pilipino, na ipakita natin as one party nagtatrabaho tayo para ipakita naman natin na ang PDP party ay power specialist pagdating sa implementasyon at pagdating sa pag-solve ng problema. Iyan po. Hindi po tayo dapat mag-away-away, dapat magkaisa po tayo, especially in this crisis.

We should pray together para tayo ay may biyaya ng Panginoon at iligtas tayo sa kapahamakan. Nawa'y magbigay aral sa ating lahat. Ako naman ay nag-a-accept ng advice—any advice na makagaganda sa atin, makagaganda sa aking trabaho. No problem with that.

But this advice, I think, is very important, na unahin muna natin iyong trabaho natin, saka na iyong politika. Kaya divided iyong mga tao because of politics. So, saka na natin pag-uusapan iyong politika kapag may eleksiyon na. Pero hangga't wala pang eleksiyon, huwag muna tayong mag-usap tungkol sa politika. Pag-uusapan natin kung paano tayo maka-contribute at paano natin maresolba ang mga problema ng ating bansa kasi naapektohan din ang ating Pangulo niyan. Pinagkatiwalaan ka riyan ng Pangulo. Inilagay ka riyan dahil may tiwala siya sa iyo tapos ito na naman ang daming problema dumadating sa bansa natin. Dapat ipakita natin na maging-proud ang ating Pangulo na inilagay ka riyan dahil karapatdapat ka, hindi iyong madismaya ang Pangulo na naglagay sa iyo. So, kailangan ipakita rin natin na may accomplishment tayo na nagawa.

So, iyan po ang aking saloobin at mara-ming salamat lalong-lalo na sa aking mga colleague.

INTERPELLATION OF SENATOR PIMENTEL

At the outset, Senator Pimentel commended Senator Pacquiao for bringing the matter to the attention of the Senate, revealing that he had also received messages from some friends complaining about the brownouts which affected not only some constituencies but also some of the other senators. He said that, in fact, no less than three of the Members had been cut off from the hybrid session the other day due to power outages. He suggested that the Body review the *Rules* particularly for instances where Members are suddenly disconnected from the session, as in the case of Senators Drilon, Binay, and Angara who went offline because of a power outage which was beyond their control.

He recalled that last April, during a hearing of the Committee on Energy which he attended, the Department of Energy expressed confidence that it had everything under control and that there would be no power outages during the summer and the months thereafter. He then wondered whether the recent statement of the DOE that the power situation would return to normal by June 8, 2021 could be relied upon amid the recent power outages.

Senator Pacquiao admitted that the determination of whether the DOE could deliver on its guarantee is if no power outage is experienced after June 8, 2021. He said that only a few people could afford costly generators should the situation continue, particularly hampering the learning of students who are doing online classes.

Disclosing that a portion of Concepcion Uno in Marikina where his family resides had also experienced power outage from 10:00 p.m. of June 1, 2021 until 9:00 a.m. of the next day, Senator Pimentel hoped that the Department of Energy would investigate the cause of the recent power outages that lasted several hours. He emphasized the importance of having constant power supply not only during the summer months when the warmest temperatures are being experienced, but especially on account of the pandemic as online businesses have become the new source of livelihood and classes are being conducted online, adding to the fact that power interruptions could also damage electrical appliances.

Senator Pacquiao agreed that the power outages adversely affect the economy with losses amounting to billions of pesos.

Senator Pimentel opined that power interruptions would not have occurred or would have at least been minimized if power plants are being maintained regularly. He suggested that the Committee on Energy conducts another hearing to look into the recent power outages and urged the DOE to conduct regular maintenance and inspections of the power plants in order to minimize breakdowns.

Senator Pacquiao said that Secretary Cusi has the authority to exercise all his powers to avoid blackouts. He likened the situation to his own experience as a boxer who acknowledges, when losing his matches, that his failure was due to his own negligence in training. Saying that one's job is one's responsibility, he believed that the power outages were the DOE Secretary's responsibility as head of the department.

Senator Pimentel expressed hope that the Body could get to the bottom of what caused the unexpected power outages which might be used to justify future power rate hikes. He then quoted from the transcript of the hearing of the Committee on Appointments earlier that day: "There is a credible, understandable, reasonable, and satisfactory explanation of what happened." He reiterated that some people might be entertaining the idea that the power outages are part of a scenario that would be detrimental to the best interests of the public especially amid the current pandemic. He then congratulated Senator Pacquiao for bringing the issue to the Body's attention and hoped that the Senate would investigate the incident.

Senator Pacquiao expressed frustration over the recurring cycle of the Senate holding hearings to investigate and finding solutions but with nothing coming out of it in the end. He said that he would want such discussions translated into action and results.

In closing, Senator Pimentel said that he was looking forward to the investigative hearing on the matter.

INTERPELLATION OF SENATOR DRILON

At the outset, Senator Drilon expressed appreciation to Senator Pacquiao for bringing the issue before the Body even if it involved the Secretary of Energy who the latter's a political ally.

Asked by Senator Drilon who would be held liable for the incident, Senator Pacquiao pointed to Energy Secretary Cusi as accountable since he heads the department and has the power to solve the problem. He said that he had no hesitation in bringing up the issue even if it involved a party-mate as he was not after his own but the people's interest.

Asked to elaborate what he meant when he called for accountability, Senator Pacquiao said that Secretary Cusi must be held accountable for his shortcomings and inaction on the problems which had been raised in the past Senate hearings. He hoped that President Duterte would immediately take action as billions of pesos are being lost as a consequence of the recent power outages.

On whether being accountable meant that Secretary Cusi has to resign, Senator Pacquiao replied that he knew of several officials from other countries who voluntarily gave up their posts as an acknowledgment of their own failures as leaders. However, he said that in the Philippines, officials are still given the chance to show their sincerity by immediately taking action to resolve the problem and ensure that it would not happen again.

On whether he was no longer convinced that Secretary Cusi could keep his word that there would no longer be power interruptions owing to the power outage at the Senate the previous day, Senator Pacquiao replied in the affirmative. However, he clarified that it is the President who has the prerogative to remove Secretary Cusi from his post or to give him a chance to explain what had happened.

Asked if he would remove Secretary Cusi if he was the sitting President, Senator Pacquiao replied that being a boxer, he is someone who wants things done immediately. He said that Secretary Cusi must have proven that he was capable of doing his job so that there would be no longer be power outages unless due to unforeseen circumstances. If the power interruptions are a recurring problem, he said that Secretary Cusi should not remain in his post and should therefore be relieved as other people could do a better job at running the department.

Asked whether he had plans of asking President Duterte to relieve Secretary Cusi, Senator Pacquiao replied that he was certain that President Duterte was aware of his sentiments on the issue and that he would just wait for him to take action.

Senator Drilon disclosed that he received a call asking if the speech of Senator Pacquiao was linked to the political issues that he has with Secretary Cusi. Senator Pacquiao clarified said that his feud with party-mate Secretary Cusi was similar to a misunderstanding between siblings. However, he denied that his privilege speech was a personal aspersion on the secretary but was about making all government officials, whether appointed or elected, accountable to the Filipino people. He reminded Secretary Cusi that their disagreement was a simple matter and, like a family, could be resolved among themselves within their party.

Senator Drilon expressed his admiration to Senator Pacquiao for his statements and for the courage he has shown in the process which proved that he could rise above politics and could call out his party-mate should there be a need to do so.

Senator Pacquiao expressed his gratitude to Senator Drilon for his statement as he reiterated his commitment to the Filipino people.

INTERPELLATION OF SENATOR GATCHALIAN

At the outset, Senator Gatchalian thanked Senator Pacquiao for raising the matter on the Floor as he lamented that his biggest fear has become a reality.

He recalled conducting a hearing on April 27, 2021 with Senators Pimentel, Angara, and Binay precisely to address the possible risk and danger of having brownouts in various parts of the country, particularly in Luzon, in anticipation of the vaccine rollout which was hailed as the most important activity that the country would embark on in the next few months.

He confirmed that as mentioned by Senator Pacquiao, Secretary Cusi, in answer to Senator Pimentel's query during the hearing, stated the following: "So, to make it short, *sa ngayon po, wala tayong nakikitang high risk kung magkakaroon tayo ng shortage.*" He said that Director Marasigan, the person in charge of the power sector, who was tasked to present all the different colored graphs during the hearing, seconded Secretary Cusi's statement, to wit: "We are not immediately seeing potential alerts for the rest of the country." He said that with the assurances of no less than the Energy Secretary and Director Marasigan, the committee concluded that the country would have a continuous supply of elec-

tricity especially during the vaccine rollout in the next few months. He said that it was because of the said assurances that he was caught off-guard by the implementation of the rotational brownout schedules and that he instantly thought about its effect to vaccination centers, online classes, and the work-from-home scheme. He then inquired whether Senator Pacquiao would have information on the number of households, barangays, and municipalities which were affected by the rotational brownouts and power interruption.

SUSPENSION OF SESSION

Upon motion of Senator Pacquiao, the session was suspended.

It was 4:56 p.m.

RESUMPTION OF SESSION

At 5:00 p.m., the session was resumed.

In response to Senator Gatchalian's inquiry, Senator Pacquiao said that he did not have the data and instead asked Senator Gatchalian to share the information if he has it in his capacity as chairman of the Senate Committee on Energy.

Senator Gatchalian said that based on his record, 339 households, 90 barangays, and 16 LGUs—cities and municipalities—lost their electricity or experienced brownouts on June 1, 2021. He explained that when a manual low drop is implemented, it is done per barangay and the specific area that would be affected could not be chosen.

He attested that two vaccination centers in Valenzuela that lost electricity the previous day were compelled to resort to manual registration instead of computer registration, and that a lot of senior citizens who could not bear the heat in the centers and the longer turnaround per patient, which took two hours instead of the usual 45 minutes, backed out and went home.

Stating that the situation is critical in view of the forecast that there would be low dropping in the next eight days, he asked the DOE to ensure that all hands are on deck.

He commended Senator Pacquiao for raising the issue as he believed that the power shortage problem

would not likely dissipate in a day or two but may persist in the next few days.

He likewise disclosed that he was informed by Secretary Galvez that the vaccines for the private sector would be arriving in the next few days, and feared that power shortages might occur as the vaccines arrive.

He also agreed with Senator Pacquiao's observation that the current power shortage is not an isolated problem as he recalled conducting public hearings in 2016 and 2019 precisely on the matter of potential brownouts during the summer. He said that he would heed the recommendation of Senator Pimentel for the committee to conduct another in-depth, comprehensive investigation on the matter and to look into long-term solutions to the problem. He said that Senator Pacquiao was also correct in saying that other than the investigation aspect of the hearing, it is more important to find permanent solutions to the recurring problem of brownouts especially during the dry season. He then thanked Senator Pimentel for attending the hearing of the Committee on Energy in the past thereby witnessing for himself the assurances made by the DOE that there would be no brownouts in the country in the coming summer.

