



**REPUBLIC OF THE PHILIPPINES**

**S e n a t e**

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# **Journal**

**SESSION NO. 51**

Monday, January 17, 2005

**THIRTEENTH CONGRESS  
FIRST REGULAR SESSION**

**SESSION NO. 51**  
Monday, January 17, 2005

**CALL TO ORDER**

At 3:40 p.m., the Senate President, Hon. Franklin M. Drilon, called the session to order.

**PRAYER**

Sen. "Compañera" Pia S. Cayetano led the prayer, to wit:

*Let us put ourselves in the presence of the Lord:*

Lord, who may enter Your temple?  
Who may worship on Zion, Your sacred hill?  
Those who obey God in everything and  
always do what is right,  
whose words are true and sincere, and who  
do not slander others.  
They do no wrong to their friends nor spread  
rumors about their neighbors.  
They despise those whom God rejects,  
but honor those who obey the Lord.  
They always do what they promise,  
no matter how much it may cost.

(Psalm 15: 1-4)

Oh, Lord, help us to always remember  
these simple lessons You have passed down  
through the ages. Remind us constantly that  
as public servants, we must serve with  
utmost humility, sincerity and concern for  
the welfare of the people.

In Jesus' Name. Amen.

**NATIONAL ANTHEM**

The Casino Filipino Parafñaque Voice Symphony led the singing of the national anthem and thereafter rendered the song entitled *Magsimula Ka*.

**ROLL CALL**

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

Angara, E. J.	Lacson, P. M.
Cayetano, C. P. S.	Lapid, M. L. M.
Defensor Santiago, M.	Lim, A. S.
Drilon, F. M.	Pangilinan, F. N.
Ejercito Estrada, J.	Pimentel Jr., A. Q.
Enrile, J. P.	Revilla Jr., R. B.
Flavier, J. M.	Roxas, M.
Gordon, R. J.	Villar Jr., M. B.

With 16 senators present, the Chair declared the presence of a quorum.

Senators Arroyo, Biazon, Madrigal, Magsaysay, Osmeña and Recto arrived after the roll call.

Senator Ejercito Estrada (L) was on official mission.

**APPROVAL OF THE JOURNAL**

Upon motion of Senator Pangilinan, there being no objection, the Body dispensed with the reading of the Journal of Session No. 50 and considered it approved.

**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 Secretary General of the House of Representatives, informing the Senate that on January 10, 2005, the House of Representatives passed the following House bills in which it requested the concurrence of the Senate:

House Bill No. 1240, entitled

AN ACT DECLARING PARCEL OF  
LAND OF THE PUBLIC DOMAIN  
LOCATED IN BARANGAY  
JORDAN, MUNICIPALITY OF ~~W~~

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VILLABA, PROVINCE OF LEYTE AS AGRICULTURAL LAND OPEN TO DISPOSITION FOR AGRICULTURAL, RESIDENTIAL, COMMERCIAL, INDUSTRIAL, OR OTHER PRODUCTIVE PURPOSES

**To the Committee on Environment and Natural Resources**

House Bill No. 1242, entitled

AN ACT DECLARING A PARCEL OF LAND OF THE PUBLIC DOMAIN LOCATED IN SITIO BURABOD VELOSO, BARANGAY INANGATAN, MUNICIPALITY OF TABANGO, PROVINCE OF LEYTE AS AGRICULTURAL LAND OPEN TO DISPOSITION FOR AGRICULTURAL, RESIDENTIAL, COMMERCIAL, INDUSTRIAL, OR OTHER PRODUCTIVE PURPOSES

**To the Committee on Environment and Natural Resources**

House Bill No. 3354, entitled

AN ACT DECLARING A PARCEL OF PUBLIC LAND LOCATED IN THE MUNICIPALITY OF PIKIT, PROVINCE OF COTABATO, AN AGRICULTURAL LAND OPEN TO DISPOSITION AND DEVELOPMENT FOR AGRICULTURAL, RESIDENTIAL, INDUSTRIAL, COMMERCIAL, OR OTHER PRODUCTIVE PURPOSES

**To the Committee on Environment and Natural Resources**

House Bill No. 3355, entitled

AN ACT DECLARING A PARCEL OF LAND OF THE PUBLIC DOMAIN LOCATED IN BARANGAY MAHAYAG, MUNICIPALITY OF ISABEL, PROVINCE OF LEYTE AS AGRICULTURAL LAND OPEN TO DISPOSITION FOR AGRICULTURAL, RESIDENTIAL,

COMMERCIAL, INDUSTRIAL, OR OTHER PRODUCTIVE PURPOSES

**To the Committee on Environment and Natural Resources**

and House Bill No. 3356, entitled

AN ACT TO EXTEND THE EFFECTIVITY OF THE RENTAL REFORM ACT OF 2002, PRESCRIBING THE REQUIREMENTS FOR AUTHORIZED INCREASE AND THE DISPOSITION OF RENTAL AND DEPOSIT, AMENDING FOR THE PURPOSE SECTIONS 3 AND 5 OF REPUBLIC ACT NO. 9161, ENTITLED AN ACT ESTABLISHING REFORMS IN THE REGULATION OF RENTALS OF CERTAIN RESIDENTIAL UNITS, PROVIDING THE MECHANISMS THEREFOR, AND FOR OTHER PURPOSES

**To the Committee on Urban Planning, Housing and Resettlement**

**BILLS ON FIRST READING**

Senate Bill No. 1882, entitled

AN ACT FURTHER AMENDING SECTION THREE OF REPUBLIC ACT NUMBERED THREE HUNDRED AND FORTY, AS AMENDED, OTHERWISE KNOWN AS THE ARMED FORCES RETIREMENT LAW

Introduced by Senator Angara

**To the Committee on National Defense and Security**

Senate Bill No. 1883, entitled

AN ACT ESTABLISHING THE LIVELIHOOD AND TECHNOLOGY RELATED LOAN CONDONATION ACT OF THE PHILIPPINES

Introduced by Senator Magsaysay Jr.

