

# RECORD OF THE SENATE

MONDAY, SEPTEMBER 19, 2005

## OPENING OF THE SESSION

*At 4:01 p.m., the Senate President, Hon. Franklin M. Drilon, called the session to order.*

**The President.** The 20th session of the Senate in the Second Regular Session of the Thirteenth Congress is hereby called to order.

Let us all stand for the opening prayer of Sen. Ralph G. Recto to be read by Sen. Juan M. Flavier.

*Everybody rose for the prayer.*

## PRAYER

**Senator Flavier.** This is the prayer of Sen. Ralph G. Recto.

*May the spirit of the Holy Father fill our hearts and in His presence we beseech the intercession of Thy Mother.*

*Let us pray.*

As we long for peace, let us remember our brothers and sisters of all faiths who share our longings.

Let us fill our hearts with our own compassion towards ourselves and towards all living beings.

Let us pray that all men realize that they are brothers and sisters, all nourished from the same source of life.

Loving God, look with mercy upon Your children. Instill in our hearts a vision of Your kingdom.

May we all live together in unity, peace, truth, justice and love, and grant, gentle Father, that the Holy Spirit may give us the will and the courage to act to make a difference.

Grant upon Your children the seed of humility, kind understanding and a spirit of encouragement, so that with one heart, we may glorify God, the Father.

Almighty One, make our hearts the dwelling place of peace and may the rulers of this nation find peace in their hearts.

May peace find a home in the heart of each and every person till every person preserves in himself compassion, peace and humility in unity with the Holy Spirit.

These we ask through Christ, our Lord, Amen.

**The President.** The Senate Choir will lead us in the singing of the national anthem. The Choir will also render another song, entitled *Tagumpay Nating Lahat*.

## NATIONAL ANTHEM

*Everybody remained standing for the singing of the national anthem.*

## ROLL CALL

**The President.** The Secretary will please call the roll.

**The Acting Secretary** [Atty. Reyes], *reading:*

Senator Edgardo J. Angara .....	Present
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. Flavier .....	Present
Senator Richard J. Gordon .....	Present
Senator Panfilo M. Lacson .....	Present
Senator Manuel "Lito" M. Lapid .....	**
Senator Alfredo S. Lim .....	Present
Senator M. A. Madrigal .....	Present
Senator Ramon B. Magsaysay Jr. ....	Present
Senator Sergio R. Osmeña III .....	Present
Senator Kiko Pangilinan .....	Present
Senator Aquilino Q. Pimentel Jr. ....	Present
Senator Ralph G. Recto .....	Present*
Senator Ramon Bong Revilla Jr. ....	Present
Senator Mar Roxas .....	Present
Senator Manny B. Villar .....	Present
The President .....	Present

**The President.** With 21 senators present, there is a quorum.

The Majority Leader is recognized.

## THE JOURNAL

**Senator Pangilinan.** Mr. President, I move that we dispense with the reading of the *Journal* of the 19th session, September 6, 2005, and consider it approved.

\* Arrived after the roll call

\*\* On official mission



The Secretary will please read the title of the bill.

**The Acting Secretary** [Atty. Reyes]. Senate Bill No. 2035 entitled

AN ACT RATIONALIZING THE COMPOSITION AND FUNCTIONS OF THE NATIONAL LABOR RELATIONS COMMISSION, AMENDING FOR THIS PURPOSE ARTICLES 213, 214, 215 AND 216 OF PRESIDENTIAL DECREE 442 AS AMENDED, OTHERWISE KNOWN AS THE LABOR CODE OF THE PHILIPPINES

**The President.** We shall now vote on the bill and the Secretary will call the roll.

**The Acting Secretary.** Senators

Angara .....	Yes
Arroyo .....	Yes
Biazon .....	Yes
Cayetano .....	Yes
Santiago .....	
Ejercito Estrada (J.) .....	Yes
Ejercito Estrada (L.) .....	Yes
Enrile .....	Yes
Flavier .....	Yes
Gordon .....	Yes
Lacson .....	Yes
Lapid .....	
Lim .....	Yes
Madrigal .....	Yes
Magsaysay Jr. ....	Yes
Osmeña III .....	Yes
Pangilinan .....	Yes
Pimentel Jr. ....	
Recto .....	Yes
Revilla Jr. ....	Yes
Roxas .....	Yes
Villar .....	Yes
The President .....	Yes

#### APPROVAL OF S. NO. 2035 ON THIRD READING

**The President.** With 20 affirmative votes, no negative votes, and no abstention, Senate Bill No. 2035 is hereby approved on Third Reading.

