

RECORD OF THE SENATE

WEDNESDAY, AUGUST 24, 2005

OPENING OF THE SESSION

At 3:58 p.m., the Senate President, Hon. Franklin M. Drilon, called the session to order.

The President. The 15th session of the Second Regular Session of the Thirteenth Congress is hereby called to order.

Let us all stand for the opening prayer to be led by Sen. M.A. Madrigal.

Everybody rose for the prayer.

PRAYER

Senator Madrigal. These are a few lines from the poem *Where The Mind Is Without Fear* by Rabindranath Tagore, an Indian sage, poet laureate, and Nobel Prize winner:

Where the mind is without fear and the head is held high;

Where knowledge is free;

Where the world has not been broken up into fragments by narrow domestic walls;

Where words come out from the depth of truth;

Where tireless striving stretches its arms toward perfection;

Where the clear stream of reason has not lost its way into the dreary desert sand of dead habit;

Where the mind is led forward by Thee into ever widening thought and action;

Into that heaven of freedom, my Father, let my country awake!

The President. Amen.

Senator Madrigal. Happy Birthday to Senator Pangilinan.

The President. Yes. We will suspend the session at the appropriate time.

ROLL CALL

The Secretary will please call the roll.

The Secretary, reading:

Senator Edgardo J. Angara	**
Senator Joker P. Arroyo	Present
Senator Rodolfo G. Biazon	Present
Senator Compañera Pia S. Cayetano	Present
Senator Miriam Defensor Santiago	Present
Senator Jinggoy Ejercito Estrada	Present
Senator Luisa "Loi" P. Ejercito Estrada	Present
Senator Juan Ponce Enrile	Present
Senator Juan M. Flavio	**
Senator Richard J. Gordon	Present
Senator Panfilo M. Lacson	Present
Senator Manuel "Lito" M. Lapid	Present
Senator Alfredo S. Lim	Present*
Senator M.A. Madrigal	Present
Senator Ramon B. Magsaysay Jr.	Present*
Senator Sergio R. Osmeña III	Present
Senator Francis N. Pangilinan	Present
Senator Aquilino Q. Pimentel Jr.	Present
Senator Ralph G. Recto	**
Senator Ramon Bong Revilla Jr.	Present
Senator Mar Roxas	Present
Senator Manny Villar	Present
The President	Present

The President. With 18 senators present, there is a quorum.

SUSPENSION OF SESSION

With the permission of the Chamber, the Chair suspends our session for one minute to officially greet our Majority Leader a Happy Birthday on his 18th birthday, *[Laughter]* if there is no objection. *[There was none.]* Happy Birthday! Blow out.

It was 4:00 p.m.

RESUMPTION OF SESSION

At 4:01 p.m., the session was resumed.

The President. The session is resumed. The Majority Leader is recognized.

Senator Pangilinan. Thank you, Mr. President. I would like to thank our colleagues for greeting me on my birthday today. I am now 32 years old. *[Laughter]*

THE JOURNAL

Mr. President, I move that we dispense with the reading of the *Journal* of the 14th session, August 23, 2005, and consider it approved.

* Arrived after the roll call

** On official mission

STATEMENT OF THE CHAIR
(Appreciation of the Timely Issue Raised on the Legal
Confusion Brought About by Executive Action which
Transferred the PCG from the DND to DOTC)

The President. We join the Majority Leader in expressing the appreciation of the Chair on this issue raised by Senator Biazon. Indeed, the Chair is aware of this legal confusion brought about by this executive action which transferred the Philippine Coast Guard from the DND to the DOTC, and yet, retaining the military rank of the Philippine Coast Guard. This has been justified as part of the President's power to reorganize the department that is something that we can look into, and indeed, this privilege speech is very timely.

Acting on the motion of the Majority Leader, the privilege speech is referred to the Committee on National Defense and Security where the resolution mentioned by the privilege speech was also referred, if there is no objection. *[There was none.]*

The Majority Leader is recognized.

BILL ON SECOND READING
S. No. 1956 – Rental Reform Act of 2005
(Continuation)

Senator Pangilinan. Mr. President, I move that we resume consideration of Senate Bill No. 1956 as reported out under Committee Report No. 17. This is the Rent Control Law.

The President. Is there any objection? *[Silence]* There being none, resumption of consideration of Senate Bill No. 1956 is now in order.

Senator Pangilinan. Mr. President, the parliamentary status of this measure is that we are in the period of interpellations. I ask that we recognize the sponsor of the measure, Sen. Rodolfo G. Biazon, and to interpellate is Sen. Sergio R. Osmeña III.