**To the Committee on Trade and Commerce**

Senate Bill No. 1884, entitled

AN ACT AMENDING PRESIDENTIAL DECREE NO. 1638, OTHERWISE KNOWN AS THE AFP MILITARY PERSONNEL RETIREMENT AND SEPARATION DECREE OF 1979

Introduced by Senator Angara

To the Committee on National Defense and Security

### RESOLUTION

Proposed Senate Resolution No. 155, entitled

RESOLUTION URGING THE PRESIDENT OF THE REPUBLIC OF THE PHILIPPINES TO MAKE THE HIGHEST LEVEL OF REPRESENTATION ENTREATING THE PRIME MINISTER OF JAPAN TO REEVALUATE AND RECONSIDER THE PROPOSED AMENDMENT OF ARTICLE 7, PARAGRAPH 1 (2) OF JAPAN'S IMMIGRATION CONTROL AND REFUGEE RECOGNITION ACT DELETING THE PROVISION RECOGNIZING FOREIGN GOVERNMENT CERTIFICATIONS AS A QUALIFICATION FOR THE ISSUANCE OF AN "ENTERTAINMENT VISA" TO OVERSEAS PERFORMING ARTISTS

Introduced by Senator Pangilinan

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

### COMMUNICATIONS

Letter from Governor Rafael B. Buenaventura of the *Bangko Sentral ng Pilipinas*, submitting to the Senate the Report on Economic and Financial Developments in the Philippines, Third Quarter 2004, pursuant to Section 39(a), Article V, Chapter 1 of the New Central Bank Act (R.A. No. 7653).

To the Committee on Banks, Financial Institutions and Currencies

Letter from Officer-in-Charge Armando L. Suratos of the *Bangko Sentral ng Pilipinas*, submitting to the Senate the data on outstanding Philippine External Debt as of 30 September 2004, as noted by the Monetary Board under its Resolution No. 1827 dated 16 December 2004.

To the Committees on Finance; and Economic Affairs

### QUESTION OF PRIVILEGE OF SENATOR EJERCITO ESTRADA (J)

On a question of personal and collective privilege, Senator Ejercito Estrada (J) denounced the actuaciones of the Philippine National Police relative to the security provided for former President Estrada.

The full text of his speech follows:

Last Saturday, my father, President Joseph Ejercito Estrada, returned to the Philippines after a successful knee surgery in Hong Kong.

Contrary to the speculations and malicious insinuations of flight from justice made by noisy critics and publicity-hungry detractors, President Estrada returned in accordance with his promise, and in compliance with the order of the Sandiganbayan.

The eerie silence of these critics is now deafening, and even disgusting, at the very least.

*Noong paalis pa lamang ang Pangulong Estrada, kung anu-ano ang sinasabi sa media. Ngunit nang nagbalik, ni-ha, ni-ho, wala po kayong marinig ngayon. Kaya nga ba ang sabi ng ama ko, huwag na nating patulan ang mga kulang sa pansin.*

We regret to disappoint them, and in this particular instance, they can learn perhaps a valuable lesson in the meaning of honor and integrity. These are values that they have long forgotten.

On behalf of my father and my family, I again express our gratitude and sincere appreciation to the Sandiganbayan, to all of

you and to all well-meaning friends, who supported my father's medical treatment abroad.

Many of our people extended unconditional and uncompromising support to my father, without a shred of doubt, without any sense of skepticism or distrust on his intention to return. For this, we thank you all.

Having said these, I take this opportunity to bring to the attention of this august Chamber the apparent overkill that attended the PNP's preparation for President Estrada's arrival last Saturday.

Newspaper reports suggested that some 15,000 police officers were deployed last Saturday to allegedly secure President Estrada, from whom and from what, I do not know.

Stories of attempts on his life and other accounts of destabilization plots were circulated, which, as you will remember, we have to deny vehemently, again and again.

I assure you, my father, President Estrada, can walk our streets without fear because he has done no crime or harm against our people. If there is any threat on his life, it must come from paranoid persons clinging desperately to power and fearful of the righteous justice and power of our people.

President Estrada does not need to be barricaded by electrified fences or containerized vans to be protected and secured. Instead, he can freely be one with our people, particularly the poor.

I rise also today on a matter involving the Director-General of our Philippine National Police, Police Director-General Edgardo Batalla Aglipay.

I have been advised by well-meaning friends to refrain from offending this very powerful police officer because he can make life difficult for my father who is now in detention. But at the risk of reprisals against my father, I bring this matter to your attention and that of our people because it is

my solemn duty as an elected public official to expose the insulting behavior and contemptuous attitude of the highest ranking police officer of the country.

*Maaring lalo nilang hihigpitan at pahihirapan si Pangulong Estrada sa kanyang kulungan, pero ito ay isang sagradong tungkulin para sa akin.*

Last Friday, before our departure from Hong Kong, I was informed that the Philippine National Police had unilaterally barred relatives and well-wishers from entering our rest house in Tanay, Rizal. These relatives and friends simply wanted to welcome President Estrada.

The PNP officers deployed in the Tanay resthouse explained that they were under strict orders to refuse entry of visitors and restrict access to the compound. The arbitrary ban was not relayed or conveyed to us at all.

Concerned that this is just a miscommunication, I contacted the chief of the Philippine National Police, Gen. Edgardo Aglipay, by telephone and politely sought a clarification on this policy.

This Representation also called General Aglipay to inform him of the list of persons who were to meet my father at the airport.

General Aglipay's reply was evasive, vague, agitated, and downright rude. He added that he will not allow anyone to enter the Tanay rest house which, I must stress, remains a private property despite its being my father's detention center.

When asked why family and friends were being barred not only at the airport but also in Tanay, General Aglipay arrogantly told this Representation that it is he who makes the decision – and then proceeded to suggest that I must beg for him to change this decision. At this point, General Aglipay was speaking on top of his voice, as if he was dressing down a subordinate.

He further said that the situation was tense and he will decide the next day – the

day of our arrival – whether guests can be allowed to enter the rest house. When I pointed out that food preparations had already been made for the guests, he shouted, “I told you I will decide tomorrow!” Then he banged the phone on me.

Obviously, the issue is a matter of discretion on the part of General Aglipay, not of law, not of government policy or of procedure. It appears that General Aglipay is on a power and ego trip at the expense of our family and friends. Director-General Aglipay appears to have the misconception that, as he holds a gun, he can ride roughshod on the rights not just of the people, but even duly elected leaders of the Republic.

*Sinasabi pa nitong Aglipay na ito* during one of his interviews: “I will be assassinated together with President Estrada if President Estrada will be assassinated.”

*Sinungaling ka!* When we stepped down from the airplane, I did not see the shadow of General Aglipay. I only saw him after we passed the tube, when the members of the media were clicking their cameras. That was the only time I saw him. He never went close to the President. How can he be assassinated together with President Estrada?

*Ang hirap nito, panay pa-media siya nang pa-media. Iba iyong sinasabi niya sa ginagawa niya.*

I express dismay over this boorish and disrespectful behavior so unbecoming an officer and a gentleman, so uncalled for, coming from the highest ranking official of the Philippine National Police.

If he cannot respect my person, then I believe he should at least respect the office I represent, the Senate of the Republic of the Philippines.

I am deeply convinced that any assault or disrespect for any member of this Chamber is an assault and disrespect for the Senate as an institution itself. Nothing more, nothing less.