Senator Pacquiao said that it appears that nothing has been done in the past five years considering that the problem has been existing since 2016 and that there has been more talk and less action on the problem. He said that it is incumbent upon Secretary Cusi as head of the Department of Energy and its officials as well as all incumbent officials of government to perform their duties and responsibilities, particularly in finding solutions to the problems of the country. He said that if he had the power to do so, he would not hesitate to remove from office those who have failed to perform their duties and had caused embarrassment to the President and the country, a principle to which he personally adheres in his own office or household as he would terminate the services of those he could no longer trust or those who disobey him.

INTERPELLATION OF SENATOR PANGILINAN

Senator Pangilinan noted Senator Pacquiao's frustration and disappointment over the fact that there seemed to be more talk and less action on the matter of finding solutions to the problem of brownouts. He asked Senator Pacquiao if he has any proposal

to solve the problem and if he has identified the issues that needed to be addressed. In reply, Senator Pacquiao said that the problem lies in the shortage of power supply. He stressed that government must not rely on the existing source and should find ways to add other sources of power and energy because it could no longer sustain the needs of the country. He likewise pointed out that the power supply situation is the primary concern of investors.

On what should be done to add to the power supply of the country, Senator Pacquiao said that the problem must be investigated and that the President should hold the officials accountable to keep the faith of the people.

As to whether the failure to address the power supply problem was either due to insufficient preparation or communication with potential investors or the latter's distrust in the power generation sector, Senator Pacquiao stated that Secretary Cusi was incompetent in his position as Energy Secretary.

Relative thereto, he underscored the importance of giving one's best in any endeavor. He said that as a boxer, he would push himself to improve his footwork while, as a lawmaker, he does his best to legislate and investigate in aid of legislation to find solutions to the country's problems. He said that he does not like spending a lot of time on endless debates and mere discussions of problems without being able to deliver.

On whether an incompetent official must be removed from office, Senator Pacquiao replied that he would have done so if the decision were up to him. He said that it is the President who has the prerogative to remove Secretary Cusi from his post. However, he surmised that the President might retain the services of the secretary to give him the chance to prove his competence and capability to perform his duty.

Asked if incompetency should not be tolerated, Senator Pacquiao agreed that the reason to remove incompetency in government would be in the service of the Filipino people and not of self. He stated that government officials should be doing their respective functions to serve the people.

On whether those in power ought to fix the power shortage problem, Senator Pacquiao replied in the affirmative. He surmised that an investor would first look into the power supply situation of the

Philippines before investing in the country; hence, the power shortage should be addressed if the government wants to bring in foreign investors.

Responding to further queries, Senator Pacquiao stated that a public servant should aim to diligently perform his functions. He reiterated that in other countries, cabinet members who fail to do their job would usually voluntarily resign from their posts out of humiliation.

As to whether such officials in other countries voluntarily resign to protect their president who would be affected by the failure of his administration, Senator Pacquiao agreed that the President and his government's dignity would be directly affected by such incompetence.

Asked whom he was referring to when he said that duties should be prioritized over politics, Senator Pacquiao said that Secretary Cusi recently called for a PDP-Laban party meeting in Cebu and urged the political party to refrain from early politicking to avoid the spread of the COVID-19 virus and in order for the government officials, who are members of the party, to attend to their mounting work. He said that the meeting also happened on a Monday at the time the power blackout hit the Metro Manila area. As acting president of PDP-Laban and as someone belonging to the same party, Senator Pacquiao said that he felt ashamed by the fact that the meeting was being held while there was a power outage that day.

On whether incompetence and politicking are part of the problems of the electric power shortage, Senator Pacquiao replied in the affirmative, saying that the same should not be allowed to continue. He added that the campaign and election periods would be the appropriate time for politicking and that in the meantime, public officials should work hard so that they would earn the people's trust.

As to whether it was his main concern as acting president of PDP-Laban, Senator Pacquiao replied in the affirmative, saying that it was shameful for the party and its members to have a party-mate and public servant who has failed to perform his job.

MANIFESTATION OF SENATOR POE

At the outset, Senator Poe thanked Senator Pacquiao for mentioning that the lack of supply in

electric power has been one of the reasons why foreign investors have been thinking twice in investing in the country. She added that the high cost of electricity and power supply, as well as the lack of infrastructure for additional power, are the other factors that are being considered by potential investors. She expressed support to the call of Senator Pacquiao to make those who are at fault accountable for the country's ongoing power shortage.

Senator Pacquiao reiterated that blackouts have an economic cost to trading industries that are conducting their daily businesses online as well as implications on health as the COVID-19 vaccines, which need to be stored in very cool temperature, might lose their potency and efficacy. He clarified that he was simply doing his job as a senator and that he intends his privilege speech to send the message to the concerned authorities to make the appropriate action.

Asked by Senate President Sotto on the observation that Senator Pacquiao's message was similar to that of former President Benigno "Noynoy" Aquino Jr. who had remarked that a cabinet member who was into early politicking should resign from office, Senator Pacquiao replied in the affirmative.

MANIFESTATION OF SENATOR CAYETANO

Senator Cayetano stated that the power blackouts endangering the COVID-19 vaccines was a valid discussion on the Floor. She said that it was precisely the reason why she had been insisting, since the start of the Committee of the Whole hearings on the government's vaccination plan, that the government secures reputable cold storage facilities since they have mechanisms and generators to ensure that vaccine wastage would be avoided.

She said that such cold storage facilities are very careful in handling the Pfizer vaccines which have to be stored at a very low temperature; hence, the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) has limited the distribution of its vaccines to Metro Manila and other nearby cities since it would be difficult to transport them to the provinces. She asked the Body to refrain from creating a scare on the rollout of the vaccines, saying that she would be more worried for the vaccines, that only require a refrigerator-type storage as they are being sent to the provinces, if there are blackouts. She reiterated that vaccine storage is a valid concern during power outages.

MANIFESTATION OF SENATOR ZUBIRI

Senator Zubiri lauded Senator Pacquiao for a very timely privilege speech as the country is in the middle of its vaccination program.

REFERRAL OF SPEECH TO COMMITTEE

Upon motion of Senator Zubiri, there being no objection, the Chair referred the privilege speech of Senator Pacquiao and the interpellations thereon to the Committee on Energy.

MANIFESTATION OF SENATOR CAYETANO

At the outset, Senator Cayetano stated that she has not been able to make her manifestation in relation to World Tobacco Day last May 31, 2021.

She quoted a portion of a John Hopkins University study made by Patricio Marquez, Senior Associate at John Hopkins University, to wit: "Smoking kills more people than COVID-19. Cigarette smoking is not only the most common form of tobacco but one of the leading preventable risk factors for premature mortality worldwide, killing more than eight million a year including users and non-users being exposed to secondhand smoke."

She stated that Marquez had even ventured to say that tobacco smoking is estimated to have killed 100 million people in the 20th century and suggested that one billion people could die from smoking within the century if no action is taken.

She stated that 23.8% of Filipinos in the age group of 15 years and above use tobacco products, 16% among the youth ages 13 to 15, and 2.5% Filipinos use smokeless tobacco products.

She also noted significant secondhand smoke exposures among Filipinos in their own homes, and in restaurants and public transportation even though smoking in public places is prohibited. She said that as a health consequence, about 110,000 Filipinos die from tobacco-related diseases every year. She added that the ongoing discussions on the Floor on e-cigarettes and vapes pose a question on whether the said objects would truly help people quit smoking.

She said that the science behind e-cigarettes would show that there are still many toxic substances in them

even when compared to traditional smoking. While e-cigarettes are touted as less harmful alternatives, she said that the market has also attracted minors due to the availability of a range of juices or flavors. She also noted that while smokers consider switching to e-cigarette in an attempt to quit, there is no proof that it is an effective quick fix method. She said that while there are smokers who say that they have made the switch, many have, in fact, become dual users who are hooked to both smoking traditional cigarettes and e-cigarettes. She added that it has been shown that nonsmokers who start vaping are twice as likely to start smoking.

In celebration of the World Tobacco Day, Senator Cayetano expressed hope that Senate Bill No. 2239, a bill regulating heated tobacco products and vapes that is currently on Second Reading and would be the subject of debate during the period of interpellation, would empower the government to truly regulate the use of e-cigarettes—not promote it—and restrict its accessibility to the youth.

REFERRAL OF SPEECH TO COMMITTEE

Upon motion of Senator Zubiri, there being no objection, the Chair referred the manifestation of Senator Cayetano to the Committee on Health and Demography.

COMMITTEE REPORT NO. 262 ON SENATE BILL NO. 2232

(Continuation)

Upon motion of Senator Zubiri, there being no objection, the Body resumed consideration, on Second Reading, of Senate Bill No. 2232 (Committee Report No. 262), entitled

AN ACT TAXING PHILIPPINE OFFSHORE GAMING OPERATIONS, AMENDING FOR THE PURPOSE SECTIONS 22, 25, 27, 28, AND ADDING A NEW SECTION 125-A OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES.

Senator Zubiri stated that the parliamentary status was the period of committee amendments.

Thereupon, the Chair recognized Senator Cayetano, sponsor of the measure.

TERMINATION OF THE PERIOD OF COMMITTEE AMENDMENTS

There being no committee amendment, upon motion of Senator Zubiri, there being no object, the Body closed the period of committee amendments and proceeded to the period of individual amendments.

MANIFESTATION OF SENATOR CAYETANO

Senator Cayetano suggested that the Body go through the amendments per page. She added that she would be reading the amendments sent by the other Members, but would welcome senators who would like to personally propose their respective amendments.

MANIFESTATION OF SENATOR HONTIVEROS

Senator Hontiveros said that at the appropriate time, she would be making a brief presentation to lay out the rationale of her proposed amendments.

MANIFESTATION OF SENATOR CAYETANO

Before proceeding with the proposed amendments, Senator Cayetano stated that she would make some clarifications to the interpellations the previous day.

She said that some of the Members had discussed the matter of Global ComRCI, the third-party auditor of the Philippine Amusement and Gaming Corporation (PAGCOR), in auditing the Philippine Offshore Gaming Operators (POGOs). She informed the Body that there had been a Commission on Audit (COA) observation in 2019 on the need to revisit PAGCOR's contract with Global ComRCI and PAGCOR agreed, on July 2020, to revise the agreement in order to implement COA's recommendation to amend the contract price which was approved by the Board of Directors of PAGCOR.

She also pointed out that 11 months had passed since PAGCOR had agreed to revise the agreement but that the same was still being routed for signature. She opined that the pending approval of the contract with the third-party auditor would be an additional issue that the Body would have to deal with in relation to Senate Bill No. 2232.

She said that the provision on a third-party audit platform that would determine the gross gaming revenues (GGR) or receipts of offshore gaming licensees, as stated in Section 125-A or the proposed new section on the gaming tax on services rendered by offshore

gaming licenses in Section 5 of the bill, was supposed to give the Body some degree of comfort as to the correct calculation of GGRs since the Bureau of Internal Revenue (BIR), the Department of Finance (DOF), and PAGCOR have been presenting conflicting figures.