The President. The principal sponsor, Sen. Rodolfo G. Biazon, is recognized. We are in the period of interpellations and Sen. Sergio R. Osmeña III is recognized to avail himself of the period of interpellations.

Senator Osmeña III. Mr. President, will the kind sponsor yield the Floor for a few questions on the bill on rent control which he is sponsoring today?

Senator Biazon. Gladly, Mr. President, to the gentleman who is considered as a "walking statistics", a compilation in the Chamber.

Senator Osmeña III. It is only because we try to do our homework, Mr. President. But I thank the gentleman for his kind words.

Mr. President, this law was originally passed several years ago and has been updated so many times. The last time was in 2002, the Rental Reform Act of 2002. Am I correct?

Senator Biazon. That is correct, Mr. President.

Senator Osmeña III. Mr. President, can the distinguished sponsor tell us when the rent control was first passed into law?

Senator Biazon. Mr. President, we have a little bit of history. This law was actually initiated through the enactment of RA No. 6126 and enacted into law sometime on March 31, 1970, and then there were subsequent legislative measures that were enacted into law. I would say the last series would be the one that had been enacted on December 31, 1987 which was Batas Pambansa Blg. 877. This became a law in July 1985. This Batas Pambansa Blg. 877 was actually enacted into law under the 1973 Constitution of former President Marcos. And then there were legislative actions to continue the operation of this law because that initial law of this series was supposed to be effective only up to December 31, 1987. And then there were subsequent republic acts, there were five extensions of that law.

Senator Osmeña III. What the sponsor is saying is for over 30 years or from 1971, we have had one form or another of rent control in place?

Senator Biazon. Yes, Mr. President. Although they were not identical to one another, there were certain changes along the years. But, indeed, these laws were designed to provide or to control the raise in rents on certain segment of the market.

Senator Osmeña III. Mr. President, I have before me RA No. 9161 which is known as the "Rental Reform Act of 2002" and its *Declaration of Policy* which is in Section 2, reads:

The State shall, for the common good, undertake a continuing program of urban land reform and housing which will make available at affordable cost decent housing and basic services to underprivileged and homeless citizens in urban centers and resettlement areas.

Toward this end, the State shall establish reforms in the regulation of rentals of certain residential units.

Now, Mr. President, has rent control in the last 30 plus years actually made more affordable decent housing and basic services to the underprivileged and homeless citizens?

Senator Biazon. If there is a reference to government's efforts, or even probably the private sector...Is the gentleman referring to production of...

Senator Osmeña III. Yes. Mr. President, we read the *Declaration of Policy* and it states that the reason for this law is to make available at affordable cost decent housing to underprivileged and homeless citizens. Therefore, after 30 plus years, we want to know whether this particular law has actually resulted in more affordable housing for the underprivileged.

Senator Biazon. All right. Of course, probably for more clarity, that statement of *Declaration of Policy* finds its basis in the Constitution law, two articles, Article II and Article XIII; and if I may enter into the *Record*, Mr. President, Article II, Section 9 reads:

The State shall 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.

Of course, that could be considered as a general statement or a motherhood statement.

Probably, Article XIII, Section 9, of the Constitution, focuses more on the subject matter:

The State shall, by law, and for the common good, undertake, in cooperation with the private sector, a continuing program of urban land reform and housing which will make available at affordable cost decent housing and basic services to underprivileged and homeless citizens in urban centers and resettlement areas. It shall also promote adequate employment opportunities to such citizens. In the implementation of such program the State shall respect the rights of small property owners.

So, in that declaration, Mr. President, indeed, there is mention of providing availability of housing units.

But, Mr. President, this law, the Rent Control Law, should be taken in tandem with other programs, if we are referring to production of dwelling units in this country.

There were housing projects starting from President Marcos, of course. Even before that, President Diosdado Macapagal produced the tenement housing, the *Punta*...

Senator Osmeña III. May I just..

Senator Biazon. Yes, Mr. President.

Senator Osmeña III. May I just focus, Mr. President—because I promised the gentleman I would not keep him on the Floor too long. In what way has rent control resulted in more housing developed by the private sector? Because obviously, this has nothing to do with the public sector.

Senator Biazon. Yes, Mr. President.

Senator Osmeña III. The public sector housing program will just be dependent on the national government and the availability of funds that is allocated to the housing sector of government. So, obviously, this statement refers to incentivizing the private sector to build more affordable housing.

Senator Biazon. Yes, Mr. President.

Senator Osmeña III. Which is why I do not see a connection. As a matter of fact, the opposite has happened.

Senator Biazon. I agree, Mr. President.

