

SENATE

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P.S. Res. No. 953

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Introduced by **SENATOR LEILA M. DE LIMA**

RESOLUTION

URGING THE SENATE COMMITTEE ON GAMES AND AMUSEMENT TO CONDUCT AN INVESTIGATION, IN AID OF LEGISLATION, INTO THE PROLIFERATION OF INTEGRATED CASINO-ENTERTAINMENT RESORTS AND THE EMERGENCE OF ONLINE-GAMBLING AND GAMBLING-BASED TOURISM IN THE PHILIPPINES, WITH THE END IN VIEW OF PROPOSING REMEDIAL LEGISLATION TO STRENGTHEN THE LAWS GOVERNING CASINO-ENTERTAINMENT RESORTS, ONLINE-GAMBLING AND GAMBLING-BASED TOURISM, AND ADDRESS THEIR SOCIAL COSTS

1 WHEREAS, Presidential Decree No. 1067-A, which took effect on 1 January
2 1977, legalized the opening of casinos in the Philippines. The purpose was to tap into
3 potential domestic resources from which funds could be generated to finance
4 infrastructure and socio-civic development projects, particularly within Metro
5 Manila¹;

6 WHEREAS, P.D. No. 1067-A also established the Philippine Amusements and
7 Gaming Corporation (PAGCOR) defining its powers and functions²;

8 WHEREAS, P.D. No. 1869, otherwise known as the PAGCOR Charter,
9 promulgated on 11 July 1983, aimed to consolidate all previously enacted laws
10 concerning the operations, as well as the regulation, of games and gambling
11 activities³;

12 WHEREAS, Republic Act No. 9487, enacted on 20 June 2007, further
13 amended the PAGCOR Charter, essentially opening PAGCOR up to public-private

¹ Retrieved from <https://www.legalonlinecasinos.ph/laws/pd-1067-a/>

² *Ibid.*

³ Retrieved from <https://www.legalonlinecasinos.ph/laws/pd-1869/>

1 partnerships by enabling it “to enter into, make, conclude, perform, and carry out
2 contracts of every kind and nature and for any lawful purpose which are necessary,
3 appropriate, proper or incidental to any business or purpose of the PAGCOR,
4 including but not limited to investment agreements, joint venture agreements,
5 management agreements, agency agreements, whether as principal or as an agent,
6 manpower supply agreements, or any other similar agreements or arrangements
7 with any person, firm, association or corporation”;

8 WHEREAS, the government’s decision to open up the Philippine gambling
9 market to the world by competing head-on with the billion dollars-worth of gambling
10 sites in neighboring Macau, Malaysia and Singapore, as well as in Las Vegas, USA
11 and Australia, led to the rise of integrated casino-entertainment resorts in Metro
12 Manila⁴;

13 WHEREAS, there are currently a total of four (4) integrated casino-
14 entertainment resorts operating in Metro Manila: three (3) in Entertainment City
15 and one (1) in Newport City. A fifth integrated casino-entertainment resort in Manila
16 – the Resorts World Bayshore – located within the Entertainment City complex is
17 slated to open in 2020. All are conveniently situated in close proximity to the Ninoy
18 Aquino International Airport (NAIA) in order to cater to their high-rolling, foreign
19 clientele who wish to avoid Metro Manila’s infamous traffic gridlocks⁵;

20 WHEREAS, the decision to liberalize the Philippine gambling market has paid
21 off in financial terms as the Philippine gaming industry was pegged to be worth
22 around Php 118 Billion in terms of gross gaming revenue (GGR) for the first 9
23 months of 2016 with Entertainment City’s casinos already accounting for 54 percent
24 (54%) of the market share. This figure represents over a two-fold increase in
25 revenues as compared to the Php 54 Billion it earned in 2012. Moreover, according to
26 investment bank Credit Suisse, the Philippine gambling industry is projected to earn
27 gaming revenue of Php 297.35 Billion by 2018, potentially placing the Philippines
28 among the top 4 countries worldwide⁶;