She said that could not understand the reason for the delay in securing the required signatures in order to seal the contract of PAGCOR with the third-party auditor even after 11 months since the PAGCOR had agreed to revise the agreement. Likewise, she said that she would not want to be responsible for the possible repercussions once the bill is signed into law without securing a legally-binding contract with the third-party auditor. She opined that the still unsigned revised agreement is a matter which the concerned government agencies should take seriously, otherwise, it would be allowing what should have been a revenue-making bill to be used for purposes that she is not aware of.

She also informed the Body that the BIR, the Bureau of Immigrations (BI), and the Department of Labor and Employment (DOLE) had conducted joint inspections on 196 POGO establishments in 2020 while only one had been made in 2021. She then wondered whether the 2020 inspections had been merely *ningas-kugon* or had been done to show off which she finds bothersome.

MANIFESTATION OF SENATOR PANGILINAN

Senator Pangilinan requested from the Committee on Ways and Means a copy of the documents on the 196 inspections of POGO establishments, saying that he would want to know the names of the POGO establishments. Senator Cayetano said that she had already asked her staff to secure a copy and would provide Senator Pangilinan with the same.

PROPOSED AMENDMENT OF SENATOR VILLANUEVA

On page 1, before line 1, Senator Villanueva proposed the insertion of a new Section 1, to read as follows:

SECTION 1. *DECLARATION OF POLICY*
— IT IS HEREBY DECLARED THE POLICY OF THE STATE TO PROMOTE A JUST AND DYNAMIC SOCIAL ORDER THAT WILL ENSURE THE PROSPERITY AND INDEPENDENCE OF THE NATION AND FREE THE PEOPLE FROM POVERTY THROUGH POLICIES THAT PROVIDE ADEQUATE SOCIAL SERVICES, PROMOTE FULL EMPLOYMENT,

A RISING STANDARD OF LIVING, AND AN IMPROVED QUALITY OF LIFE FOR ALL. TOWARDS THIS END, THE STATE SHALL PURSUE POLICIES AND PROGRAMS THAT ARE SUSTAINABLE AND CONSISTENT WITH THE VALUES AND ASPIRATIONS OF THE NATION. THE STATE CONTINUES TO STRICTLY REGULATE ALL FORMS OF LEGAL GAMBLING AND PROHIBIT ALL FORMS OF ILLEGAL GAMBLING. WHILE DOING SO, THE STATE RECOGNIZES THAT REVENUES GENERATED FROM LEGAL GAMBLING BUSINESSES ARE NOT A SUSTAINABLE SOURCE OF INCOME. THE STATE FURTHER RECOGNIZES THAT ALL FORMS OF GAMBLING HAVE CONSEQUENCES TO PHILIPPINE SOCIETY IN GENERAL AND TO FILIPINO FAMILIES IN PARTICULAR. THUS, THE STATE SHALL CONTINUE TO ZEALOUSLY IMPLEMENT LAWS, RULES AND REGULATIONS, AND TO STRICTLY REGULATE GAMBLING IN ORDER TO ENSURE THAT LEGAL FORMS OF GAMBLING ARE UNDERTAKEN IN A FAIR AND RESPONSIBLE MANNER AND TO MITIGATE, IF NOT ELIMINATE, THE SOCIAL ILLS OF GAMBLING. FOR THIS PURPOSE, THE RECOGNITION OF LEGAL FORMS OF GAMBLING, INCLUDING OFFSHORE ONLINE GAMING, SHALL NOT BE CONSTRUED AS A FAVORABLE STATE ENDORSEMENT OF SUCH ACTIVITY.

Senator Cayetano accepted the amendment, subject to style. She said that there is a need to improve the words “mitigate, if not eliminate.”

MANIFESTATION OF SENATOR DRILON

Initially, Senator Drilon stated that he has no problem with the substance of the amendment, only that the bill is not a stand-alone law but an amendment to the National Internal Revenue Code (NIRC). He said that as a matter of form, it would be awkward to put a declaration of policy in the middle of the statute. He posited that the proposed amendment would then become Section 21 as the bill intends to amend Section 22 of the law.

Senator Villanueva stated that the proposed provision is similar to the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law which also has a declaration of policy. He said that the amendment aims to crystalize what had been discussed during the period of interpellations that there did not seem to be an overall policy on gambling, particularly on offshore gaming.

Asked by Senate President Sotto if the CREATE was a stand-alone law, Senator Cayetano replied in the negative, saying that it was an amendment to NIRC. She said that a declaration of policy was also included in the Tax Reform for Acceleration and Inclusion (TRAIN) Law. She believed that the Body is in agreement that there is nothing wrong with the substance of the declaration of policy as the same type of amendments had been accepted in the two laws which are amendments to the NIRC.

Senator Drilon questioned the committee on how to execute the amendment by having a declaration of policy in the middle of the NIRC when a number of provisions could only pertain to gaming operations. As an example, he noted that Section 2(G) would amend Section 25 (*Tax on Nonresident Alien Individual*) while Section 3 would amend Section 27 (*Rates of Income Tax on Domestic Corporations*) of the NIRC.

He reiterated that it seemed awkward to have a declaration of policy in the middle of the statute as he underscored the fact that the POGO bill is not a stand-alone measure but would only be an amendment to the NIRC.

Senator Cayetano clarified that both CREATE and TRAIN are stand-alone laws which have the Declaration of Policy on Section 2, while the succeeding sections are those that amend the NIRC. Similarly, she said that the POGO bill has its own declaration of policy. She explained that the proposed amendment of Senator Villanueva would be the new Section 1, while the current Section 1 in the committee report would be renumbered accordingly. Thus, she said that the amendment would be consistent with TRAIN and CREATE.

Senator Drilon asserted that the declaration of policy should be placed at the start and not in the middle of the NIRC. Senator Gordon agreed, noting that a bill which amends specific provisions of the law cannot have its own declaration of principles. He opined that the Senate might become the laughing stock of the country if such an amendment is included in the Tax Code.

Senator Villanueva pointed out that the declaration of policy is not something new as what was being introduced would be directly injected into the NIRC.

Senator Cayetano reiterated that such an amendment had not been an issue for TRAIN or CREATE.

To clarify matters, she then offered to flash on the screen the laws containing the Declaration of Policy. She assured the Body that the committee was not doing something that had not been done before.

Senate President Sotto suggested to table the matter so that the Body could move on to the next amendment.

INDIVIDUAL AMENDMENTS

Upon motion of Senator Cayetano, there being no objection, the Body considered the following individual amendments:

Page 1

By Senator Cayetano

- On lines 9 to 11, replace the phrase "OR ANY SPECIAL ECONOMIC ZONE AUTHORITY OR TOURISM ZONE AUTHORITY OR FREEPORT AUTHORITY" with CAGAYAN ECONOMIC ZONE AUTHORITY, AUTHORITY OF FREEPORT AREA OF BATAAN AND AURORA, PACIFIC ECONOMIC ZONE AND FREEPORT;

Page 2

By Senator Cayetano

- On line 2, after the word "CUSTOMERS," insert the phrase AS PROVIDED FOR IN THEIR RESPECTIVE CHARTERS;

Page 3

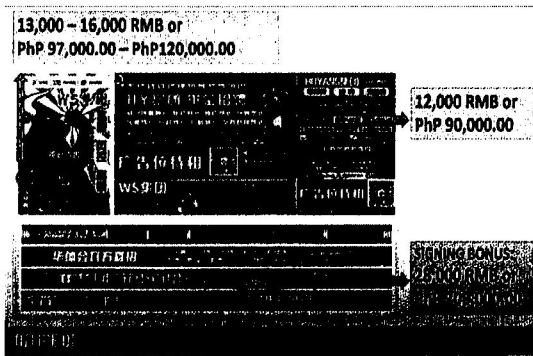
By Senator Cayetano

- On line 5, replace "SECTION 125-A AND SECTION 27 (F)" with SECTION 22-II AND SECTION 27 (G);

MANIFESTATION OF SENATOR HONTIVEROS

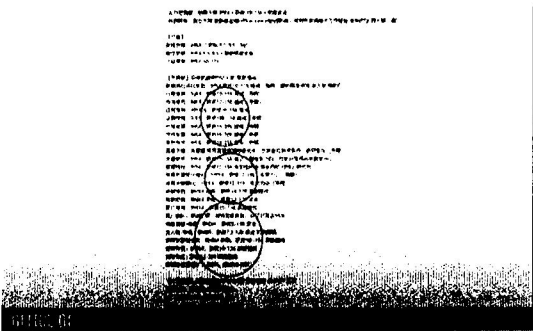
At the outset, Senator Hontiveros manifested her desire to share to the Body some data which would be the rationale of her proposed amendments. She recalled that during the hearings of the Committee on Women, Children, Family Relations and Gender Equality, it was revealed that POGO workers are able to pay off immigration officers. She added that one of the questions that was asked during the period of interpellations was why PAGCOR has not researched the salaries of POGO workers.

At this juncture, Senator Hontiveros shared on the screen the data gathered by her staff.



She disclosed that “help wanted” advertisements for POGO jobs in the Philippines are posted on Chinese websites, with entry-level POGO employees expected to earn around RMB12,000 or P90,000 per month, while other positions would go as high as RMB13,000 to RMB16,000, or from P97,000 to P120,000 per month. She added that there is also a signing bonus of RMB28,000 or P209,000.

She also showed information that the salaries of POGO employees would range from RMB10,000 for those who do not have experience, to RMB40,000 for the marketing supervisor. On the other hand, she said that probationary employees receive RMB50,000 or P374,000 while regular employees get RMB60,000 or P449,000.



She said that another ad shows that the minimum desired salary of prospective POGO workers who are in the Philippines is P100,000.

Aside from the salaries, she pointed out that POGO employees can also expect to receive living allowances to cover their food and housing amounting to US\$390 per month and therefore do not need tax breaks.

She stated that she had initially thought of aligning the tax treatment of POGO workers with Filipino citizens and resident aliens. However, she said that the computation of the salaries and living allowances of POGO workers showed that the POGO worker would pay less taxes only at the P2 million-salary

threshold. She opined that the Body should take a stronger position against POGOs rather than merely equalizing the tax treatment between Filipinos or resident aliens as she believed that higher taxation is a legitimate way for the government to address public ills if it refuses to prohibit them.

She also stated that the Committee on Women, Children, Family Relations and Gender Equality had found that the social cost to the Philippines’ hosting of POGO operations was not only quantifiable but was also alarming. She said that her amendments aim to increase the tax of POGO workers because POGOs should not receive preferential tax treatment considering the opacity and murkiness of the industry.

Saying that they could not ascertain the accurate number of POGO workers in the country considering that many, if not most, of them entered through illegal means, she remarked that the incentives given to local firms for being transparent is irrelevant for POGO companies.

She shared the sentiment of Senator Cayetano that discourages gambling noting how prostitution cases have increased with the advent of POGOs. Likewise, she said that POGO employees seem to be well-compensated since their companies could afford paying their workers more than the salary of a typical Filipino worker.