Senator Osmeña III. Mr. President, of course, the intention of rent control is to make sure that those who are presently lessees or tenants are not subjected to outrageous increases in rent and to be at the mercy of the landlords. And that is a good intention.

But on the other hand, Mr. President, I have to state that my position is that the more we impose price control—and this is a form of price control—the more we disincentivize the private sector from producing what the public needs, *hindi po ba?*

Senator Biazon. Yes, Mr. President. I understand full well where the gentleman is coming from.

Senator Osmeña III. In fact, Mr. President, the three basic needs of the human being are food, clothing, and shelter. So let us go to food. For example, rice. Supposing the government mandated or decreed that *palay* cannot be sold at more than P6 per kilo at the farmgate. Would the gentleman tell us what would happen then?

Senator Biazon. Definitely, nobody would be planting rice.

Senator Osmeña III. And only those who are producing at a profit at P6 will continue to produce.

Senator Biazon. Yes, I agree, Mr. President. As a matter of fact, I know of quite a few gentlemen farmers—meaning those who do not till the land but who provide for the cultivation of the land,

planting and harvesting of *palay*—who instructed their tenants not to plant *palay* anymore because they are losing. That would be a similar effect of this.

Senator Osmeña III. Yes. Now, this bill also, Mr. President, seeks to protect existing tenants. It does not take into consideration future demand. Therefore, those who need houses are now not going to have the houses built by the developers because the developers do not want to build houses at the price level which would subject them to rent control.

Senator Biazon. I agree, Mr. President. Let me illustrate this, by way of illustrating a specific condition obtaining on the ground.

According to National Housing Authority (NHA) reports, Mr. President, there are anywhere from 100,000 to 120,000 units of low-cost housing built which are not occupied for the simple reason: the question of affordability.

Unfortunately, Mr. President, the demand for dwelling units is quite heavily felt in the urban areas for obvious reasons—the jobs are here.

The other reason also is that the cost of real estate in the urban areas is beyond the capability or affordability of anyone except probably Class A, B. Even lower C cannot afford to buy real estate for purposes of dwelling where the jobs are.

Therefore, the government initiated programs to cause the production of these 100,000 to 120,000 units. But, unfortunately, Mr. President, the target market of those programs is D and E, and yet the cost of the units is only affordable at upper C level of the economic strata. So the market does not match the supply at an affordable level.

Kaya nga, Mr. President, I agree with the gentleman: There is a need, but there is no market. Need is different from market. Market would include the factor of affordability.

So meaning, at this point, no investor will go into constructing dwelling units for rent that can generate some profits if his target market cannot afford. And if I, as an individual, can afford to buy these units that are available in the market, I would probably not be renting anymore. I will run to, let us say, the housing projects, not rent anymore.

Senator Osmeña III. Mr. President, there is a basic rule in real estate—location, location, location.

Senator Biazon. Yes, location is a major factor.

Senator Osmeña III. Therefore, when somebody buys a house or rents an apartment or a house, he takes into consideration how far away he is from his place of work—

Senator Biazon. That is correct, Mr. President.

Senator Osmeña III. —availability of schools for children, the cost of transport from that house to where he has to work, and the cost of transportation from that house to where his kids go to school. These are factored in his equation.

Senator Biazon. That is correct, Mr. President.

Senator Osmeña III. So evidently, Mr. President, we had a lot of scams in the past in government and they start building projects for no reason at all merely to get their “under the table.” Because obviously, if the private sector did this and the private sector was at risk, it would make sure that it would do its market studies properly.

Senator Biazon. That is correct, Mr. President.

Senator Osmeña III. So the private sector is not at risk. Now, Mr. President, is the gentleman aware, for example, that in the statistics that were furnished to his committee by the National Housing Authority, only about 10% of the entire country are considered renters?

Senator Biazon. Yes, that is the...

Senator Osmeña III. And in Metro Manila, it is up to maybe 17%; 8% to 9% in the provinces.

Now, Mr. President, does the gentleman know that in the United States, 30% of the households do not own their house so still 30% are renters in America?

Senator Biazon. I agree, Mr. President.

Senator Osmeña III. So what I am trying to point out, Mr. President, is that the statistics are not quite credible. It does not take into consideration, I would imagine, the illegal homesteaders or those who live in what we call the—

Senator Biazon. Informal settlers.

Senator Osmeña III. —informal sector.

Senator Biazon. Yes, Mr. President.

Senator Osmeña III. Now, Mr. President, in Quezon City alone, 60% of Quezon City belong to the informal sector.

Senator Biazon. That is correct, Mr. President, because this is what they can afford.