*Bilang senador na inihalal ng sambayanang Pilipino, palagay ko po naman ay may karapatan ako kahit kaunting respeto lamang mula sa isang mataas na pinuno ng ating pulisya.*

*Kung ganito po ang trato ni General Aglipay sa isang mambabatas na katulad ko, ano pa po kaya ang magiging trato niya sa mga karaniwang mamamayan?*

Last Saturdáy, before our arrival from Hong Kong, at around 'noon, the PNP continued to refuse entry of well-wishers to the Tanay rest house. A lot of people who wanted to welcome President Estrada were made to wait outside in the heat of the sun, hungry, tired and miserable.

If not for the intervention of our distinguished colleague, Senator Enrile, our family and friends would not have been allowed to enter.

*Ganito na nga ba ang mga pulis nating ngayon? Abusado, arogante, walang respeto sa mamamayan? Ang halimbawa bang nakikita nila ay ang kanilang hepe na si General Aglipay kaya sila ganito ngayon?*

Recently, the PNP has been perceived as among the most corrupt institutions in the Philippines. With General Aglipay at the helm of leadership, it may as well also become the most arrogant, the most abusive, and the most insensitive office in this country.

Sloppy intelligence, inept and incompetent response to crime, indiscriminate shooting, extortion, involvement in kidnapping and robbery/holdup, *hulidap, kotong*, abuse of power – these have now become the hallmarks and perceptions associated with the Philippine National Police.

The shooting in Kalibo, yesterday, reflects the mindset of our police officers. Our police officers have become prone to violence and to bullying, and their example is their chief. General Aglipay

must assume accountability on this matter, under command responsibility

I am distressed, however, that the numerous upright and honorable police officers are given a bad image by a few but influential and powerful bad eggs headed by the likes of Gen. Edgardo Aglipay. They should be flushed out and banished from the institution so that it may recover its respect, its sense of decency, its integrity, and its dignity.

We must restore the honor and glory of the PNP that it may truly become the protector and servant of the people, instead of the privileged elite.

If there is any honor at all left in him, General Aglipay must do the most honorable thing right now. He must resign! General Aglipay is an insult to the Constitution, to the law, to our democratic framework, and to the *uniform and the institution he now represents*.

And in this regard, I call for the resignation of General Edgardo Batalla Aglipay that he may give way to other deserving and competent police officers to lead and reform the PNP, to restore its dignity and to make it a truly respected institution.

General Aglipay must not stay a day longer in office for he has lost his sense of respect and his credibility.

#### **INTERPELLATION OF SENATOR DEFENSOR SANTIAGO**

Senator Defensor Santiago believed that the vehemence with which Senator Ejercito Estrada (J) delivered his speech was more an indication of his love for his father than of anything else. The actuations of certain police officials, she said, might be interpreted as flattery to former President Estrada for if he was no longer popular with the masses, they would not have stressed themselves to such an extent.

Since former President Estrada is apparently in good physical shape after having gone through surgery and might have been buoyed by the reception of his supporters, notwithstanding the

fact that it was not allowed full expression, Senator Defensor Santiago asked whether former President Estrada intends to run for president in the next elections. Senator Ejercito Estrada (J) replied in the negative. As regards the purpose of the Committee of Five, he said that it seeks to further strengthen the Opposition.

Senator Defensor Santiago stated that if former President Estrada refuses to consider another presidential campaign, it might be possible for Senator Ejercito Estrada (J) to consider a run for the presidency since it appears that the Estrada surname carries magic among the masses that could be revitalized only when an Estrada is in the field. Senator Ejercito Estrada (J) said that he would leave his fate to God.

#### **REMARKS OF SENATOR ENRILE**

Senator Enrile stated that it saddens him to stand before the Body to confirm what Senator Ejercito Estrada (J) had just revealed. He said that former President Estrada invited him to his Tanay rest house, saying that his family had made arrangements for those who had worked with him in the political arena to meet him in Tanay; besides, according to the former president, he would not be able to meet him (Senator Enrile) at the Ninoy Aquino International Airport (NAIA) because he was to be ferried by helicopter from NAIA to Tanay.

Senator Enrile narrated that when he arrived at the gate of the Tanay compound, his security officer was informed that nobody was allowed to enter upon instruction of higher authorities. He stated that he alighted from his vehicle, knocked at the steel door, and asked the man at the gate to open the door so he could talk to the commander. He said that he did not know why there were so many people milling at the gate including uniformed policemen, members of the media and former Cabinet members of the Estrada administration and retired military officers.

Upon entering the compound, Senator Enrile said that he talked with a certain General Doromal, who appeared to be in charge of the contingent, and asked him that he be allowed to enter the compound in his car; but General Doromal told him that he could not allow anybody to enter because that was the order of General Aglipay. He stated that he requested General Doromal to call

*for*

General Aglipay if he could be allowed to enter the compound; otherwise, he must be considered an enemy of the Philippine National Police (PNP).

Senator Enrile stated that he had served the military organization for 17 years and he thought that it was an absolute disrespect for the military men to treat him in that fashion. He said that when he instructed his security officer to call General Aglipay directly, the commander of the contingent manning the gate dialed his mobile phone and evidently talked with General Doromal; after a minute or two, he was told that he could enter the compound in his car. He said that he saw former Governor Frisco San Juan inside the compound but he turned down the latter's request to join him in his car.

Upon reaching the rest house, Senator Enrile narrated that he called General Aglipay and told him what exactly happened; he assured the General that the Opposition in the Senate were not the enemies but in fact were cooperating with the administration to realize its legislative program. He said that he warned General Aglipay that if he considered the Opposition as enemies, they can mount an effort against the administration but they would not do so because they had no intention to destabilize the government. He recalled that he even asked the PNP head if there was no responsible police officer to decide on the simple issue of allowing people to enter the compound.

Senator Enrile stated that he was shocked by the tone of General Aglipay but he controlled himself and thanked the General instead and told him to talk to Senator Loi Ejercito Estrada to settle the matter; thereafter, he suggested to the General to allow the people to enter the compound because if the Estrada family decided to feed the people outside of the gate in the presence of the media, it would show the world how the police organization was treating the people. After giving the phone to the Senator Loi Ejercito Estrada, he said that she walked to the gate to identify the people who could enter the compound. Further, he revealed that after he talked with General Aglipay, he called and told someone in Malacañang what happened because the concerned PNP officers were creating enemies which may not be the intent of the Administration.

Senator Enrile warned that if this is the way the PNP treats duly elected senators, the Opposition

would scrutinize the budget of the national police. He lamented that he can visit a prisoner in Muntinlupa at any time but he was not allowed to enter a civilian compound simply on the say so of a government functionary.