29 WHEREAS, despite President Duterte’s moratorium on new casinos effective
30 13 January 2018, more casinos are scheduled to open in the coming years, which may

⁴ Dela Paz, C. & Tomacruz, S. (2017, June 09). *Fast facts: What you need to know about the Philippine casino industry*. Retrieved from <https://www.rappler.com/business/172274-philippines-casino-industry-fast-facts>

⁵ *Ibid.*

⁶ *Ibid.*

1 place the gambling and casino industry at serious risk for market saturation and
2 oversupply⁷;

3 WHEREAS, the Philippine gambling industry has concurrently evolved and is
4 further liberalized with the emergence of online gaming. Online gaming greatly
5 simplifies and expands consumer access to games of chance as participants can now
6 simply log onto a website and play the usual casino games like poker, roulette, and
7 slot machines;

8 WHEREAS, foreign gaming companies that set up shops here in the
9 Philippines are referred to as Philippine Offshore Gaming Operators (POGOs). A
10 POGO refers to an entity that offers and participates in offshore gaming services by
11 providing games to players, taking bets, and paying the winning players. The gaming
12 activity refers to online games of chance through the internet, using a network and
13 software, exclusively for offshore-authorized players who have registered and
14 established an online gaming account with the PAGCOR-licensed POGO. Filipino
15 citizens, even while overseas, are not allowed to play⁸;

16 WHEREAS, the Bureau of Internal Revenue (BIR) issued Revenue
17 Memorandum Circular (RMC) No. 102-2017 which subjected POGO operators and
18 accredited service providers to three (3) types of taxes. *First*, income from gaming
19 operations are subject to a 5% franchise tax, identical to the tax regime enjoyed by
20 PAGCOR. *Second*, income from other related services or non-gaming operations is
21 subject to normal income tax, value-added tax, and other applicable taxes. *Finally*,
22 POGO operators are not relieved of their liabilities as tax withholding agents⁹;

23 WHEREAS, BIR's RMC No. 78-2018 further clarified that online gaming
24 activity is sufficient to constitute doing business in the Philippines for a foreign
25 corporation. Thus, a foreign POGO is considered a resident foreign corporation
26 engaged in business in the Philippines, and is not considered a non-resident foreign
27 corporation¹⁰;

⁷ Adel, R. (2018, August 10). *What we know so far: Duterte's 'no new casinos' directive*. Retrieved from <https://www.philstar.com/headlines/2018/08/10/1841249/what-we-know-so-far-dutertes-no-new-casinos-directive>

⁸ Ibarra, R. (2018, September 17). *The rise of POGOs: A new landscape in e-casinos and sports betting*. Retrieved from <https://www.bworldonline.com/the-rise-of-pogos-a-new-landscape-in-e-casinos-and-sports-betting/>

⁹ *Ibid.*

¹⁰ *Ibid.*

1 WHEREAS, the PAGCOR has authorized 57 POGOs to operate in the
2 Philippines as of September 2018¹¹;

3 WHEREAS, gambling – in any way, shape, or form – is illegal in China and is
4 heavily opposed by its Communist government. In response, Chinese authorities
5 have intensified crackdowns to serve as a stern warning to would-be violators. To
6 skirt this obstacle, gambling companies instead chose to operate outside the
7 mainland¹²;

8 WHEREAS, some Chinese gambling companies have opted to set up shop
9 here in the Philippines owing to the “appeasement policy¹³” that the Duterte
10 administration has adopted towards China and which has led to a more relaxed
11 approach regarding the politico-economic relations between the two (2) nations;

12 WHEREAS, aside from generating tax revenue that will help fund the
13 government’s infrastructure programs, POGOs are also creating a ripple of economic
14 development, particularly in the property and food sectors;