Senator Osmeña III. Yes, but still it is 60%. So I will not believe that, No. 1, it is only about 15% per the statistics that were given.

In other words, they do not have and they did not conduct a study among the informal sectors.

No. 2, Mr. President, in the informal areas, there is no rent control, is that correct?

Senator Biazon. Simply because...

Senator Osmeña III. It is illegal.

Senator Biazon. Yes, that is correct, illegal. There is no way anyone can monitor this because there are no registrations being done. For example, in a rented....

Senator Osmeña III. No, that is all right, Mr. President. That is not my argument. What I am saying is that in the informal areas, the market works.

Senator Biazon. Yes, Mr. President.

Senator Osmeña III. There is housing, even if it is just a shanty, and there are people willing to provide the shanty for a rent that is not even subjected to rent control.

Senator Biazon. That is correct, Mr. President.

Senator Osmeña III. It is a supply-and-demand situation.

Senator Biazon. That is correct, Mr. President.

Senator Osmeña III. And as a matter of fact, Mr. President, when the first person or the first family builds its shanty, it has rights to that shanty and when it vacates it, it is able to obtain P30,000, P40,000 sometimes—that is a lot—maybe P10,000 and there is an entrepreneur over there who is a landlord, who buys the shanty, then rents it out to new immigrants from the provinces. So the market is also working there.

Senator Biazon. That is correct, Mr. President.

Senator Osmeña III. Mr. President, earlier, mention was made in Section 2 of urban land reform.

Senator Biazon. Yes, Mr. President.

Senator Osmeña III. “Urban land reform” simply means converting land into use for—

Senator Biazon. For low-cost housing.

Senator Osmeña III.—socialized housing. And we have that in the metropolitan areas, have we not?

Senator Biazon. Except probably for the political units within Metro Manila, that there are still a lot of land. For example, in Quezon City and Caloocan, the conversion of certain pieces of land for socialized and low-cost housing projects have been done, but not probably in the City of Manila, Makati, and other cities. Taguig, for example, is so already—

Senator Osmeña III. Congested.

Senator Biazon.—congested. For example, many of these local government units which owned a piece of territory within the geographical jurisdiction would rather prefer to earmark this real estate still available for industrial investments rather than providing for...The problem with these informal settlers is, there is no way to predict its growth.

For example, predicting the growth to provide a basis for futuristic plans, zoning, for example, by the local government units. For example, the population growth in Metro Manila is pegged at anywhere between 3.7% and as high as 7%. This is caused by the influx of informal settlers.

For example, Muntinlupa, when it still had some areas to be squatted on, at one point registered a 7% population growth. But right now, it is already congested, too. The vacant areas of Muntinlupa cannot be disposed of because these are still controlled by the government. And does the gentleman know what happened to Ayala-Alabang area, the agricultural area there? This area there is controlled...It is supposed to be the Bureau of Animal Industry areas, most of which have already been converted into...There is not much area anymore to squat on. That is why the population growth had gone down from as much as 7% to, I think, about 3% right now.

Senator Osmeña III. Well, Mr. President, if I might share with the gentleman. The reason for that is that the density, when we have only an informal settler occupying one or two storeys, when we should be going medium and high-rise in order to stock more units per square meter of land. And again, this is our culture. But again also, this is the fault of the government, because if the government had allocated sufficient funds and also come up with policies that would encourage the private sector to build medium and high-rise low-cost buildings, like in Hong Kong, for example. If we visited Hong Kong in the '50s and '60s, even all of the informal settlers in Hong Kong were in high-rises already, because Hong Kong has limited land. And even when it took over the Kowloon side and the new territories, the government controlled the lands. So we cannot just build in Hong Kong. And I think there is only a handful of areas there, like in the peak in Repulse Bay and deep water bay where we see one-storey, two-storey residential mansions, the rest are all 30-storey, 40-storey buildings to optimize the use of land and to keep the open space that Hong Kong is also

known for. They have a lot of open space, parks, forest, playground, et cetera. We have not done this, Mr. President.

Senator Biazon. There was an attempt, Mr. President. The Bicutan settlement area, the tenement housing.

Senator Osmeña III. The one under President Macapagal?