Stating that it was time the elected representatives of the people showed the supremacy of civilian authority over the national police, Senator Enrile warned that if the Majority in the Senate wanted to approve the 2005 national budget, the budget of the PNP should not be considered, otherwise, the Minority would go over it line by line.

#### INTERPELLATION OF SENATOR LIM

Asked by Senator Lim if it was true that the PNP deployed about 15,000 policemen at the airport during the arrival of former President Estrada, Senator Ejercito Estrada replied that the information was based on newspaper reports.

Noting that a radio interview mentioned that 5,000 policemen were deployed at the airport and some other places in Metro Manila, Senator Lim asked who was really being given protection or security and what the administration was afraid of. In reply, Senator Ejercito Estrada admitted that he does not know what the administration was afraid of as he recalled that he even read in the newspapers that former President Estrada was already a spent force, so he could not understand why so much security was provided.

In reply to further query, Senator Ejercito Estrada stated that the former president was being secured from an alleged assassination plot.

Queried on the source of the intelligence information on the assassination plot, Senator Ejercito Estrada replied that the PNP director general should be asked where he got such information.

On whether the gesture of Director General Aglipay offering his life to protect the former president was commendable, Senator Ejercito Estrada admitted that the statement of the General was commendable. But he pointed out that the General was nowhere in sight when the former president and his entourage disembarked, and that the General only appeared in the tube when the media started taking pictures.



On the comment that the General could have believed his own intelligence information, Senator Ejercito Estrada said that it was a sloppy report.

Asked if he saw the film *The Tailor From Havana*, Senator Ejercito Estrada replied in the negative.

Senator Lim said that the plot of the film is about a British top intelligence officer sent to Havana to find out if the Cuban government was planning to attack England; upon his instruction, the British ambassador recruited a tailor who provided the home office with made-up reports upon which the British Prime Minister based his decision to prepare Great Britain for a preemptive action against Cuba; later on, the tailor-turned-spy was forced to reveal his basis for the report which was nothing but novels and comics; the tailor had no option but accept the job and besides, the pay was good.

Senator Lim observed that this plot might be similar to the intelligence report claiming there were plans to assassinate former President Joseph Estrada. He noted that since there are intelligence funds, it is possible some intelligence people made up the reports based on the figment of their imagination. He warned that a report of this kind should be taken with extra caution. He expressed belief that deploying 10,000 policemen was just for show, to prove that the PNP could be relied upon in case of emergency.

Reacting to the statement of Senator Lim, Senator Ejercito Estrada (J) wondered why the PNP had to deploy close to 15,000 policemen just to secure former President Estrada.

Senator Lim queried if it is about time that the proposed bill to separate the local police forces from the Philippine National Police be analyzed and considered, with the PNP remaining as the national police and the local police forces under the supervision, command and control of the local officials, independent and distinct from the PNP. He stated that if one organization has a monopoly on law enforcement, then abuses and acts of oppression take place. He stressed that the matter should be discussed to safeguard the welfare, interest and security of the people. To the argument of those opposing the proposal that if the local police forces are placed under the jurisdiction of local officials, they might be used as a private army to protect the political or personal interest of

powerful people, he recalled that prior to martial law, the local official involved was suspended when the local police under his jurisdiction committed abuses and the area was placed under the control of the Philippine Constabulary. He stated that the proposal merits serious consideration to prevent future abuses within the police department. Finally, he stated that a police force should be the defender and protector of the citizenry.

Thereafter, Senator Ejercito Estrada (J) assured Senator Lim that he would fully support the bill.

## INTERPELLATION OF SENATOR BIAZON

At the outset, Senator Biazon asked on the medical condition of former President Joseph Estrada. Senator Ejercito Estrada (J) replied that his father is well and learning to walk again after the successful operation.

Asked if he was contemplating the submission of a report of the incident to the President as well as to DILG Secretary Angelo Reyes who could take official action if the incident is proven true, Senator Ejercito Estrada replied in the affirmative.

Senator Biazon stated that if there are sanctions to be imposed on Director-General Edgardo Aglipay, they should come from Secretary Angelo Reyes or the President. Senator Ejercito Estrada agreed.

Senator Biazon suggested that the incident be reported to Secretary Reyes and absent any appropriate action from him, the Senate could hold him responsible for the actuations of his subordinates. Senator Ejercito Estrada said that he would consider Senator Biazon's suggestion.

On the apprehension of former Representative Didagen Dilangalen that what happened to former Senator Ninoy Aquino at the airport tarmac could happen to former President Estrada upon his arrival at NAIA, Senator Ejercito Estrada pointed out that since his father is still learning to walk again, then it was impossible for him to go down the tarmac like former Senator Aquino. He confirmed that he read in one of the broadsheets that his father might be assassinated in the same manner as former Senator Aquino.

Asked if the PNP just took certain precautions when it deployed 15,000 policemen to secure former President Estrada, taking into consideration the

warning raised by former Representative Dilangalen, Senator Ejercito Estrada disagreed.

Senator Biazon posited that the PNP might have just taken extra precautionary measures in ensuring the safety of former President Estrada, stating that if he were the Chief of the PNP, he would do the same.

Senator Biazon informed the Body that he planned in from Vietnam at about the same time former President Estrada's plane landed in the airport. Instead of the 10,000 to 15,000 policemen reported in the media, he recalled seeing only about five armed SWAT members outside the terminal building as well as cars of San Juan officials lined outside the airport along with PMAP demonstrators. He surmised that the reported huge number of policemen might have been deployed elsewhere to provide security for former President Estrada and the cars were supposed to form a convoy to escort the former president. Senator Ejercito Estrada (J) agreed.

Since the Constitution provides for a national police force and, hence, it could not revert to a municipal police force, Senator Biazon recalled that Senate President Drilon, Senator Pimentel, former Senator Barbers and he had filed a bill to restructure the PNP to give local government officials or mayors operational and administrative control over the police force. He said that he had filed a similar measure, Senate Bill No. 1289, which hopefully would be considered one of the urgent reform measures. He believed that the issue on the reported behavior of PNP General Aglipay would be resolved through the proper procedure such as through a report submitted to DILG Secretary Angelo Reyes.

#### REFERRAL OF SPEECH TO COMMITTEE

Upon motion of Senator Pangilinan, there being no objection, the Chair referred the question of privilege of Senator Ejercito Estrada (J), the interpellations thereon, as well as the manifestation of Senator Enrile to the Committee on Public Order and Illegal Drugs.

#### COMMITTEE REPORT NO. 2 ON SENATE BILL NO. 1833

*(Continuation)*

Upon motion of Senator Pangilinan, there being no objection, the Body resumed consideration, on

Second Reading, of Senate Bill No. 1833  
(Committee Report No. 2), entitled

#### AN ACT TO STRENGTHEN THE UNIVERSITY OF THE PHILIPPINES AS A NATIONAL UNIVERSITY.

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

#### SUSPENSION OF SESSION

With the permission of the Body, the Chair suspended the session.