PROPOSED AMENDMENT OF SENATOR HONTIVEROS

On page 3, lines 6 to 7, Senator Hontiveros proposed to replace the words and figure “TWENTY-FIVE PERCENT (25%)” with THIRTY-FIVE PERCENT (35%). In reply, Senator Cayetano asked whether Senator Hontiveros also intends to amend the minimum presumptive salary found at the end of the paragraph amounting to P12,500. Senator Hontiveros answered in the affirmative. Considering that other senators have amendments concerning the amount, she suggested tackling the provision as a Body.

Senator Cayetano believed that all the Members would agree with Senator Hontiveros that there is a social cost to allowing gambling in the country. She clarified, however, that the Committee on Ways and Means had no intention to grant any preferable treatment to POGO workers, and that she was only seeking equal treatment.

Regarding the increase in tax rate, she believed that the matter, being a big and serious concern, should be deliberated by the Body especially that allowing POGOs to do business in the country entails social costs like prostitution. She said that although Filipinos could not participate in POGOs, it still has effects on family relations as it gives a semblance of support to gambling.

At this juncture, Senator Recto reiterated that it would be the first time that a presumptive income tax would be adopted as there is no such provision in the Tax Code. He asked if he was correct in his understanding that the imposition of P12,500 minimum presumptive income tax means that companies would withhold taxes from their employees at the same rate of percentage of withholding tax based on income bracket mandated by the Tax Code; thus, the higher the income, the higher the tax. Senator Cayetano said that the BIR has been repeatedly reminded not to be complacent in just collecting minimum tax, which would be P12,500 per month under the bill.

Asked by Senator Recto if a tax higher than P12,500 would be paid if the worker's income is much higher, Senator Cayetano replied in the affirmative.

Asked if the amount provided in the Tax Code would apply in case the minimum presumptive income tax would be stricken down by the Supreme Court, Senator Cayetano replied in the affirmative, citing the IPAs which were granted authority to grant licenses to POGO operations in far-flung areas such as Aurora and Bataan which have ongoing salary rates much less than the salaries in Metro Manila. She also said that Senator Recto would introduce an amendment that captures non-salary benefits.

Saying that she was guided by the principle of fair-ness, Senator Cayetano admitted that she was hesitant to impose a higher tax rate and a higher minimum rate because it could be violative of the equal protection clause. She believed that placing safeguards to an industry that could potentially cause harm to the country would be enough.

Adverting to the 35% increase that Senator Hontiveros had proposed on the premise that the POGO industry gives higher salaries, Senate President Sotto stated that a 25% withholding tax on gross income is relatively high. Senator Hontiveros stated that aside from the POGO employees' higher salaries

compared to Filipinos and alien residents in the country, it was proven in various committee hearings that POGO jobs exact heavy social costs in terms of crimes against women and children, corruption, and even kidnapping. Senate President Sotto surmised that Senator Hontiveros would want to impose higher taxes on the POGOs not because of the higher salaries but because of the social costs.

In addition, Senator Hontiveros stressed that different classes of taxpayers are treated differently in certain cases. She said that the reverse of her proposal is the regional operating headquarters (ROHQ) workers who are taxed at 15%.

Senator Cayetano said that while she shares the same concerns as Senator Hontiveros, she said that if the only reason for increasing taxes in the POGO industry would be the ills that it brings to society, then the remedy would be to either ban them from the country or demand the local agencies to strengthen the implementation of laws to ensure that criminal activities would not happen. She said that what she avoids is being responsible for a constitutional issue of taxing a business differently just because she did not like the industry; thereupon, she said that she would not accept Senator Hontiveros' amendment.

To Senator Hontiveros' assertion that nightclubs and sin taxes are taxed at a higher rate, and that higher taxation is a legitimate way for the government to address public ills, Senator Cayetano said that while the power to tax and the power to license are used to curtail or address the activities in various industries, the provision under consideration concerns income tax of employees. Thereupon, she suggested looking for other ways to tax the POGO operations but not the employees. In case they commit a crime, she said that they could be prosecuted or penalized but the increase in taxes on their compensation should not be in view of the nature of the business that they are in.

Asserting that the government should come down heavily on the POGO businesses, Senator Hontiveros stated that she would propose an amendment to tax the POGO companies higher than her proposed tax on POGO workers. She said that the executive agencies were not forthright in revealing the range of salaries they earn which exceeds the P2 million mark on income tax brackets, or hundreds of thousands per month. She maintained that taxing the income of workers in such a deleterious industry would be fair,

citing that one global precedent for using income tax in regulating public ills is the "billionaire tax."

To correct the impression of the debates which are open to the public, Senator Cayetano clarified that the 25% rate pertains to percentage tax, which means that the more they earn, the higher the revenue because the tax rate is not fixed. As regards the proposal to increase the tax of foreign nationals, she said the same is currently being implemented; in fact, they are taxed at a fixed rate of 25%, similar to the workers of the POGO industry. Considering the many ways to police the latter, she assured that the application of taxation among Filipinos and foreign nationals are rendered fairly.

At this juncture, Senate President Sotto threw caution on the matter because based on his experience as a local government official in Quezon City, the more taxes are raised, the more government is deceived.

Senator Pimentel asked whether the concept of final withholding tax mentioned on page 3, lines 1 to 11 of the bill refers to the income tax to be paid by an individual or to the amount withheld from the individual's salary which would be remitted by his employer to the BIR and deducted from the tax due at the time that the said individual pays his income tax.

Senator Cayetano replied that the said concept pertains to both, as it is a withholding tax based on the automatic 25% rate of a minimum income which, at the end of the year, could increase in case there is additional compensation such as a year-end bonus. She said that it is the reason behind the amendment on requiring alien workers to present an affidavit when declaring their actual income.

Asked on the income tax rate for the rest of the country, Senator Cayetano replied that the only tax rate introduced in the measure is the 25% tax rate for all foreign nationals, including non residents employed by POGOs as defined under the Tax Code.

She also explained that under Section 24 of the bill, resident aliens would be subject to the income tax at graduated rates. She said that a resident individual is defined as somebody who does not have a fixed period of stay. Hence, she noted that if a resident alien enters a contract which has a fixed term, he would no longer be considered as a resident but as a non resident.

Senator Pimentel suggested revisiting the phrase "regardless of residency" on page 3 of the bill as it appeared to him that the phrase erases the distinction between a resident and a non resident alien.

To the observation that the amendment to raise the withholding tax from 25% to 35% would also indirectly amend the income tax rate, Senator Cayetano agreed, saying that she shares the same concern as the committee did not introduce any rates and was just following the rates of nonresident aliens that are contained in the NIRC. Senator Pimentel then surmised that the mother provision on tax rate for the non-resident alien individual would also have to be amended if they want the said increase.

Senator Cayetano opined that Senator Hontiveros is proposing the amendment to carve out the POGO industry and its employees by imposing higher taxes on them.

Senator Pimentel believed that a different provision providing for the income tax rate would be needed if the intention is to carve out the industry. He reiterated that his understanding of the concept of the final withholding tax is that it is the withholding tax that is being deducted from one's pay at the end of the year.

SUSPENSION OF SESSION

Upon motion of Senator Cayetano, the session was suspended.

It was 6:17 p.m.

RESUMPTION OF SESSION

At 6:21 p.m., the session was resumed.

Upon resumption, Senator Zubiri stated that the Body would need to act on the objection registered by Senator Cayetano to the amendment of Senator Hontiveros. Senate President Sotto noted that Senator Hontiveros wanted to appeal the matter before the Body.

Given the circumstance, Senator Zubiri averred that there was a need to divide the House unless Senator Hontiveros would withdraw her amendment as the rest of the Members were unanimously against it.

Responding to the interjection made by Senator Pimentel, Senator Hontiveros recalled that there was

confusion on the definition of resident aliens. She likewise recalled having cited R.A. No. 11055 of the National ID Law which defines a resident alien as someone who has established residence for an aggregate period of more than 180 days, which she believed also covers alien workers in POGO.

As to the basis of her proposed amendment to increase the rate from 25% to 35%, she averred that it is not arbitrary as she drew it from the fact that 35% is the highest rate currently paid by Filipinos who receive a salary of P8 million and up every year.

She explained that she had proposed 35% as the final withholding tax for POGO workers on the assumption that a tax regime that has no problem rewarding good industries through lower taxes would likewise not have any problem disincentivizing bad industries. She believed that the other Members would not, in good conscience, allow an industry like a POGO to flourish in the country, adding that the taxation system could be used as an instrument to challenge bad industries like POGOs.

Senator Zubiri averred on the need to call for a division of the House as Senator Hontiveros had refused to withdraw her amendment.

DIVISION OF THE HOUSE

At this point, the Chair called for a division of the House as it requested those in favor of the proposed amendment of Senator Hontiveros to raise their hands and, thereafter, requested those against to do the same.

With three senators voting in favor, 16 against, and no abstention, the proposed amendment of Senator Hontiveros was lost.

INDIVIDUAL AMENDMENTS

(Continuation)

Page 3

By Senator Drilon

- On line 13, between the words "INCLUDE" and "BASIC," insert the phrase WHETHER IN CASH OR IN KIND;

By Senator Villanueva

- On line 16, after the period (.), insert a new proviso to read as follows:

PROVIDED, THAT ALL OFFSHORE GAMING LICENSEES AND SERVICE

PROVIDERS SHALL SUBMIT TO THE BIR THE ORIGINAL COPY OF THE NOTARIZED CONTRACT OF EMPLOYMENT CLEARLY STATING THEREIN THE ANNUAL SALARY AND OTHER BENEFITS AND ENTITLEMENT OF THE CONCERNED ALIEN; and

- On line 20, before the word "FOR," insert a new sentence, to read as follows:

IN ADDITION, THE ALIEN CONCERNED MAY BE SUBJECT TO DEPORTATION AND MAY BE BARRED FROM REENTERING THE PHILIPPINES OR BLACKLISTED AS A FOREIGN EMPLOYEE BY THE DEPARTMENT OF LABOR AND EMPLOYMENT, BUREAU OF IMMIGRATION, AND OTHER RELEVANT AGENCIES.

SUSPENSION OF SESSION

Upon motion of Senator Cayetano, the session was suspended.

It was 6:30 p.m.

RESUMPTION OF SESSION

At 6:31 p.m., the session was resumed.

INDIVIDUAL AMENDMENTS

(Continuation)

Page 3

By Senator Villanueva

- On line 23, after the word "REVENUE" and the comma (,), insert the phrase THE SECURITIES AND EXCHANGE COMMISSION (SEC);
- On the same line, delete the word "AND";

By Senator Cayetano

- On line 24, after the word "CORPORATION," insert a comma (,) and the phrase CAGAYAN ECONOMIC ZONE AUTHORITY, AUTHORITY OF THE FREEPORT AREA OF BATAAN, AND AURORA PACIFIC ECONOMIC ZONE AND FREEPORT;

INQUIRY OF SENATOR GORDON

At this juncture, Senator Gordon asked if the economic zones of Clark and Subic are included in

the particular provision. Senator Cayetano replied that the three agencies had been included so that they could issue joint and consolidated rules and regulations for the free and efficient exchange of information regarding the taxation of the POGOs. Senator Gordon pointed out that there are also POGO operations in Subic. Thus, he suggested the addition of a catchphrase to the effect that any processing zone or special economic zone that undertakes POGO operations shall be subject to the same procedure. Agreeing with Senator Gordon, Senator Cayetano, however, said that she was of the impression that only the three investment promotion agencies (IPAs) have the authority to operate POGOs. She explained that they limited it to three because based on the interpellations, they did not want the provision to be open-ended as if they were inviting more agencies to license POGOs. She apologized that she might have been misinformed that there were POGO operations within the jurisdiction of Subic.