#### 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.

**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 individual amendments. I ask that the sponsor of the measure, Sen. Rodolfo G. Biazon, be recognized; and to introduce amendments, Sen. Luisa "Loi" Ejercito Estrada is likewise recognized.

**The President.** Senator Biazon, the sponsor of the measure, is recognized in the period of amendments, as well as Sen. Luisa "Loi" Ejercito Estrada to introduce her amendments to the measure.

**Senator Biazon.** Thank you, Mr. President.

#### L. EJERCITO ESTRADA AMENDMENTS

**Senator L. Ejercito Estrada.** Mr. President, on page 2, Section 5, line 20, after the word "bank", insert the phrase UNDER THE LESSOR'S ACCOUNT NAME. So that the sentence shall now read: "Neither can he demand more than two (2) months deposit which shall be kept in a bank UNDER THE LESSOR'S ACCOUNT NAME during the entire duration of the lease agreement."

**The President.** What does the sponsor say?

**Senator Biazon.** Lessor's account?

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

**The President.** Is it the lessor's account or the lessee's account?

**Senator L. Ejercito Estrada.** It is the lessor's account.

**Senator Biazon.** The lessor's account.

**Senator L. Ejercito Estrada.** Not the lessee.

**The President.** Yes. Is it lessor's account name or just the lessor's account?

**Senator L. Ejercito Estrada.** Lessor's account name.

**The President.** All right. The lady senator's proposed amendment is to insert the phrase UNDER THE LESSOR'S ACCOUNT NAME between the words "bank" and "during" on line 20 of page 2.



**Senator Biazon.** May I ask the lady senator, Mr. President, how would that relate to the last sentence of Section 5?

**Senator L. Ejercito Estrada.** Is it line 21?

**Senator Biazon.** Lines 21 and 22, Mr. President.

**Senator L. Ejercito Estrada.** Yes. "Any and all interest that shall accrue therein shall be returned to the lessee at the expiration of the lease contract."

**Senator Biazon.** How then will this be related to the proposed amendment of the lady senator, Mr. President?

**Senator L. Ejercito Estrada.** If the lessee will terminate his stay in the apartment, for instance, and he has paid all his electric and water bills—

**Senator Biazon.** Yes, Mr. President.

**Senator L. Ejercito Estrada.** —the lessor should give back the deposit to the lessee, Mr. President.

**Senator Biazon.** It is accepted, Mr. President.

**The President.** Is there any objection? *[Silence]* There being none, the amendment is approved.

**Senator L. Ejercito Estrada.** In Section 5, *Rental and Requirement of Bank Deposit*, insert in a new paragraph to read as follows: IN THE EVENT, HOWEVER, THAT THE LESSEE ABUSES HIS RIGHT OR HAS COMMITTED ACTS INIMICAL TO THE INTEREST OF THE LESSOR, SUCH AS BUT NOT LIMITED TO FAILURE TO SETTLE ELECTRIC AND WATER BILLS, DESTRUCTION OF ANY HOUSE COMPONENTS AND ACCESSORIES, AND OTHER ANALOGOUS CIRCUMSTANCES, THE DEPOSITS AND INTEREST THAT SHALL ACCRUE THEREIN SHALL BE FORFEITED IN FAVOR OF THE LATTER, IN THE AMOUNT COMMENSURATE TO THE PECUNIARY DAMAGE DONE TO THE FORMER.

#### BIAZON-L. EJERCITO ESTRADA AMENDMENT

**Senator Biazon.** Mr. President, in principle, this representation offers no objection to these amendments. We agree to the rationale given by the proponent to protect lessors against abusive and unscrupulous lessees. However, if the lady senator would accept, may we offer a rephrasing of the proposed amendment. The reason for the rephrasing is that the new proposed provision is more precise and does not leave room for many interpretations of wide and ambiguous phrases, such as "ACTS INIMICAL TO THE INTEREST OF THE LESSOR AND OTHER

ANALOGOUS CIRCUMSTANCES" that are present in the original proposed amendment. Instead, if she will accept, this representation will offer an amendment to the proposed amendment. It is proposed that instead of this proposed amendment, it be rephrased to read according to the following, and I quote:

IN THE EVENT, HOWEVER, THAT THE LESSEE FAILS TO SETTLE RENT, ELECTRIC, TELEPHONE, WATER OR SUCH OTHER UTILITY BILLS OR DESTROYS ANY HOUSE COMPONENTS AND ACCESSORIES, THE DEPOSIT AND INTERESTS THEREIN SHALL BE FORFEITED IN FAVOR OF THE LATTER IN THE AMOUNT COMMENSURATE TO THE PECUNIARY DAMAGE DONE BY THE FORMER.