*It was 5:06 p.m.*

#### RESUMPTION OF SESSION

At 5:11 p.m., the session was resumed with Senate President Pro Tempore Juan M. Flavies presiding.

The Chair recognized Senator Pangilinan, Sponsor of the measure, and Senator Osmeña for his interpellation.

#### INTERPELLATION OF SENATOR OSMEÑA

At the outset, Senator Osmeña said that as a coauthor of the bill, he was aware that the measure had been lengthily debated in the last Congress. However, he requested Senator Pangilinan to spread on the record the meaning of the different words and phrases used throughout the bill as well as the definition of certain functions and responsibilities that would be assigned to the officers of the U.P. System so that the bill could be further refined.

Asked about the meaning of the word "STRENGTHEN" as used in the title of Senate Bill No. 1833, Senator Pangilinan explained that except for some piecemeal amendments such as presidential decrees and executive orders, most of the provisions in the 1908 U.P. Charter had been retained; as such, he felt that a revision of the Charter would be timely and relevant in the 21<sup>st</sup> century. Moreover, he said that many provisions of the 1908 Charter are no longer relevant and have even limited the growth of the University. He said that the Committee wanted to revise the U.P. Charter by providing it with better ammunition to

allow it to fulfill its mandate of providing quality higher education in the country. He added that this could be done firstly, by exempting U.P. from the Salary Standardization Law as it would strengthen the ability of the U.P. to attract and retain its faculty members, many of whom had transferred to the private sector.

Further, Senator Pangilinan reasoned that the U.P. System would also be strengthened by enhancing the autonomy of the Board of Regents by insulating it from possible partisan political activity or appointments of the President of the Philippines. In consideration of the points raised during the interpellations and in keeping with the practice of other state universities and colleges, he said that the Committee would propose an amendment to the effect that members of the Board would no longer be appointed by the President but elected by the Board. He said that the Committee has also included a provision to democratize the selection of the members of the Board through a consultation process and the addition of representative of the staff.

Additionally, Senator Pangilinan said that the bill proposes certain provisions exempting U.P. from paying taxes. He pointed out that the current law subjecting the meager resources of the University to VAT and import taxes and duties has prevented it from making full use of its resources because it has to give them up to address certain requirements imposed by the Bureau of Internal Revenue. He noted that tax laws are often seen to be strictly in favor of the State and exemptions are frowned upon.

On the same matter, Senator Pangilinan stated that since there is no categorical statement in the U.P. Charter that exempts the University from taxes, the BIR took it to mean that it can, in fact, impose these duties and taxes; therefore, there should be a categorical statement in the bill exempting the University from taxes.

Senator Osmeña said that the argument that such provisions would strengthen the University might be debatable; in the first place, the word "strengthen" is relative in the sense that what is perceived to strengthen something today might actually weaken it. He suggested that the Body use a term like "modernize" or "revise" rather than "strengthen."

Senator Osmeña asked to whom the Board would be responsible. Senator Pangilinan clarified that the President used to appoint three members of the Board, but under the bill, these three members would be elected by the Board, the board chairman would still be the chairman of the Commission on Higher Education (CHED), who, under the CHED Law, is appointed by the President. In effect, he said, there are *ex-officio* members—the chairman of the CHED and the chairmen of the Committee on Education, Arts and Culture of both the Senate and the House of Representatives—who will sit in the board. Citing former U.P. President Abueva's explanation, he said that U.P. as a public institution has two constituencies: the internal constituency comprising of the faculty, students, nonacademic personnel, and residents in the community; and the external constituency which is the society at large—the public or the taxpayers. He explained that this justifies why a senator and a congressman sit in the board to ensure that taxpayers' money is, in fact, spent wisely as mandated by law. He said that the members of the Board are therefore answerable to the two constituencies.

Moreover, Senator Pangilinan explained that the board, through the university officials, has to report annually to Congress to defend the U.P. budget and to answer where the funds allocated to U.P. were spent. He recalled that during the Eleventh Congress, the U.P. budget was slashed by as much as P200 million because of policy considerations.

Senator Osmeña stated that the time and energy expended for the annual review by Congress of the budget are not enough simply because the budget presentations of different agencies and departments are sandwiched within two or three months. In fact, he said, in the just-concluded caucus, the leadership was forcing through the passage of the budget and trying to "shoehorn" it into a few days. This has always been the problem, he added.

On a related matter, Senator Osmeña noted that some GOCCs like SSS, GSIS, Napocor and PNOC have their respective boards which do not answer to anybody, and this is one of the critical issues that forced him to postpone his interpellation on the bill aside from the fact that the Body had to focus on the tax measures that were deemed priority items by the administration and on the national budget which would be tackled in the next two weeks. He reiterated that a report to Congress

does not fulfill the need for closer oversight on institutions that are handling billions of pesos in assets. He stressed that every agency, not only U.P., must have some kind of oversight committee that would be able to react instantly to important issues that are undertaken by the concerned agency or institution. He wondered how a member of the U.P. staff appointed to the Board of Regents can improve the governance of U.P. He noted that in the University of California system, none of the staff members is appointed to the Board.

Senator Pangilinan noted that in one of the committee hearings conducted in U.P., one dean opposed the inclusion of a staff regent. However, he said, since there are two constituencies that the University is answerable to, there is still need for a staff regent to represent the internal constituency. Based on experience, he believed that a representative from the staff or students or faculty in the highest governing board of the University serves as a check and enhances transparency and democratic consultations. He noted that the abuse in many of the GOCCs was primarily due to lack of transparency and consultations in the decision-making process. He said that he would be more than willing to accommodate proposals that would safeguard the decision-making process to preserve the billions of pesos worth of assets of the University. However, he cautioned that these safeguards should enhance the ability and the capacity of U.P. to be able to govern itself effectively rather than shackle it.

Senator Osmeña noted that under the bill, the President of the U.P. system is the chief executive officer, the chief academic officer, the chief financial officer, and the chief investment banker, a "superman" and an expert in practically all facets of running a system-wide university. But he believed there is no person qualified to be all that. He recalled that about 20 or 25 years ago, all hospitals were run by doctors, until the doctors and the owners of the hospitals realized that it took a different type of discipline and training to run a hospital. As a result, he said, special programs like a Master in Hospital Administration were introduced and became a qualification requirement in many of the large and modern hospitals in the world today.