Senator Biazon. Yes, the first one. And the difficulty of managing such an entity in terms of, say, maintenance, *et cetera*, is such that they found it not that successful. For example, Mr. President, those tenement units, housing units, dwelling units for rent, were rented at that time for P7 a month. And because there was no effective regulation on the stay, we would find that one unit had been transferred from generation to generation. As a matter of fact, when I went there four years ago, it was a seven-storey affair, I think. When I went there, I asked a "renter" if he was the original awardee, and he said, "No." And I asked: "How much do you rent?" He said, "Sir, P1,500." And yet the so-called original owner is supposed to pay only P7. Meaning, *naging* commercial. Meaning, the difficulty of managing such an entity. So the government went into something different like the BLISS. But BLISS was supposed to be a long-term lease. Again, the same thing is happening. They are supposed to be renting only for 25 years, renewable of course. And there is a problem now. Very few are paying the government right now. Why? Because when Marcos was forcibly assisted to depart from his office sometime in 1986, the Ministry of Human Settlement was disbanded and nobody took over the problem.

So, what I am saying, Mr. President, is that, there was an attempt. But I think the government, because of the difficulty of managing such kind of venture, finally gave it up. They tried here in the North Harbor, Vitas, Tondo, and they ended up having to sell to the first awardees the units, instead of just plainly a rental unit. They are attempting also here in the Coast Guard, in the coastal area.

Mr. President, indeed, in the Western culture their first priority is job and housing is second. But in our case, in the mentality of Filipinos, it is housing. So, *iyon ang problema*. There is a cultural factor somehow that contributes to the problem.

Senator Osmeña III. No, Mr. President, it is not cultural.

Senator Biazon. They do not want to rent, they want to own.

Senator Osmeña III. Let me try to explain this. There is really no difference if we use numbers and use financial formulas between leasing and owning. As a matter of fact, Mr. President, in London, hundreds of hectares are still owned by one family or two families, and these are on loan 99-year leases. That is why

when we go to London and we go to the most expensive areas there, whether it is Mayfair or Velgabria, or Chelsea now, we will find that most of these are renters and that the original leasehold owner is still playing something like £5 a month, while one is paying him £500 or £1,000 a month, which is about US\$1,700 a month. Because there is a value to that lease that will allow us, under any law, to occupy the property exclusive for the term of that lease.

In Tokyo, for example, most of the office buildings that we will see in the Marunici District and in other expensive areas are on 100-year land leases.

Senator Biazon. Yes, Mr. President.

Senator Osmeña III. In fact, Mr. President, in Tokyo, if one gives me a 100-year lease, say, on a piece of land, I will pay him the equivalent of 70% of the sale price, market price today. It is almost like a sale. If one could sell it today for a million dollars, but instead he said, "No, I do not want to sell it to you; I will lease it to you for one hundred years," we will pay him US\$700,000. That is the going rate, that is the formula that they use there. So, there is value.

Senator Biazon. But that is supposed to be the formula for the BLISS.

Senator Osmeña III. All right. But the problem, Mr. President, is, there are lots of well-meaning people and the government puts in place some idiots who do not know anything about this thing. Just because he is now head of the National Housing Authority, he becomes an instant expert and starts coming out with these programs which do not make sense. But if we let the private sector undertake this and merely give the financing to the private sectors, say, guaranteed loans, a 30-year loan for 4%, and say, "Build this," he will build it and he will manage it, and we are not going to have those problems of deadbeats not paying their debts. Because he will make sure. It is his property, he is paying the government on the loans the government afforded him. But that is his property, which is why I have always been in favor of letting the market work.

Government has been the lousiest manager of anything that I have seen. Name me something that the government has managed well and I will show the gentleman improvement that can be made.

So, this is solvable, Mr. President. It is imminently solvable but we have to bring in the private developers. And so, government should really sit down with the private developers and say: "If I wanted you to build a multi-storey apartment to save on cost of land at an affordable rate of P500, P700, or P1,000, what would you require? How much in loans? What type of interest rates? What would be the length of the loan, the tenor of the loan? Would

you require 20, 25, or a 30-year loan? You let me know and then we will raise funds for it." And government issues bonds, floats municipal bonds, guarantees it and, in turn, relends it to developers. This is how redevelopment is done in the United States.

Senator Biazon. Well, of course, Mr. President, I agree that the market forces are still operating out there when we are talking of rental dwelling units. But the capability of the lessees or renters is a great factor. That is why...

Senator Osmeña III. Mr. President, those guys who do not have income cannot afford anyway.

Senator Biazon. That is right.

Senator Osmeña III. All right. Therefore, there should be a parallel effort for government also to incentivize the private sector to create more jobs. Because, obviously, everything goes to affordability or the ability to pay the rent or the amortization.

Senator Biazon. Yes, Mr. President.

Senator Osmeña III. So, let us set that aside. Because if the guy has no income, he cannot afford anything anyway. So he will have to sleep in Luneta or under the bridges.

Senator Biazon. All right.