Senator Gordon said that he had also been surprised to learn that there were POGOs operating in the area and asked what tax regimes would cover such enterprises. Senator Cayetano believed that there may be service providers that do not fall under the ambit. Since she wanted to address Senator Gordon's concern, she suggested reverting to a more general provision in the amendment.

SUGGESTION OF SENATOR VILLANUEVA

To address Senator Gordon's concern, Senator Villanueva suggested that after the word "CORPORATION," they could just insert the phrase AND OTHER SPECIAL ECONOMIC ZONE AUTHORITIES WHOSE MANDATE ALLOWS FOR THE LICENSING OF OFFSHORE GAMING OPERATORS.

Senator Cayetano stated that she could withdraw her amendment and go back to the original wording which refers to "OR ANY SPECIAL ECONOMIC ZONE AUTHORITY OR TOURISM ZONE AUTHORITY OR FREEPORT AUTHORITY." Senator Gordon agreed.

WITHDRAWAL OF THE CAYETANO AMENDMENT

Upon motion of Senator Zubiri, there being no objection, the Body reconsidered the previous amendment of Senator Cayetano and considered it withdrawn.

MANIFESTATION OF SENATOR CAYETANO

To clarify the issue, Senator Cayetano proposed to place an additional line after the word "CUSTOMERS" at the end of the paragraph. Senate President Sotto pointed out that Senator Cayetano's amendment after the word "CORPORATION" had been reconsidered and withdrawn.

SUSPENSION OF SESSION

Upon motion of Senator Cayetano, the session was suspended.

It was 6:39 p.m.

RESUMPTION OF SESSION

At 6:54 p.m., the session was resumed.

MANIFESTATION OF SENATOR CAYETANO

Before proposing her amendment, Senator Cayetano said that she would need the help of Senator Gordon because the Subic Charter does not allow the presence of POGOs except one in the area which was licensed by PAGCOR. She said that she was hesitant to remove the clause "as provided by their Charter" because she would not want PAGCOR to be licensing other IPAs.

WITHDRAWAL OF PREVIOUS AMENDMENT

Upon motion of Senator Cayetano, there being no objection, the Body approved to restore on page 1, lines 9 to 11, to restore the phrase "OR ANY SPECIAL ECONOMIC ZONE AUTHORITY, TOURISM ZONE AUTHORITY OR FREE PORT AUTHORITY" which was proposed to be deleted earlier.

INDIVIDUAL AMENDMENTS

(Continuation)

Page 3

By Senator Cayetano

- On line 24, after the word "CORPORATION," insert the phrase AND ANY SPECIAL ECONOMIC ZONE, TOURISM ZONE AUTHORITY, FREE PORT AUTHORITY, AS PROVIDED FOR IN THEIR RESPECTIVE CHARTERS;
- On line 25, after the word "REGULATIONS," insert a comma (,) and the phrase, INCLUD-

ING THE ISSUANCE OF A GAMING EMPLOYMENT LICENSE BY THE CONCERNED AGENCY.

Page 4

By Senator Villanueva

- On line 3, after the word "SECTION," insert the following: FOR THIS PURPOSE, THE DATA SHARING AND REPORTING SYSTEM AS WELL AS THE JOINT INSPECTION TEAM CREATED UNDER JOINT MEMORANDUM CIRCULAR NO. 1 SERIES OF 2019, ENTITLED, RULES AND PROCEDURES GOVERNING FOREIGN NATIONALS INTENDING TO WORK IN THE PHILIPPINES SHALL BE INSTITUTIONALIZED. THAT ALL FOREIGN EMPLOYEES OF OFFSHORE GAMING LICENSEES (OGL) AND THEIR SERVICE PROVIDERS, REGARDLESS OF NATURE OF EMPLOYMENT, SHALL HAVE A TAX IDENTIFICATION NUMBER (TIN). ALL OFFSHORE GAMING LICENSEES AND SERVICE PROVIDERS THAT EMPLOY OR ENGAGE A FOREIGN NATIONAL WITHOUT THE FOREGOING SHALL BE LIABLE FOR A FINE OF TWENTY THOUSAND PESOS (P20,000.00) FOR EVERY FOREIGN NATIONAL WITHOUT SUCH TIN AND, IN PROPER INSTANCES, REVOCATION OF THEIR PRIMARY AND OTHER LICENSES OBTAINED FROM GOVERNMENT AGENCIES AND/OR PERPETUAL OR TEMPORARY BAN IN EMPLOYING OR ENGAGING FOREIGN NATIONALS FOR THEIR OPERATIONS: *PROVIDED, FURTHER,* THAT THE FOREIGN NATIONAL CONCERNED SHALL STILL PAY AND THE EMPLOYER SHALL REMIT ANY CORRESPONDING TAXES, PENALTIES, INTEREST AND SURCHARGES DUE IN ACCORDANCE WITH THIS CODE.

Page 5

By Senator Drilon

- On line 12, replace the word "CORPORATION" with the phrase A JURIDICAL PERSON;
- On line 13, replace the word "IN" with the phrase WITHIN OR OUTSIDE;
- On lines 13 to 17, replace the phrase "OR UNDER ITS LAWS AND DULY AUTHORIZED BY THE PHILIPPINE AMUSEMENT AND GAMING CORPORATION OR ANY SPECIAL ECONOMIC ZONE

AUTHORITY OR TOURISM ZONE OR FREEPORT AUTHORITY TO" with OR A NATURAL PERSON REGARDLESS OF CITIZENSHIP OR RESIDENCE WHICH PROVIDE.

By Senator Recto

- On line 18, replace the figures "125-A" with 22ii.

Page 6

By Senator Recto

- On lines 9 and 10, replace the phrase "ATTRIBUTED TO GAME OFFERINGS OR FACILITIES LOCATED" with the word RIGHT;
- On line 16, replace the word "GROSS" with TAXABLE;
- On line 18, insert a new Section 5, to read as follows:

SEC. 5. SECTION 106 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, IS HEREBY AMENDED, TO READ AS FOLLOWS:

SEC. 106. VALUE ADDED TAX ON SALE OF GOODS OR PROPERTIES.

xxx

(C) SALES TO OFFSHORE GAMING LICENSEES SUBJECT TO GAMING TAX UNDER SECTION 125-A OF THIS CODE.

Asked to explain the basis for the zero-rated provision, Senator Recto recalled that during the interpellation the previous day, he was informed by the sponsor that the POGO is not subjected to VAT and that the committee report only imposes a franchise tax of 5% on gaming revenue. He explained that if POGOs are not subject to VAT, then the sales of their actual goods and services are zero-rated, which is the same as the casinos.

Senator Cayetano stated that the DOF did not want to accept the zero-rating because service providers provide services to a local company; hence, it is not for export. However, she said that Senator Recto had pointed out that the tax treatment should not change for POGOs.

Since they are using the taxation formula that is being applied to the casinos, Senator Recto reminded the Body that the market of the POGOs is Chinese nationals which, in effect, means that it is a service that is also for export. Moreover, he stated that the

amendment would ensure consistency since PEZAs are zero-rated, thus, the same treatment should be given to POGOs even if they are not located in an economic zone. He said that the DOF could have the proposal vetoed if it does not want to include the section.

Senator Cayetano expressed appreciation to Senator Recto for the analogy that he has presented.

INDIVIDUAL AMENDMENTS

(Continuation)

Page 6

By Senator Recto

- After line 17, insert a new SECTION 6, to read as follows:

“Sec. 6. Section 108 of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

xxx

- (9) SERVICES RENDERED TO OFFSHORE GAMING LICENSEES SUBJECT TO GAMING TAX UNDER SECTION 125-A OF THIS CODE BY SERVICE PROVIDERS, INCLUDING ACCREDITED SERVICE PROVIDERS AS DEFINED IN SECTION 27(G) OF THIS CODE.

PROPOSED AMENDMENT OF SENATOR DRILON

On page 6, line 23, Senator Drilon proposed to replace the phrase “gaming revenue or receipts” with **BETS OR TURNOVER**.

On page 7, lines 15 to 17, he also proposed to delete the phrase “*PROVIDED, FURTHERMORE, THAT FOR PURPOSES OF THIS SECTION, GROSS GAMING REVENUE OR RECEIPTS SHALL MEAN GROSS WAGERS LESS PAYOUTS*”

At this juncture, Senator Recto asked whether the committee report defines “gross gaming revenue” as gross bets minus payout. Senator Drilon replied in the affirmative, adding that it has a tax rate of five percent.

Senator Recto stated that in the original proposal, the gross gaming revenue is computed as the bet minus

the earnings from winnings, which is then taxed by 5%. He noted that the proposed amendment of Senator Drilon would impose a five percent tax on the gross bets without the payout which would then cause the POGOs to lose income. However, Senator Drilon stated that the POGOs would still have a reasonable threshold of 30%.

Disagreeing with Senator Drilon, Senator Recto pointed out that the revenue for card games or slot machines is bigger but the maximum tax is 10%, while the take of casinos anywhere is between two percent to eight percent. Similarly, he said that the committee report proposes to impose a five percent franchise tax on the take of the POGOs.

He then expressed concern that the Drilon amendment would drive away POGO operators. He also reminded the Body that offshore gaming can be likened to an online casino; thus, the best way to tax a POGO is by treating it like one.

At this juncture, Senator Drilon inquired as to the disposition of the sponsor on his proposed amendment. In reply, Senator Cayetano noted that the amendment is meant to tax the gross bets so there would be less room for discrepancies. However, she said that she would have to consider how much leeway would be given to the gaming operators since taxing the gross bet would be very different from taxing a gross bet minus the payout.

Senator Drilon noted that Senator Recto had previously estimated that the gross gaming revenue, as currently practiced, is over P500 billion.

Senator Recto clarified that the GGR should be higher than the P287 billion that was reported by PAGCOR.

Senator Drilon stated that the BIR had collected a two percent license fee from the P287 billion GGR which is equivalent to P5.7 billion, while PAGCOR recorded the GGR at P176.5 billion, or an underreporting of P110.5 billion.

Senator Recto informed the Body that PricewaterhouseCoopers had estimated the GGR to be over P500 billion. In response, Senator Drilon averred that the underreporting of P110.5 billion means that P5.25 billion was uncollected for the franchise tax. Senator Recto then clarified that the BIR should have collected P14.4 billion for the franchise tax.

SPW

Agreeing with Senator Recto, Senator Drilon averred that the amendment seeks to address the issue of uncollected taxes. He pointed out that the situation has become grossly disadvantageous to the government due to the current formula of deducting payouts. Moreover, he opined that there is no mechanism for determining the GGR since there are doubts on the ability of the third-party auditor to correctly plot the same. He said that Senator Cayetano had disclosed that the amounts which had been revised two years ago have yet to be approved.