Moreover, Senator Osmeña noted that if somebody is appointed president of a university,

he/she is expected to be an expert in all fields; but by and large, he recalled that the past presidents of U.P., Ateneo or De La Salle or other universities came from the academe. He stated that running or managing a university does not require so much a focus on academic but on administration and management. For instance, he said, the chief administrative officer of U.P. should be able to handle a lot of real estate and maintain all the physical facilities. He intimated that he would like to introduce in the bill a system similar to that of California and New York wherein a manager runs the city in a professional way and the mayor is only a figurehead who presides over the city council once or twice a week. The city manager, he added, is an appointee of the city council and has a term.

Senator Osmeña stated that under the bill, the U.P. President is an investment banker since the Board of Regents authorizes him to sign contracts and development plans. However, he said that he does not expect a member of the Board to understand the contracts presented to him. He suggested that a chief investment officer or financial officer take care of the business and financial matters for the University.

Senator Osmeña asked 1) to whom the Board would be responsible since the Congress does not have the power to punish or reverse a decision of the board except by going to court to question it; 2) if the proposed structure in the bill would be used to modernize the university or if modern management methods would be applied; and 3) since the PGH is part of the U.P. System, whether it would be given tax exemptions, particularly on the importation of medical equipment and supplies.

Senator Osmeña informed the Body that he had received an E-mail from the U.P. Alumni Association abroad stating that some container vans have been stocked because nobody was willing to pay \$10,000 for demurrage. He stated that he would introduce amendments focusing on the PGH and not U.P. itself.

On Section 3, Senator Osmeña stated that line 10 of the bill sounded too arrogant since other universities excel in certain academic areas. He queried how U.P. could "lead in setting academic standards" and how the provision could

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be enforced. He said that he would propose amendments to Section 3 at the proper time. Senator Pangilinan gave assurance that he would welcome amendments at the proper time. However, he said that given the size of the University and its budget, it would be safe to say that U.P. is the leader.

On page 2, Senator Osmeña suggested to reword line 4 to "offers graduate programs or post-graduate programs."

Asked how U.P. could promote research in various colleges and universities, Senator Pangilinan replied that most colleges and universities, private or otherwise, are not research universities but teaching universities. He said that research and development is crucial if the Philippines is to remain competitive. He added that since the University is a leader in the field, it must take the initiative in pushing colleges and universities to undertake research as well. He clarified that the provision refers to constituent colleges and universities within the U.P. System. He said that Section 3(2), lines 4 to 7, refers to the teachers of private colleges and universities who come to the University for post-graduate studies.

Senator Osmeña suggested that Sections 3(2) and (3) be reworded. However, he said that it would be hard to mandate R & D in other colleges and universities outside of the system. He added that lines 10 and 11 could be deleted at the proper time since line 8 already mentions "research in its various fields of expertise."

On page 2, Senator Osmeña asked why lines 12 to 16 had to be written in the bill. Senator Pangilinan replied that an amendment to the provision would be welcomed at the proper time.

Asked to define the term "progressive" as used on line 16 of page 2, Senator Pangilinan explained that the term was popularized during the term of President Abueva and it means forward-looking and being aware of one's responsibility in a developing society. He added that the term could be deleted.

On the observation that U.P. could not be mandated to "serve as a global and regional university," Senator Pangilinan stated that the provision could be simplified.

Asked to define "university" and "system," Senator Pangilinan replied that a university offers a broad range of programs and training in tertiary level education, including graduate and post-graduate studies, while the system is the setup of the university, meaning it has constituent universities in many parts of the country. He said that universities like the De La Salle University can be regarded as having a system in the sense that they have campuses in other areas of the country.

On the query why other nationalities have to be protected as provided for in Section 8, Senator Pangilinan explained that the world has become smaller because of information and communication technology. He said that other nationalities in the University would enrich the academic community. Senator Osmeña clarified that he was not against other nationalities. However, he said that the provision should be reworded, so that affirmative action, in case it is needed, would favor Filipino nationals. Senator Pangilinan agreed to have the word deleted during the period of amendments.

Asked if it would be possible to delete the word "Institutional" on page 3, line 18, Senator Pangilinan replied in the affirmative.

Asked to define "National University," Senator Pangilinan stated that the practice in many countries is to establish national universities as institutions of higher learning. He explained that by giving the institutions the stature of a "national university," their respective national governments would then be mandated to provide them the necessary support.

Asked if the absence of the word "national" in the nomenclature of U.P. would mean that there is no mandate to support it, Senator Pangilinan said that even without the term "national" attached to its name, U.P. is still the national university because government gives it the most number of resources and the biggest allocation.

Senator Osmeña said that the term "national carrier" or "flag carrier" bestowed on an airline connotes that the country is trying to get concessions from other countries for landing rights, or for fifth, sixth and seventh freedoms, and the like. Since U.P. is not going outside of the Philippines in the near future, he said that it does not have to be so ambitious at this time because the country has its

own educational shortcomings and it could not certainly stretch out its resources to another country. Thus, he said he could not see any peculiar advantage in calling U.P. a "national university" in the same way that there is no advantage in calling the University of California a state university because it is not. He explained that the University of California has four systems, none of which is a state university—the UC system, the Cal-System, the City College system and the Community College system. He said that the top 20% applicants are usually admitted into the University of California system; the next 20% into the Cal-State system which includes the Cal-State colleges like Cal-State Fullerton and Cal-State Long Beach; the others go to the City College system; and the rest, to the Community College system that offers only two-year courses.

Senator Osmeña stressed that leadership cannot be mandated, and he believed that U.P.'s status as the leading university should be maintained with or without the "national university" status. Agreeing to the observation, Senator Pangilinan, however, said that many countries in Asia such as the University of Tokyo, University of Malaysia, Chulalongkorn University, the National University of Singapore and the Peking National University have the same nomenclature which, if adopted, could set the University of the Philippines apart and would enhance its stature.

On the matter of Asian countries designating national universities, Senator Pangilinan said that the explanation given by U.P. President Nemenzo was that the strategy used by some Asian countries is to designate and support one or two tertiary-level education public institutions to which funds could be channeled. In contrast, he said that the Philippines had established hundreds of state universities among which very meager resources are being distributed. Senator Osmeña asked for hard data on the opinion of Dr. Nemenzo on the matter.

As regards the terms of members of the Board, Senator Pangilinan affirmed that not all members have a term dictated by the U.P. Charter, pointing out that the Chairman of the CHED serves at the pleasure of the President, the chairmen of the Senate and House Committees on Education, Arts and Culture serve during their terms as chairs, and the president of the U.P. Alumni Association has a

three-year term in accordance with its by-laws but if he is removed in the middle of his term, his unexpired term would accrue only to whoever succeeds him as president of the association.