Senator Osmeña III. That will be another section. But to those who have some level of disposable income, then affordability comes in, as the gentleman said. He might be able to afford P1,000 a month, but not P2,000.

Senator Biazon. Yes, Mr. President.

Senator Osmeña III. So, let us build a stuff that is a thousand pesos a month. But if we are going to tell the developer, "Yes, I will lend you money at 3% for 30 years. Yes, you don't have to pay me back for the first five years. No amortization. Yes, I will give you exemption on real estate taxes and other types of tax abatements. You are under rent control. You can't increase your rent more than "X" percent." He will say, "Wait a minute." [Laughter]

Senator Biazon. Mr. President, rent control is not really foreclosing private entrepreneurs or private sectors from producing dwelling units for rent. As a matter of fact, a certain segment of the market is open. We provide a ceiling. Right now, the proposal is P7,500 for urban areas; and P4,000 for the rural areas.

Senator Osmeña III. But precisely, Mr. President, that is where we want to incentivize the developers to develop units for the lower-income level, because those people earning P10,000 a

month can afford. I mean, if we are talking about somebody paying rent of P10,000 a month—

Senator Biazon. It is P7,500.

Senator Osmeña III. —or P7,500, there is a certain degree of affordability, as a matter of fact—P60,000 to P200,000.

Senator Biazon. I think he would be earning somewhere between P30,000 and P40,000 a month.

Senator Osmeña III. All right. But whatever it is, he has P30,000 to P40,000. What I care for is the one who is earning only P5,000 to P8,000 a month. But this is covered by rent control now, so there is nobody who has an incentive to build the type of housing that he needs. *Iyan ang sinasabi ko.*

Senator Biazon. I agree with the gentleman, Mr. President. But then again, as I said, the movement of the renters is such that the protection we need to provide are, first, to prevent exorbitant or unreasonable increases in rent among the renter-households; and second, the control of rent can restrict economic eviction, that is, increasing the rent to force sitting-tenants out. This happens if there is no rent control. All a landlord has to do is to raise the rent exorbitantly so that the renter will be evicted if there is no rent control. This has happened.

Senator Osmeña III. The gentleman is correct there. But that is the risk we have to take when we have a market-oriented economy. If we do not have a price control or, say, a cap on the price of rice, if there is an El Niño, we will see the price going up from P30 to P35 per kilo in the market, and that last happened to us in 1995. But that is the risk we have to take. But sometimes when there is a shortage, whether it is a temporary shortage, still we are going to see the prices move up tremendously.

But at the same time, when the price moves up to even P20 more, people are now encouraged to switch to planting rice because there is so much money to be made in rice. Therefore, the supply will catch up with the demand and then the prices will go back to relatively more stable levels, and an equilibrium price will be found at the lower level of P9 or P10 or P12 or P15. That is the way the market works.

So if we mean well and we want to put a cap at the same time, we also disincentivize the producer of rice—

Senator Biazon. That would be the effect.

Senator Osmeña III. —or the developer of low-cost homes. I will say, "I am not going to develop low-cost homes, *sakit sa ulo iyan*. I will develop P1-million homes or P5-million homes which is

the most *mabiling* portion of the market and there is no rent control."

Senator Biazon. That is right. And that is where the developers are.

Senator Osmeña III. That is correct, because...

Senator Biazon. Because they would not venture on this.

Senator Osmeña III. And these are good credit risks. The banks are lending 15 to 20-year mortgages on those types of development. And all of the condos that we see around, in Quezon City, Ortigas and even in Makati, are all in the P5-million rate. These are very small condos, but *mabenta*.

So, this is just what I want to put on record, Mr. President. I have always found myself having problems, accepting anything that would create disincentives to producing homes. And this is a disincentive to a developer to produce homes at the level where rent control kicks in, which is P7,500.

Senator Biazon. Yes, P7,500.

Senator Osmeña III. I certainly will not. Because sometimes, Mr. President, I might have vacancies, so I take the risk that I will have a vacancy. But when the time comes also that maybe the prices are good, I do not want somebody telling me: "*Hoy, hanggang diyan ka lamang.*" I want to take my own risk.

As we see, Mr. President, what happens is that the developer can now sell off floors. He can just manage it. So, if I put up a 20-storey building, say, in Taguig, all low-cost housing units, and I need to recover some of my capital so I can develop again another unit, I can sell off the entire floors and I can find investors *na bibili*. I will just say: "I will collect the rent for you. I will take care of that for you."

So, there is an exit strategy even for the developer. He will not be stuck with it. But when we put a cap, he will surely be stuck with it. If he needs money, he is not going to sell that project.