He emphasized that the proposed amendment was not new and had been incorporated in the Bayanihan 2, so constructed so that it would be based on the GGR without the deduction and the payouts.

Senator Drilon stated that the tax rate which was incorporated in Bayanihan 2 was exactly constructed in a way that the franchise tax is based on gross bets or turnovers without deduction and payouts. He said that in the July 28, 2020 *Journal of the Senate*, only one senator dissented but 22 senators voted in favor of the proposed tax rate consisting of Senators Angara, Binay, Cayetano, Dela Rosa, Drilon, Gatchalian, Go, Gordon, Hontiveros, Lacson, Lapid, Marcos, Pacquiao, Pimentel, Poe, Recto, Revilla, Sotto, Tolentino, Villanueva, Villar, and Zubiri, and that the Bicameral Conference Report which was ratified by the Senate on August 20, 2020 was approved by the President on September 4, 2020.

Senator Drilon believed that the approved tax structure would bring in more revenues, adding that per estimate of PricewaterhouseCoopers, P15 billion would be generated therefrom versus the present tax setup. He also noted that he has not heard of any new circumstance to justify the change in computation as presently worded in Bayanihan 2, and that although the Supreme Court issued a restraining order because the tax imposition is allegedly a rider that was included in the Emergency Powers Act, it no longer holds water after its inclusion in the Internal Revenue Code. He said that he was making the proposal because he believed that the POGOs would not leave the country even with higher taxes because the factor that militates against the alleged withdrawal is that POGO operations are deemed illegal in China.

Believing that POGOs should pay for the social ills it brought to Philippine shores, Senator Drilon submitted that the increase of POGO taxes is a reinstatement after it was subjected to a TRO as a

rider, and that the technicality no longer applies when the tax rate was inserted in the Internal Revenue Code, being a mere reiteration of the policy. He said that if the Body would not adopt the same, it would mean that they are changing the rate of taxation of POGOs they have agreed to impose nine months ago.

At this juncture, Senator Lacson recalled that during the deliberation on the tax rate in Bayanihan 2, he was the one who expressed strong reservations that it could be interpreted by the Supreme Court as a rider provision. Senator Drilon clarified that the issuance of the TRO was a technical issue as the bill must only have one subject expressed in the title while Bayanihan 2 included a whole lot of emergency measures and sources of funds which became the *prima facie* basis of the Supreme Court to consider the same as a rider. Consequently, he said that the problem was resolved by inserting the tax rate in the Internal Revenue Code.

Senator Recto pointed out that the most important part of the committee report, especially for PAGCOR, is engaging the services of a reputable third-party auditor who would monitor bets and payouts. He also surmised that the Body was not able to study the situation clearly when they debated on Bayanihan 2, unlike now that they understand the POGO industry more. He suggested leaving the tax rate as how casinos are taxed, that is, gross bets minus payout, as he pointed out that all the bets could not be taxed because while the casino revenue is bets minus winnings or payout aside from 5% gross revenue, they still have to pay for employee salaries and operating expenses. Furthermore, he asserted that they could not collect withholding tax from casino employees as they have not been collected in the past.

Senator Recto said that the projected potential income in 2019 was roughly P38 billion with the BIR collecting a minimal amount of regulatory fee. He said that in his study of the POGO industry, he would conclude that the gross gaming revenue is much higher, or even double than the projection, such that the BIR should be collecting around P65 billion if the gross gaming revenue is about P500 billion to P540 billion. He said that he does not know of any casinos in the world that would have 5% of gross bets.

Asked by Senator Villar what the percentage of payouts relative to bet is, Senator Recto said that as disclosed during the committee deliberation, it is

between 90% to 95%. He explained that the total bets for P287 billion gross gaming revenue would be P3 trillion as the tax base, but the gross bet would be P5 trillion, 90% of which would be returned to the winners.

Senator Drilon disputed the 95% percentage of payout that Senator Recto was adverting to and said that he could not accept Senator Recto's apparent proposition that the Body did not study the tax rate. He pointed out that the reason why the Supreme Court issued a restraining order on the tax rate was due to the constitutional principle that a bill must only contain one subject expressed in the title. Since the rider is alien to the Emergency Powers Act, he said that the Supreme Court issued a TRO while further examining the tax proposition.

To the statement that the proposed tax rate is not the system of taxation in other countries, Senator Drilon stated that in one case, the Supreme Court ruled that it could not subscribe to the theory that the tax rates in other countries should be used as a yardstick in determining Philippine taxation, so whether the tax rate is used in other countries or not is immaterial. He recalled that nine months ago, 22 senators adopted a tax system for POGOs, thus, reverting to the old formula would mean a huge loss in revenues. He further noted that even the DOF is endorsing the new revenue tax system, which collection would be anywhere from P7 billion to P10 billion.

To Senator Recto's remark that the President has certified the bill as urgent in terms of materiality on the taxing base, or 5% of gross bets minus payout, Senator Drilon explained that the certification of the bill as to urgency only dispenses with the three-day rule but that the determination of the policy is with the Congress. In fact, he said that the certification is the committee version after amendments because that is the one which would have to wait for three days but does not affect the substance of the legislation.

Senator Angara interjected that since they voted based only on what they know at the time, which may or may not be accurate, the best indicator of whether the tax is too high or not would be to know what happened after Bayanihan 2 was passed into law. He then asked in the immediate effect in the interregnum between the passage of the law and the ruling of the Supreme Court.

Initially, Senator Zubiri stated that he could not recall whether there was such an amendment in the bicameral conference for Bayanihan 2 deliberations notwithstanding that the amendments were done page by page. However, he said that based on the *Record of the Senate*, the proposed amendment is found in the Bicameral Conference Committee Report wherein the committee adopted the House version of the provision but replaced the words "gaming receipts" with the phrase "gross bets or turnover."

Senator Drilon believed that the said amendment was part of the Bayanihan 2 which was approved on Third Reading on July 28, 2020. Meanwhile, in response to the query of Senator Angara, he said that there was no data as regards the immediate impact of the said provision because the POGOs had gone to the Supreme Court even before the law could be implemented, which then resulted in the issuance of a temporary restraining order (TRO). However, he clarified that the TRO was not based on the merits or the validity of the amendment but was issued due to a legal technicality.

Senator Angara explained that he was asking for empirical evidence to support claims that many investors had been pulling out their money because of the said provision.

For his part, Senator Gordon asked whether it would be possible to pass the bill with reservation that after six months, it will be subjected to review and necessary adjustments depending on the facts and figures that would come out thereafter as it would be difficult for the Body to currently vote on the provision without enough data that would support the anecdotal assertion mentioned by Senator Angara.

At this point, Senator Drilon stated that Senator Zubiri was correct that the provision he mentioned was part of the bicameral meeting discussion, therefore it is contained in the Bicameral Conference Committee Report and not in the Bayanihan 2 bill which was approved on Third Reading by the Senate. Nevertheless, he maintained that the committee report was unanimously adopted by the Senate with 22 senators voting in favor of the report, including the said provision.

Senator Gordon opined that when Bicameral Conference Committee Report come in, it is expected that both Houses have done their homework in

reconciling the provisions. However, he admitted that there are cases when members of the bicameral committee tend to just agree without debating further on issues because there are still other bills pending discussion. He said that he would always remind the Body that if they would make haste with the process, they should "make haste slowly" so as to avoid untoward circumstances wherein they would have to go back to debating on provisions even if the Bicameral Conference Committee Report has been submitted because it would seem that no one knew just how much revenue could be generated as a result of the measure.

He feared that the confusion on gross debts and turnover could result in lengthened debates which the Body may not be able to afford given that the Congress would have to adjourn *sine die* the next session day.

For her part, Senator Villar wondered why Congress was taxing a business it was unfamiliar with. She surmised that the payout should not be 93% as claimed by Senator Recto because nothing would be left with the POGO if the payout is taxed at five percent.

Senator Recto clarified that what he was talking about is the 5% of the 10%, or the 5% that they make.

As a businesswoman herself, Senator Villar pointed out that no business would only have 10% net after payouts. For instance, she said that even a supermarket which usually has smaller GP would still not have a net of 10% despite the overhead costs.

Senator Recto explained that the POGO would be taxed 5% of their GP the same way casinos in the Philippines are taxed.

As regards the remark of Senator Villar that the Body was not familiar with the industry it is going to tax, Senator Cayetano contended that the matter had been taken up during the hearing wherein pertinent information were provided by PAGCOR. She recalled that Mr. Salvosa of PAGCOR had stated that the payout for POGOs replicate those in the online version of casinos. She added that it was also in the same hearing that Mr. Salvosa mentioned that 97% of the winnings from the slot machines is returned to the player while the remaining 3% is retained.

She also noted that the gross bets minus the payout formula was adopted as it is a global practice among the casinos all over the world.

On the principle of taxation, she clarified that the gross bet is not the income but the bets minus the payout. Relative thereto, she agreed with Senator Drilon's desire to plug the gaps if they have an appropriate formula. She also expressed support to the suggestion of Senator Gordon to propose an amendment allowing the Body to revisit the provision once the right formula is determined and once the data of its impact is made available.

For his part, Senator Drilon expressed doubt on the accuracy of information which PAGCOR provided particularly as regards gross profit which, according to the agency, is only P3 out of every P100 bet.

DIVISION OF THE HOUSE

At this point, the Chair called for a division of the House as it requested those in favor of the proposed amendment of Senator Drilon to raise their hands and, thereafter, requested those against it to do the same.

With five senators voting in favor, 15 against, and no abstention, the proposed amendment of Senator Drilon was lost.

EXPLANATIONS OF VOTE

By Senator Villar

Senator Villar explained that while she agreed that the gross income of POGOs could be taxed by 5%, she could not vote for the amendment as she believed that there is no business that only has 10% gross payout.

By Senator Gordon

In explaining his negative vote, Senator Gordon admitted that it was hard for him to vote with a certain degree of rationality without enough facts. In fact, he believed that it is a disservice on the part of the Department of Finance for not providing sufficient data on the matter when it was pushing for the passage of the bill.

Having been an investment gatherer in Subic, he explained that his goal had been to bring in investments, get the tax base, and then eventually make the necessary adjustments. While he acknowledged the intention of the proposed Drilon amendment, he averred that losing the business might be worth voting against the proposal. However, he reiterated

that there ought to be a caveat that after six months or whatever period was deemed appropriate, the Body would conduct a review of the provision and thereafter make necessary adjustments depending on the result of the review.

INDIVIDUAL AMENDMENTS

(Continuation)

Page 7

By Senator Recto

- On line 2, between the words "OTHER" and "INTERNAL," insert the phrase DIRECT AND INDIRECT; and
- On the same line, between the words "TAXES" and "WITH," insert a comma (,) and the phrase AND LOCAL TAXES.