In reply to further queries, Senator Pangilinan affirmed that the faculty regent in the Board has a two-year term without reappointment, the student regent serves for one year, and the three other regents serve for two years and may or may not be reappointed. He expressed willingness to accept amendments if Senator Osmeña so wishes to prevent a reappointment. Senator Osmeña said that he would allow the Members to be reelected because they would be able to help the system more as they gain expertise.

Senator Osmeña also proposed the expansion of the membership of the Board of Regents as he noted that many of the *ex-officio* members of the Board have very short terms of office such as the Chairman of CHED; Secretary of Education; Senate Committee Chair on Education, Arts and Culture; House Committee Chair on Higher and Technical Education and even the President of the U.P. Alumni Association who have other responsibilities and could not dedicate much of their time to the job. In reply, Senator Pangilinan expressed apprehension that putting in more members might make the Board unwieldy.

Senator Osmeña further noted that three of the eleven members are political appointees—the senator, the congressman and the Chairman of the Board—who are not long-term planners because they know they can be removed anytime and would not have the time to dedicate to their jobs.

Asked how a staff regent would be elected from among all the system-wide staffers, Senator Pangilinan said that a mechanism is used to elect the regents.

Senator Osmeña opined that there are only six long-time thinkers in the Board—the Chair, the three other regents the President of the U.P. System and the faculty regent—and the rest are short-term thinkers who would not think of a multi-year or multi-decade program and see it to completion. He said that the regent's attitude would be to let his successor think about its completion but unfortunately, the latter would take on a similar attitude as his predecessor. He said that he would not mind

having long-time visionaries serve in the Board for ten to fifteen years as in the case of University of California where there are 16 to 18 members who are mostly graduates or alumni of the university.

Senator Pangilinan expressed no objection to the proposal as long as the concern of the Board becoming unwieldy could be addressed.

Adverting to Section 11(c) on page 6, Senator Osmeña asked if the Board of Regents could approve the merger or abolition of academic programs upon recommendation of the University Council of the constituent university concerned even without the recommendation of the University President. Senator Pangilinan replied in the negative.

Senator Osmeña believed that the Board of Regents should be given power to abolish a local system or college, otherwise, there would be colleges in perpetuity because no one would want to boot himself out. He said that these are the biggest problems with the SUCs that do not want to consolidate because everyone in the college Board of Trustees does not want to lose his perks, titles and privileges. Senator Pangilinan said that, in fact, some programs have been abolished. Senator Osmeña said that he was talking about abolishing constituent universities that lack the student population to exist.

Asked on the chances of a university council abolishing its own college, Senator Pangilinan replied that the tension arises from the fact that a university council is composed of faculty members. Senator Osmeña said that this makes the situation even worse. Senator Pangilinan affirmed that indeed, faculty members have raised the issue of academic freedom and their right to be able to decide on matters of academic policy, oftentimes clashing with the Board of Regents, not only on administrative matters but also on inefficiencies. Hence, he said, the Board of Regents would prefer to allow the freedom and the leeway for the faculty to decide when institutions are to be merged or abolished.

Replying to further queries, Senator Pangilinan affirmed that the Board of Regents could abolish constituent university such as U.P. Cebu and even entire systems such as the U.P. Visayas System.

On another matter, Senator Osmeña proposed to put a cap on the compensation plan, noting that

government institutions that had earlier been exempted from the Salary Standardization Law had abused the power to fix their salaries. Senator Pangilinan expressed willingness to put an additional safeguard to prevent the granting of unconscionable compensation packages.

Senator Osmeña stated that he would be working on a benchmark that would be equivalent to but not exceed the compensation plans of other higher educational institutions with the same mandate and purpose. The issue on the exemption from the Salary Standardization Law, he said, would give way to a lot of complaints from other SUCs.

Senator Pangilinan stated that the charter of the Philippine Normal University (PNU) provides that it is exempt from the Salary Standardization Law.

Asked how he intends to address the lobbying from other SUCs once the measure is enacted into law, Senator Pangilinan said that one solution would be to put in the law that U.P. as a national university is provided certain privileges or incentives and benefits. He added that in the long run, it would be necessary to raise revenues to provide teachers competitive salaries.

Asked whether U.P. has a high school, Senator Pangilinan replied that it has, which are called laboratory schools, located in Diliman, Los Baños, Cebu and Iloilo.

On whether high school teachers would be exempt from the Salary Standardization Law, Senator Pangilinan replied in the affirmative.

Asked whether the U.P. high school is a national high school, Senator Pangilinan replied in the negative, saying that it is part of the university system, so that the College of Education students can utilize them as laboratories for their academic training and requirements.

Senator Osmeña stated that U.P. is the premier educational institution in the country but the high school system is not. He asked how this could be justified as he cautioned that other high school systems would complain like what they have done many times.

Senator Pangilinan said that even before the charter bill, the other SUCs have repeatedly

complained about the special treatment that U.P. receives from the national government since the largest part of the pie of the tertiary level public institutions goes to U.P..

As to the budget of U.P. per student compared to those of the other SUCs, Senator Pangilinan informed the Body that it is about US\$1,200 per year. He said that he does not have the information on the budget of the other SUCs. Senator Osmeña requested that the information be obtained so that he could determine the discrepancy.

On another matter, he asked whether there is a rule on the age limit for those who serve as members of the Board of Regents not in *an ex-officio* capacity. Senator Pangilinan said that there are no prohibitions, pointing out that one of the members, former Supreme Court Justice Abraham Sarmiento, is already 83 years old.

Senator Osmeña stated that setting an age limit would make way for younger candidates and provide some legal excuse to retire somebody who wants to hang on to his position. The presidency of U.P., he said, should have an age limit so that if he is going to serve a six-year term, he should make sure that he finishes his term before he reaches 70. Senator Pangilinan stated that he would look into the matter.

On Section 16, Senator Osmeña asked whether the term "elected" has a significant difference from "appointed." Senator Pangilinan said that it is the same thing.

Asked why the nomination of the chancellor should come only from the University president, Senator Pangilinan stated that while the chancellor of a particular constituent university handles operations and administrative matters involving the constituent university, the University president, being the chief executive officer, would want to have a chancellor whom he is comfortable with and in whom he has full trust and confidence precisely because he would like to have the constituent university marching to the same beat.

Noting that a chancellor is chief administrator, property custodian and chief operating officer of a constituent university, Senator Osmeña asked whether he should be a jack-of-all-trades. Senator Pangilinan replied that he is a "mini"

president who has vice chancellors who handle other fields of operation.

Senator Osmeña wondered why the chancellor is just dependent on the single nomination of the University president when the University president is elected through a certain process. Senator Pangilinan clarified that the selection of a chancellor goes through a democratic consultation procedure with a search committee composed of the different sectors of the constituent university, and a representative of the University president. There is a forum, he said, wherein the nominees are given the opportunity to present their vision for the particular constituent university.