15 WHEREAS, officially licensed POGO operators require a minimum average of
16 10,000 square meters of office space in order to carry out their operations. In 2017,
17 offshore gaming companies took more than 80,000 square meters of the space
18 available according to the property consultancy firm Colliers International
19 Philippines¹⁴;

20 WHEREAS, these spaces are utilized primarily for those that are live
21 streaming where ladies dressed in revealing outfits serve as dealers for online games
22 and for business process outsourcing industries (BPOs) which provide IT and
23 technical support, among others¹⁵;

¹¹ Retrieved from <http://www.pagcor.ph/regulatory/pdf/offshore/List-of-Approved-Philippine-Offshore-Gaming-Operators.pdf>

¹² Rivas, R. & Evangelista, A. (2018, October 09). *How China's online gambling addiction is reshaping Manila*. Retrieved from <https://www.rappler.com/newsbreak/in-depth/212443-how-china-online-gambling-addiction-reshaping-manila>

¹³ De Castro, R. C. (2018, September 22). *Commentary: Is there crisis in Duterte admins appeasement policy on China?* Retrieved from <https://www.philstar.com/other-sections/news-feature/2018/09/22/1853726/commentary-there-crisis-duterte-admins-appeasement-policy-china>

¹⁴ Dela Paz, C. (2017, February 9). *Offshore gaming boosts growth of Metro Manila office rentals*. Retrieved from <https://www.rappler.com/business/160837-offshore-gaming-metro-manila-office-rentals>

¹⁵ Gonzales, I. (2017, November 7). *SPECIAL REPORT: Is POGO good for the country?* Retrieved from <https://www.philstar.com/business/2017/11/07/1756592/special-report-pogo-good-country>

1 WHEREAS, there are views that the dealers – some of whom are noticeably
2 Filipinas – are placed at even more risk of sexual harassment and exploitation by
3 players online due to the fact that they have to wear revealing clothes¹⁶;

4 WHEREAS, on the other hand, most POGO technical support employees are
5 Chinese. POGO companies pay for the accommodations of these individuals and are
6 willing to acquiesce to the exorbitant rates landlords ask. However, locals have begun
7 complaining about the high rental rates and rowdiness of some Chinese workers who
8 have taken up residency near POGO's office spaces, effectively pushing away the
9 locals as they simply cannot afford to compete with the corresponding price surge
10 associated with the increased consumer demand for board and lodging¹⁷;

11 WHEREAS, the possibility of money laundering also concerns some industry
12 insiders as the shroud of internet anonymity coupled with loose regulatory policies
13 may leave the industry susceptible to fraud and other illicit and illegal activities
14 associated with high-stakes gambling;

15 WHEREAS, there is a need to scrutinize the effects of the Philippine gambling
16 industry from multiple perspectives. Apart from its purported positive economic
17 impacts, there are nevertheless lingering questions regarding the social costs of the
18 influx and proliferation of integrated casino-entertainment resorts and POGOs
19 within the country. A comprehensive and inclusive policy that seeks to address these
20 issues should be of utmost importance if this industry is to truly benefit the Filipino
21 people;

22 NOW, THEREFORE, BE IT RESOLVED BY THE SENATE, to direct the
23 Senate Committee on Games and Amusement to conduct an investigation, in aid of
24 legislation, into the proliferation of integrated casino-entertainment resorts and the
25 emergence of online-gambling and gambling-based tourism in the Philippines, with
26 the end view of establishing and institutionalizing a legal framework, and
27 strengthening applicable laws that shall more effectively and efficiently regulate and
28 monitor the operations and activities, and address the social costs, related to
29 integrated casino-entertainment resorts, online gambling, and gambling-based
30 tourism in the country.

¹⁶ Rivas, R. & Evangelista, A. (2018, October 09). *How China's online gambling addiction is reshaping Manila*. Retrieved from <https://www.rappler.com/newsbreak/in-depth/212443-how-china-online-gambling-addiction-reshaping-manila>

¹⁷ *Ibid.*

Adopted,

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