PROPOSED AMENDMENT OF SENATOR DRILON

On page 7, line 7, after the word "PAYOUTS," Senator Drilon proposed to insert the following: **PROVIDED, PAYOUTS CAN ONLY BE DEDUCTED AGAINST GROSS WAGERS IF SUCH PAYOUTS HAVE BEEN SUBJECT TO THE PAYMENT OF THE APPLICABLE FINAL WITHHOLDING TAX ON WINNINGS.**

He explained that adding the said proviso would ensure that only the winnings that has paid withholding tax on winnings would be allowed to be deducted from the gross wagers in order to arrive at the correct amount, covering the tax leaks, without having to change the formula.

Senator Recto replied that he was not aware of any casino in the Philippines or anywhere else in the world that has a tax on winnings. He averred that in the Philippines, it is only the Philippine Charity Sweepstakes Office (PCSO) that imposes a tax on winnings but the PAGCOR does not.

Given that winnings in Lotto are taxed in the country, Senator Drilon asked why there was a reluctance to impose a 20% withholding tax on winnings in casinos.

Senator Cayetano admitted that she would not know at which point the winnings would be taxed because it is impossible to monitor them. She reiterated that she was not against taxing the winnings; however,

PAGCOR had said that it has never been the practice in the Philippines nor in other countries. She said that doing so would mean creating a new process which could be considered, but not for the proposed measure since she did not know how they could reinvent the practice.

Senate President Sotto shared with the Body that winnings in the U.S. casinos are taxed only when the jackpot is hit but it applies only to foreign nationals and not to American citizens.

Senator Drilon said that he was not changing the system but was only establishing a principle that the NIRC provision on tax on winnings should be used as a mechanism to arrive at the correct gross winnings. He stressed that since the winnings are taxable, they should use the system to accurately track the actual payouts. He pointed out that their role is to set the policies for implementing the tax on winnings. If the 20% tax on winnings by law is not applicable, he said that they could use a formula to arrive at the correct applicable franchise fees that should be collected.

Senate President Sotto then interjected by asking how they would be able to know when POGO players from foreign countries have won as well as the amount that was won. Senator Drilon said that while it is a question that no one could answer because they are unfamiliar with online gaming, it does not divert from the fact that they are setting a policy of taxing winnings as provided for in the law. He reiterated that the non-implementation of the provision would not affect the correct policy.

At this juncture, Senator Villar suggested the hiring of experts such as statisticians to study the law of probability of winnings so that they could set the taxing standards.

Senator Cayetano informed the Body that Section 24(B)(1) of the NIRC (*Interests, Royalties, Prizes, and Other Winnings*) is a provision that taxes winnings, but is only applicable to individual citizens of and individual resident aliens in the Philippines. She added that there is no provision on taxing winnings that covers the nonresident aliens or foreigners which are the subject of POGOs.

For his part, Senator Drilon said that they could always put his proposed amendment to a vote if it is rejected by the sponsor.

Upon query by the Senate President, Senator Cayetano replied that she would not accept the proposed amendment of Senator Drilon because there is currently no law that taxes such winnings and there is also no way to access the data.

Senator Drilon then asked if Senator Cayetano would accept a provision that would tax winnings from casinos or POGO operations. Senator Cayetano expressed her openness to the proposal as it might be a very good source of income but would first need to conduct a hearing on the same as she did not want to pass a bill that would later be questioned because it is impractical and inaccessible. She then stated that she could not accept the proposed amendment in the meantime.

DIVISION OF THE HOUSE

At this point, the Chair called for a division of the House as he requested those in favor of the proposed amendment of Senator Drilon to raise their right hand and, thereafter, requested those against it to do the same.

With four senators voting in favor, 15 voting against, and no abstention, the amendment was lost.

INDIVIDUAL AMENDMENTS

(Continuation)

Page 7

By Senator Recto

- On line 23, replace the words "EMPLOY A" with the phrase ENGAGE THE SERVICES OF A REPUTABLE AND INTERNATIONALLY KNOWN;

By Senator Villanueva

- On line 18, after the word "PHILIPPINES," insert the phrase AND THE GRAVE FAILURE TO COMPLY WITH THE THIRD-PARTY AUDITOR;

Page 8

By Senator Villanueva

- On line 8, after the word "Auditor," replace the period (.) with a semicolon (;) and insert the phrase PROVIDED, THAT THE THIRD-PARTY AUDITOR SHALL BE INDEPENDENT AND DULY ACCREDITED AS SUCH BY AN ACCREDITING OR SIMILAR

AGENCY RECOGNIZED BY INDUSTRY EXPERTS: PROVIDED, FINALLY, THAT NOTHING HEREIN SHALL PREVENT THE BIR AND THE COMMISSION ON AUDIT FROM UNDERTAKING A POST-AUDIT OR INDEPENDENT VERIFICATION OF THE GROSS GAMING REVENUES DETERMINED BY THE THIRD-PARTY AUDITOR;

By Senator Cayetano

- After line 8, insert a new section, to read as follows:

SEC. __. A NEW SECTION DESIGNATED AS SECTION 288 (G) OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, IS HEREBY AMENDED TO READ AS FOLLOWS:

SECTION 288 (G). DISPOSITION OF REVENUES FROM GAMING TAX ON OFFSHORE GAMING LICENSEES. – THE PROVISIONS OF EXISTING LAW TO THE CONTRARY NOTWITHSTANDING, 60% OF THE TOTAL REVENUE COLLECTED FROM THE GAMING TAX IMPOSED ON OFFSHORE GAMING LICENSEE SHALL BE ALLOCATED AND USED EXCLUSIVELY IN THE FOLLOWING MANNER: (1) 60% FOR THE IMPLEMENTATION OF REPUBLIC ACT NO. 11223 OTHERWISE KNOWN AS THE UNIVERSAL HEALTH CARE ACT OF 2019; (2) 20% SHALL BE ALLOCATED TO THE HEALTH FACILITIES ENHANCEMENT PROGRAMS (HFEP) THE ANNUAL REQUIREMENT OF WHICH SHALL BE DETERMINED BY THE DEPARTMENT OF HEALTH; AND (3) 20% SHALL BE ALLOCATED FOR THE ATTAINMENT OF THE SUSTAINABLE DEVELOPMENT GOALS (SDGs); PROVIDED, THAT THE SPECIFIC SDG TARGET SHALL BE DETERMINED BY THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY;

- Renumber the succeeding sections accordingly;

By Senator Gordon

- After line 8, insert a new section, to read as follows:

SEC. __. OVERSIGHT AND REVIEW. – WITHIN THREE MONTHS FROM THE EFFECTIVITY OF THE ACT AND EVERY THREE MONTHS THEREAFTER, THE

BUREAU OF INTERNAL REVENUE SHALL MAKE A REPORT TO THE CONGRESS ON THE COLLECTION OF THE TAXES IMPOSED UNDER THIS ACT FOR REVIEW FOR POSSIBLE ADJUSTMENT;

- Renumber the succeeding sections accordingly;

SUSPENSION OF SESSION

Upon motion of Senator Cayetano, the session was suspended.

It was 8:28 p.m.

RESUMPTION OF SESSION

At 8:32 p.m., the session was resumed.

INDIVIDUAL AMENDMENTS

(Continuation)

By Senator Angara

- On page 2, line 2, after the word "CUSTOMERS," insert a new paragraph, to read as follows:

NOTWITHSTANDING ANY LAW TO THE CONTRARY, NO OFFSHORE GAMING LICENSE SHALL HEREINAFTER BE ISSUED BY THE AURORA PACIFIC ECONOMIC ZONE AND FREEPORT AUTHORITY. ALL OFFSHORE GAMING LICENSEES WHOSE LICENSE WAS ISSUED BY THE AURORA PACIFIC ECONOMIC ZONE AND FREEPORT AUTHORITY SHALL BE TRANSFERRED, REGULATED, AND MONITORED BY THE PHILIPPINE AMUSEMENT AND GAMING CORPORATION.

By Senator Villanueva

- On Section 1, insert a shortened version, to read as follows:

SECTION 1. *DECLARATION OF POLICY.*
— IT IS HEREBY DECLARED THE POLICY OF THE STATE TO PROMOTE A JUST AND DYNAMIC SOCIAL ORDER THAT WILL ENSURE THE PROSPERITY AND DEPENDENCE OF THE NATION AND FREE THE PEOPLE FROM POVERTY THROUGH POLICIES THAT PROVIDE ADEQUATE SOCIAL SERVICES, PROMOTE FULL EMPLOYMENT, A RISING STANDARD OF LIVING AND AN IMPROVED QUALITY OF LIFE FOR

ALL. TOWARDS THIS END, THE STATE SHALL STRICTLY REGULATE ALL FORMS OF LEGAL GAMBLING AND PROHIBIT ALL FORMS OF ILLEGAL GAMBLING. WHILE DOING SO, THE STATE RECOGNIZES THAT REVENUE GENERATED FROM LEGAL GAMBLING ARE NOT A SUSTAINABLE SOURCE OF INCOME. THE STATE FURTHER RECOGNIZES THAT ALL FORMS OF GAMBLING HAVE CONSEQUENCES TO PHILIPPINE SOCIETY IN GENERAL AND TO FILIPINO FAMILIES IN PARTICULAR. THE STATE FURTHER REITERATES THAT THE RECOGNITION OF LEGAL FORMS OF GAMBLING INCLUDING OFFSHORE ONLINE GAMING SHALL NOT BE CONSTRUED AS A FAVORABLE STATE ENDORSEMENT OF SUCH ACTIVITY.

By Senator Angara

- On Section 8 (*Repealing Clause*), subject to style, insert phrase SECTION 12(F) OF REPUBLIC ACT NO. 9490 AS AMENDED BY RA 1083, OTHERWISE KNOWN AS THE "AURORA SPECIAL ECONOMIC ZONE ACT OF 2007."

By Senator Recto

- Replace the title of the bill with the following:
AN ACT TAXING PHILIPPINE OFFSHORE GAMING OPERATIONS, AMENDING FOR THE PURPOSE SECTIONS 22, 25, 27, 28, 107, 108, AND ADDING A NEW SECTION 125-A AND 228-G OF THE NATIONAL INTERNAL REVENUE CODE.

MOTION OF SENATOR ZUBIRI

At this point, Senator Zubiri moved for the Body to approve on Second Reading Senate Bill No. 2232 under Committee Report No. 262. Senator Drilon registered his objection and requested for a roll call vote.

SUSPENSION OF SESSION

Upon motion of Senator Zubiri, the session was suspended.

It was 8:38 p.m.

RESUMPTION OF SESSION

At 8:43 p.m., the session was resumed.

**APPROVAL ON SECOND READING
OF SENATE BILL NO. 2232**

Upon motion of Senator Zubiri, there being no objection, the Body considered the approval of Senate Bill No. 2232, as amended, on Second Reading.

Thereupon, the Chair called the roll for nominal voting.

RESULT OF THE VOTING

The result of the voting was as follows:

In favor

Angara	Pimentel
Binay	Poe
Cayetano	Recto
Dela Rosa	Revilla
Gatchalian	Sotto
Go	Villanueva
Gordon	Villar
Marcos	Zubiri
Pacquiao	

Against

Drilon	Pangilinan
Hontiveros	

Abstention

None

With 17 senators voting in favor, three against, and no abstention, the Chair declared Senate Bill No. 2232, as amended, approved on Second Reading.