Asked what happens to the democratic process if the search committee could not choose five candidates that would be screened by the Board of Regents, Senator Pangilinan said that the practice is that after the search committee has come up with its recommendations, the University president, in a board meeting, informs the members who the nominees are and gives his recommendation; but ultimately, the Board chooses. He said that in the past, it happened that the nominee of the president was not the choice of the Board.

Senator Osmeña requested that Senator Pangilinan reexamine the particular provision and make it more open and democratic because as worded, the provision makes it appear that the Board is just a rubber stamp because it is only upon the nomination of the University president that the Board exercises its veto power. Senator Pangilinan said that he would look into the matter.

Asked why the Board of Regents should determine the term of the chancellor, Senator Pangilinan said that the chancellor has a fixed term of three years. Senator Osmeña recommended that the particular provision also be reexamined.

On term limits, Senator Osmeña said that since U.P. has been in existence for almost 100 years, it would know what the optimum term limits of the Board members should be. Senator Pangilinan gave the assurance that the Committee would review the provision. However, he stated it could be deleted to provide the Board leeway to determine the term limits.



On whether the compensation is subject to internal guidelines, Senator Pangilinan replied in the affirmative.

As to Section 20(a), on providing subsidy to the U.P. System, Senator Osmeña proposed that the words "in the form of lump sum amount" be deleted; otherwise, it would tie the hands of Congress because it would not be able to ask how the money would be spent by the University. Senator Pangilinan said that it was his understanding that U.P. already enjoys a lump-sum appropriation for MOOE, personal services and capital outlay.

Senator Osmeña said he does not want the University to have a lump-sum appropriation because his first concern is to whom the members of the Board of Regents are responsible, which has not been explained so far. He reasoned that if U.P. cannot be asked how it is going to spend the money, it would appear that the budget hearings are only for show. Senator Pangilinan said that the term "lump sum amount" could be deleted if Senator Osmeña is uncomfortable with it, even as he cited the practice of Congress of breaking down the lump-sum amount into MOOE, personal services and capital outlay.

Senator Osmeña reasoned that the primary responsibility of Congress, aside from passing laws, is to pass the budget and explain to the people how their money is being spent. He believed that it is improper, illegitimate and unconstitutional to provide a lump-sum appropriation and not question how it was spent.

On Section 20(b), to the observation that the state university has no absolute ownership of its landholdings, Senator Pangilinan gave the assurance that the concern of Senator Osmeña would be accommodated at the proper time.

Asked if U.P. is already exempted from the donor's tax on gifts and donations of real and personal properties, Senator Pangilinan replied in the affirmative.

On whether donations to U.P. are already tax deductible from the gross income of the donor, Senator Pangilinan replied that he would check if indeed the University is enjoying such privilege; however, he stressed that it should be placed clearly in the law because the BIR can easily

say that U.P. is not exempted because the law does not say so.

Senator Osmeña clarified that if the University does not enjoy such privilege at present, it would be difficult to justify it but if it is already enjoying such privilege, it would be easier to defend it.

Senator Pangilinan recalled that U.P. enjoyed the privilege for a while but later on the BIR reversed itself and removed the exemption; thus, there is now a need to spell it out in the bill.

However, Senator Osmeña reasoned that providing the exemption would give the state university an overwhelming advantage because donations to other private universities like De La Salle and Ateneo de Manila are not tax deductible.

Senator Pangilinan clarified that since Ateneo de Manila and De La Salle are both private nonstock and noncorporate entities, they are exempted from the donor's tax. He pointed out that all donations fall under Section 101 of the National Internal Revenue Code and according to the BIR, U.P. is a government agency and not an educational institution.

Asked if U.P. has not been operating as a corporation, Senator Pangilinan reiterated that a new BIR ruling has classified it as a government agency and not as an educational corporation and, therefore, not exempted from the donor's tax. Further, he explained that since U.P. does not pay income tax, it has no tax deductions.

Asked if a P100 million donation by Mr. John Gokongwei to U.P. is tax deductible, Senator Pangilinan replied in the negative.

Senator Osmeña noted that this would mean that the BIR must rule on every donation that the University receives. Senator Pangilinan explained that it would be so because the U.P. charter is unclear.

Asked if U.P. has never received any donation in the past and whether it had issued a certificate of donation so that the donor could deduct the donation from income tax, Senator Pangilinan replied that U.P. has received donations but has not issued any certifications of donation.

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Senator Osmeña contended that the first thing a donor asks for is a receipt of donation which is then deducted from the income tax. He reasoned that since U.P. is in great need of medical and educational supplies, the officials of the University can help craft a provision that would cover such donations that are subject to e-VAT.

Senator Pangilinan said that Senator Osmeña should not only consider the case of the PGH but also other institutions within the University that need equipment to improve their research and technology. Senator Osmeña agreed; however, he cautioned that the Body should be careful in including such a provision given the creativity of a lot of officials in the government. He suggested the inclusion of a tax credit in the annual budget so that whatever is imported can be used. He said that it would be a noncash transaction on the part of the government as he proposed that other possible ways to put up such an account be examined.

Asked if U.P.-PGH would be exempted from the Salary Standardization Law, Senator Pangilinan replied in the affirmative.

Asked if other hospitals — the National Kidney Center, the Lung Center of the Philippines, Veterans Memorial Hospital, East Avenue Medical Center, National Children's Center and Baguio General Hospital, among others — are exempted as well, Senator Pangilinan replied in the negative. Senator Osmeña remarked that it might create a problem in the future.

On whether Section 23 on *Rules of Construction* also appears in other laws, Senator Pangilinan replied in the affirmative. Senator Osmeña pointed out that there might be other laws pertinent to the U.P. bill that he is not aware of and might cause

problems in the future. Senator Pangilinan assured Senator Osmeña that necessary revisions would be made with regard to the points raised.

Finally, Senator Osmeña requested that he be provided with the list of laws that affect U.P. which the Body could specifically refer to in the future. Senator Pangilinan agreed.

#### **SUSPENSION OF CONSIDERATION OF SENATE BILL NO. 1833**

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

#### **SPECIAL ORDER**

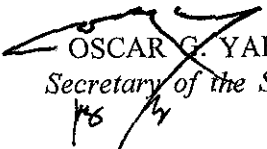
Upon motion of Senator Pangilinan, there being no objection, the Body approved the transfer of Committee Report No. 8 on Senate Bill No. 1286 to the Calendar for Special Orders.

#### **ADJOURNMENT OF SESSION**

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

*It was 7:05 p.m.*

I hereby certify to the correctness of the foregoing.

  
OSCAR G. YABES  
Secretary of the Senate  
MS / 4 AW

Approved on January 18, 2005