So, these are the concerns I want to spread into the *Record* so that we will be able to, at least, be more market-oriented in this and other bills that might arise in the future. That might mean well, but at the same time really brings about the reverse effect of what we were trying to achieve.

Thank you, Mr. President. And I thank the sponsor for being very kind in responding to our questions this afternoon.

The President. Thank you, Senator Osmeña. Sen. Luisa "Loi" Estrada is recognized.

Senator L. Ejercito Estrada. Will the senator yield for a few questions?

Senator Biazon. Gladly, Mr. President.

Senator L. Ejercito Estrada. The proposed measure provides for regulation of rentals until December 31, 2011. Why 2011?

Senator Biazon. That is correct. Mr. President, as I said, there have been a series of extensions to the original law. The original law has been extended several times, each time for three years. Now, the basic justification for the extension of the Rent Control Law is on the assumption that the government would be able to produce low-cost housing units. President Marcos had such program. President Aquino had her shelter program. Former President Ramos had his Pabahay 2000. Former President Estrada had his Erap City. I have yet to pinpoint President Arroyo's program.

However, the assumption is that at the end of the period, as prescribed by the original law, the housing problem would have been already reduced to a point because of the production of low-cost, socialized-housing units by government. This did not materialize, Mr. President.

So my proposal is, instead of extending it only for three years, we extend it for six years to struggle, for example, two administrations. Why 2011? Because we will have an election in 2010. So by 2011, in the first year of the new administration, that new administration could now study without having to enact laws because of an election. Because if we continue to do it the way we were doing it before, then it will always coincide with election time. That is why, the Urban Development and Housing Act of 1992 was approved in March 1992, in the middle of a campaign. And so, according to surveys, there were problems generated that spawned from the approval of that law in March 1992. *Kaya po ginagawa nating mas mahaba para mabigyan ng pagkakataon ang gobyerno na mabigyan muna ng solusyon kahit na papaano iyong problema ng pabahay para kung kailangan pang i-extend baka iba na ang sitwasyon.* That is why I am proposing that instead of three years' extension, that it be for six years, Mr. President.

Senator L. Ejercito Estrada. Yes. I thank the gentleman for that. Section 3 of the proposed bill is almost copied from Republic Act No. 9161.

Senator Biazon. That is correct, Mr. President.

Senator L. Ejercito Estrada. And I fear though that the amount of P7,500 and P4,000, respectively, in the NCR and other highly urbanized regions and in other areas should be increased

to P10,000 or maybe P6,000, respectively, since the value of the peso since 2001, from the time this administration assumed office has plummeted. And as things go now, it seems that our peso will devalue more so that not many Filipinos will benefit from the law if we stick to the original amount pegged in Republic Act No. 9161.

Senator Biazon. I agree, Mr. President. The depreciation of the peso, the buying power of the peso has been reduced. But if we increase it further to a higher rate, that would be a form of disincentive to producers which is the concern of Senator Osmeña. If we raise the coverage, *baka wala na talagang mag-produce ng rental-dwelling units*. I thought that P7,500 is good enough because, here, we are protecting a family whose income is anywhere from P35,000 to P40,000. But if we raise it to, say, P10,000, we will be protecting a family with an income probably of P50,000 to P70,000 or P60,000 to P70,000 and they do not need protection. The people we want to protect are the low-income groups.

Senator L. Ejercito Estrada. The gentleman is referring to the low-cost housing.

Senator Biazon. Yes, Mr. President.

Senator L. Ejercito Estrada. I am interested in Section 5, Mr. President. It provides that the two-month deposit should be kept in a bank during the entire duration of the lease agreement, provided, that any and all interest that shall accrue therein shall be returned to the lessee at the expiration of the lease contract.

Senator Biazon. Yes, Mr. President.

Senator L. Ejercito Estrada. May I know who are the signatories of this two-month deposit in the bank?

Senator Biazon. Definitely, it would be the owner of the money, the lessee, and of course—

Senator L. Ejercito Estrada. The lessee?

Senator Biazon. Yes, the lessee.

Senator L. Ejercito Estrada. Not the lessor.

Senator Biazon. Not the lessor because if we give it to the lessor, then it will be the lessor who will be collecting the interest, Mr. President.

Senator L. Ejercito Estrada. Yes, because, Mr. President,...

Senator Biazon. There is, however, a means of control by the lessor that the two-month deposit should be withdrawn. Maybe we could refine that provision to ensure that *hindi*

naman puwedeng i-withdraw ito ng lessee without the lessor knowing it. We can refine that provision, Mr. President, to address the lady senator's concern.