PRESIDENTIAL CERTIFICATION

Upon direction of the Chair, Secretary Villarica read the President's certification as to the necessity of the immediate enactment of Senate Bill No. 2232, to wit:

**MALACAÑAN PALACE
MANILA**

May 28, 2021

SEN. VICENTE C. SOTTO III
Senate President
The Philippine Senate
Pasay City

Mr. Senate President:

Pursuant to the provisions of Article VI, Section 26 (2) of the 1987 Constitution, I hereby

certify to the necessity of the immediate enactment of Senate Bill No. 2232, entitled

“AN ACT TAXING PHILIPPINE OFFSHORE GAMING OPERATIONS, AMENDING FOR THE PURPOSE SECTIONS 22, 25, 27, 28, AND ADDING A NEW SECTION 125-A OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES,”

to provide a definitive tax regime for Philippine Offshore Gaming Operations in order to generate much-needed revenues for the country and place the industry under stricter government oversight.

Best regards.

Very truly yours,

(Sgd.) Rodrigo Roa Duterte

Copy furnished:

Speaker Lord Allan Jay Q. Velasco
Speaker of the House
House of Representatives
Batasan Hills, Quezon City

Usec. Luzverfeda E. Pascual
Office-in-Charge
Presidential Legislative Liaison Office
2/F New Executive Bldg., Malacañang, Manila

**APPROVAL OF SENATE BILL NO. 2232
ON THIRD READING**

Upon motion of Senator Zubiri, there being no objection, the Body considered, on Third Reading, Senate Bill No. 2232.

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

AN ACT TAXING PHILIPPINE OFFSHORE GAMING OPERATIONS, AMENDING FOR THE PURPOSE SECTIONS 22, 25, 27, 28, 106, 108 AND ADDING A NEW SECTION 125-A AND 288-G OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES.

Secretary Villarica called the roll for nominal voting.

RESULT OF THE VOTING

The result of the voting was as follows:

In favor

Angara	Pimentel
Binay	Poe
Cayetano	Recto
Dela Rosa	Revilla
Gatchalian	Sotto
Go	Villanueva
Gordon	Villar
Marcos	Zubiri
Pacquiao	

Against

Drilon	Pangilinan
Hontiveros	

Abstention

None

With 17 senators voting in favor, three against, and no abstention, the Chair declared Senate Bill No. 2232 approved on Third Reading.

EXPLANATIONS OF VOTE

By Senator Pangilinan

Senator Pangilinan explained his negative vote, to wit:

For the past few years, our country has become a host for Philippine Offshore Gaming Operations (POGOs) that essentially provide online gambling services to foreigners located outside the country. The sharp rise of the POGO industry, unfortunately, came with serious social costs.

Property rental prices surged by as much as sixty-two percent (62%) in 2018. Filipinos have been kicked out of their condo units and homes that they were renting because POGO workers can afford to pay more. *Nawalan ng tirahan sa sariling bayan.*

Foreign POGO workers were also heavily involved in various criminal activities such as the bribery of immigration officials, prostitution, money laundering, human trafficking, tax evasion, online fraud, and even kidnapping and murder. From September 2019 to January 2020, at least six prostitution dens, which front as bars, and casas,

and restaurants, were raided in Makati alone. The NBI even admitted that these kinds of operations “came with the proliferation of POGOs” and they “only experienced these kinds of activities when POGOs were created.”

In our Senate Health Committee hearing on the COVID virus held last year, February 4, 2020, Secretary Duque, when asked by this Representation as to how many of the first 90 persons under investigation for COVID with symptoms, how many of these ninety came from Wuhan, China, Secretary Duque answered, “Thirty-one (31).” When we asked him if contact tracing was done, he said “*Hindi na daw dahil na-discharge na sa mga ospital.*” It would not come as a surprise if those 31 PUIs from Wuhan were POGO workers.

POGOs also pose a national security threat. Security officials such as Defense Secretary Lorenzana and National Security Adviser Esperon have previously expressed their concerns over the presence of POGOs and Chinese nationals close to key military installations as they might be conducting intelligence-gathering operations.

The Chinese government itself has repeatedly asked the Philippine government to close POGO operations because these were used in cross-border crimes such as money laundering.

We recognize the additional revenues that the national government may collect from POGOs through the tax regime proposed under this measure. In 2021, an estimated P28.7 billion may be collected by the Bureau of Internal Revenue. But the interpellations have shown that perhaps that is on the low side.

Indeed, whatever amount the BIR collects from POGOs may be used to fund projects to give relief to our people’s suffering during this pandemic. However, we cannot and should not turn a blind eye to the social costs that the POGO industry brings and has brought upon us, social costs that may be difficult to reverse. Instead of allowing POGOs to thrive, perhaps we ought to have reallocated funds from other sources to support our pandemic relief efforts.

For these reasons, I vote “no” to Senate Bill No. 2232.

By Senator Hontiveros

Senator Hontiveros stated that based on the recent discussions and debates, the Senate was in agreement that online gambling is not the kind of foreign direct investment that it would encourage. She pointed out

that since almost all forms of gambling, including online gambling, are illegal in Mainland China, it came as no surprise that people involved in such an industry have ties to criminal syndicates and organized crimes.

She cited Senator Drilon's manifestation that tax leakages are a major problem in regulating the online gambling industry targeted at the Chinese-speaking market. She said that the fact that it is not known how many POGO workers or online gambling companies are currently operating in the Philippines only shows the opacity of the industry.

She also believed that it would be important for the Chamber to take a stronger position against online gambling and the illicit activity it had brought to Philippine shores. She said that the Body should not kid itself – it is not about solo moms from Hulan, sending money to their babies in China and earning P60,000 a month; it is about POGO workers earning more than a hundred thousand pesos a month or who would have earned around \$400 in their home country.

She stated that in Japan, the highest income tax bracket is taxed 55.95%, while it is 45% in both Australia and China. She averred that the Senate Committee on Women, Children, Family Relations and Gender Equality has proven that the social costs to the Philippines' hosting of online gambling is not just quantifiable but also alarming. Thus, she stressed that lawmakers should not stop at merely closing the tax loopholes. She asserted that gambling should not be treated like any other business because it does not create value – it only moves value around and erodes it at the same time.

She said that she had hoped that the Senate could use the opportunity not only to raise badly-needed revenues for the country but also to bear down heavily on an industry that has cost the people so much. She then wondered how long it would take before online providers in other markets target Filipino citizens and ruin Philippine families, if they have not done so already.

Senator Hontiveros stated that it was for those reasons that she could not support the passage of the bill in its present form.

By Senator Pimentel

In explaining his vote, Senator Pimentel stated that Congress would have to directly address the

issue of the existence of the POGO in a separate measure. He stated that it could be done through the Angara amendment which disables the Aurora Pacific Economic Zone and Freeport (APECO) from further issuing licenses to POGOs, while those with existing licenses would have to be supervised by PAGCOR. He believed that such is the path that should be followed by agencies still empowered to issue licenses under existing laws as it would show that there is no confusion on the taxes and tax rates that are applicable to POGOs. He said that the measure added new rules, but also restated and emphasized existing laws so that there would be no confusion from the point of view of the BIR.

By Senator Villanueva

Explaining his affirmative vote, Senator Villanueva reiterated his stand against all forms of legal or illegal gambling. He opined that the Senate could either keep the status quo or pass the POGO bill that would give the government the opportunity to raise revenues while getting hold of unscrupulous POGO operators at the same time. He believed that the passage of the measure would not prevent Congress from passing another law on whether or not to allow the continued operation of POGOs. He also believed that it would eventually have to decide on whether or not it should allow PAGCOR to continue operating as the government cannot have a state regulator that functions both as operator and banker.

Senator Villanueva then thanked Senator Cayetano for entertaining his amendments and answering his queries. He also joined Senator Pimentel in commending Senator Angara for his amendments.

CREATION OF SUBCOMMITTEE

On behalf of Senator Poe, chairperson of the Committee on Banks, Financial Institutions and Currencies, Senator Zubiri said that the Committee has created a subcommittee, with Senator Angara as chairperson, to hear House Bill No. 8992, or the Digital Payments Act of 2020.

INQUIRY OF SENATOR ANGARA

Asked by Senator Angara on the rule regarding the conduct of committee hearings during the congressional break, Senator Zubiri stated that there is a standing resolution allowing committees and subcommittees to hold hearings while Congress is in recess.

MANIFESTATION OF SENATOR POE

Senator Poe thanked Senator Angara, chairperson of the Committee on Finance, for authoring as well as agreeing to chair the subcommittee. She believed that House Bill No. 8992 would progress quickly and efficiently under his leadership.

CHANGE OF REFERRAL

Upon motion of Senator Zubiri, there being no objection, the Chair approved the change of referral of Senate Bill No. 2235 (Renaming Benham Rise) from the Committee on Environment and Natural Resources and Climate Change to the Committee on Foreign Relations as the primary committee, and to the Committee on Environment and Natural Resources and Climate Change as the secondary committee.

COAUTHOR

Senator Zubiri manifested that Senator Poe is a coauthor of Senate Bill No. 1764 (Digital Payments Act of 2020).

CREATION OF SUBCOMMITTEE

On behalf of Senator Go, chairperson of the Committee on Health and Demography, Senator Zubiri manifested that the committee had created a subcommittee, with Senator Pimentel as chairperson, to hear Senate Bill Nos. 1708, 1759, 1766, and 1796 on the Pandemic Protection Act.

SENATE CONFEREES

Upon nomination by Senator Zubiri, there being no objection, the Chair designated the following to constitute the Senate panel in the bicameral conference committee on the disagreeing provisions of Senate Bill No. 1955 and House Bill No. 9323 (Liquified Petroleum Gas Act): Senator Gatchalian as Chair; and Senators Binay, Pimentel, Angara, and Hontiveros as members.

MANIFESTATION OF SENATOR ZUBIRI

Senator Zubiri thanked all the Members for their patience and for remaining during the long session

hours. He reminded everyone that the next day would be the last day of the Second Regular Session and expressed hope that it would be similarly productive as it had been that day.

INQUIRY OF SENATOR DRILON

Senator Drilon recalled that there was an agreement earlier that day that the Public Service Act sponsored by Senator Poe and himself as cosponsor would be taken up that day. He then inquired if the bill would be taken up the following day. Senate President Sotto replied in the affirmative.

With the POGO bill out of the way, Senator Zubiri gave assurance that the Foreign Investments Act, which is a priority measure that the Senate had committed for possible approval during the Legislative Executive Development Advisory Council (LEDAC), would be the first item in the agenda the following day. He stated that Senators Recto, Drilon, and Villanueva were scheduled for the period of interpellations and that, hopefully, amendments to the measure could follow soon after. He added that the deliberations on the Public Service Act and the BARMM would also resume the next day.

ADJOURNMENT OF SESSION

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

It was 9:06 p.m.

I hereby certify to the correctness of the foregoing.



ATTY. MYRA MARIE D. VILLARICA
Secretary of the Senate



Approved on July 27, 2021