Senator L. Ejercito Estrada. Yes. The purpose of this provision is for the protection of the lessee. How about the lessor?

Senator Biazon. The deposit.

Senator L. Ejercito Estrada. I have several apartments for rent. As what happened, the lessees apply the deposit to the months that they cannot pay the rent. So, the lessor is left empty-handed when these lessees vacate the premises. So, *nakakaawa naman iyong nagpapaupa ng bahay*.

As a matter of fact, very recently, these lessees vacated the premises with unpaid rentals, unpaid electric bills, water bills. Sometimes they damage the property.

Senator Biazon. We will have to refine that provision, Mr. President, to ensure that the lessee cannot just withdraw that deposit without the lessor coming into play. We can refine that.

Senator L. Ejercito Estrada. Yes. This is sort of complicated because, I, for instance, *kapag nagbayad sila sa akin*, I ask for deposit. So, I am the one who is keeping the deposit. If they vacate the premises and with paid electric bills, I just give them back their money.

Senator Biazon. Yes, Mr. President. I understand the position of the lady senator from San Juan.

Senator L. Ejercito Estrada. But if the lessee will be the one to deposit his deposits in the bank, I do not agree with that, Mr. President.

Senator Biazon. All right. We will deal with this at the proper time, Mr. President.

Senator L. Ejercito Estrada. Anyway, to facilitate this remedy, maybe, I will propose that a proviso should be incorporated in Section 5, at the proper time.

Senator Biazon. At the proper time, Mr. President.

Senator L. Ejercito Estrada. Section 7 provides grounds for judicial ejectment. Are these grounds exclusive, Mr. President?

Senator Biazon. Judicial ejectment?

Senator L. Ejercito Estrada. Section 7.

Senator Biazon. Let me...

SUSPENSION OF SESSION

May I move that we suspend the session for one minute, Mr. President.

The President. Is there any objection? *[Silence]* There being none, the session is suspended for one minute.

It was 5:48 p.m.

RESUMPTION OF SESSION

At 5:49 p.m., the session was resumed.

The President. The session is resumed.

Senator Biazon. Mr. President, may I request a restatement of the question?

Senator L. Ejercito Estrada. Section 7 provides grounds for judicial ejectment. Are these grounds exclusive, Mr. President?

Senator Biazon. What does the lady senator mean? Exclusive to?

Senator L. Ejercito Estrada. If the gentleman will accept, we add the phrase OTHER ANALOGOUS CIRCUMSTANCES so as not to straitjacket the section?

Senator Biazon. Which specific provision is being referred to here?

Senator L. Ejercito Estrada. The grounds are limited to what is stated.

Senator Biazon. All right. What specific question is being raised, Mr. President?

Senator L. Ejercito Estrada. Could we accommodate other grounds other than these specified here, Mr. President?

Senator Biazon. Yes, Mr. President, this representation...that would come at the proper time—

Senator L. Ejercito Estrada. So, during the period of amendments...

Senator Biazon. —during the period of amendments and definitely would be subject to debate, Mr. President.

Senator L. Ejercito Estrada. Thank you, Mr. President. That is all.

Senator Biazon. Thank you, Mr. President.

The President. The Minority Leader is recognized in the period of interpellations on the bill under consideration.

MANIFESTATION OF SENATOR PIMENTEL
(That His Interpellation on Senate Bill No. 1956
be Deferred Until Monday)

Senator Pimentel. Mr. President, may we request that my interpellation be deferred until Monday, if that is possible.

The President. All right. I suppose that is in order. In that case, the Majority Leader is recognized.

MANIFESTATION OF SENATOR CAYETANO
(Reservations of Senator Defensor Santiago to
Interpellate on S. No. 1956)

Senator Cayetano. Mr. President, aside from the Minority Leader, Senator Defensor Santiago has also made a reservation to interpellate.

SUSPENSION OF CONSIDERATION OF S. NO. 1956

Therefore, I move that we suspend consideration of Senate Bill No. 1956.

The President. All right. Is there any objection? *[Silence]* There being none, consideration of this measure is suspended.

Senator Biazon. Thank you, Mr. President.

SUSPENSION OF SESSION

Senator Cayetano. Mr. President, I move that we suspend the session for one minute.

The President. Is there any objection? *[Silence]* There being none, the session is suspended for one minute.

It was 5:51 p.m.

RESUMPTION OF SESSION

At 5:53 p.m., the session was resumed.

The President. The session is resumed. The Majority Leader is recognized.

THE JOURNAL

Senator Cayetano. Mr. President, the Minority Leader would like to propose some corrections in the *Journal*.