Mr. President, this rephrasing would avoid any provisions of this proposed law from being interpreted differently. Because all the interests of the lessor as far as the rental is concerned are already defined in this proposed amendment to the amendment.

Will the lady senator accept?

**Senator L. Ejercito Estrada.** It is accepted, Mr. President.

**The President.** All right.

**Senator Biazon.** Thank you, Mr. President.

**The President.** The amendment of Sen. Loi Estrada, as amended by the sponsor, is accepted by the sponsor. Is there any objection? *[Silence]* There being none, the amendment is approved.

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

**The President.** All right.

**Senator Biazon.** Thank you, Mr. President.

**The President.** Are there any other amendments?

**Senator Pangilinan.** Mr. President, the following have expressed their desire to introduce amendments: Sen. Aquilino Q. Pimentel Jr. and Sen. Sergio Osmeña III.

#### SUSPENSION OF SESSION

May we have a one-minute suspension of the session, Mr. President.

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

*It was 4:28 p.m.*



RESUMPTION OF SESSION

*At 4:28 p.m., the session was resumed.*

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

**Senator Pangilinan.** Mr. President, Senator Recto has also requested that he be allowed to introduce his amendment.

**The President.** Sen. Ralph G. Recto is recognized.

RECTO AMENDMENTS

**Senator Recto.** Thank you, Mr. President; thank you, Majority Leader.

As coauthor of the measure, I would like to make an individual amendment on page 1, Section 3, line 11.

As I understand it, this is also an amendment not only of myself but based on the period of interpellations conducted by Senator Pimentel with the sponsor of the measure. On line 10, change the words and figures "Seven thousand five hundred pesos (P7,500.00)" to TEN THOUSAND PESOS (P10,000.00)."

**Senator Biazon.** It is accepted, Mr. President.

**The President.** Is there any objection? *[Silence]* There being none, the amendment is approved.

**Senator Recto.** Likewise, on line 12, change the words and figures "Four thousand pesos (P4,000.00)" to FIVE THOUSAND PESOS (P5,000.00).

**The President.** What does the sponsor say?

**Senator Biazon.** It is accepted, Mr. President.

**The President.** Is there any objection? *[Silence]* There being none, the amendment is approved.

**Senator Recto.** That is all, Mr. President.

**Senator Biazon.** I understand that this is also the proposed amendment of Senator Pimentel.

**The President.** Senator Pimentel is in the hall. May the Chair get a response from the Minority Leader?

**Senator Pimentel.** Mr. President; the Minority Leader affirms the amendment of Senator Recto.

**The President.** There being no objection, the amendments having been accepted, the same are approved. I assume that takes care of the amendment of Senator Pimentel.

**Senator Biazon.** And also those of Sen. Loi Estrada and Sen. Ralph Recto, Mr. President.

**The President.** How about Senator Osmeña?

**Senator Biazon.** We are waiting for Senator Osmeña so he may be able to introduce his proposed amendments, Mr. President.

**The President.** The Majority Leader is recognized.

SUSPENSION OF SESSION

**Senator Pangilinan.** 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 4:31 p.m.*

RESUMPTION OF SESSION

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

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

**Senator Pangilinan.** Mr. President, we are still in the period of amendments. Sen. Sergio Osmeña III has some amendments.

**The President.** Before the Chair recognizes Senator Osmeña, may the Chair suggest that, consistent with the Recto amendment which was approved by the Body, lines 9 and 10 on page 4 be likewise amended so that the words and figures "Seven thousand five hundred pesos (P7,500.00)" be amended to TEN THOUSAND PESOS (P10,000.00) and the words and figures "Four thousand pesos (P4,000.00)" be amended to FIVE THOUSAND PESOS (P5,000.00).

**Senator Osmeña III.** Mr. President.

**The President.** This is just an omnibus amendment of an amendment previously approved.

MOTION OF SENATOR OSMEÑA III  
(To Reconsider Previous Approval of Recto Amendment)

**Senator Osmeña III.** Mr. President, I was going to object and ask for a reconsideration of the Recto amendment and the Pimentel amendment, and if I might be able to explain.



**The President.** All right. There is an objection to the amendment and a motion for reconsideration on the previous approval of the Recto amendment.

Is there any objection to the motion for reconsideration of Senator Osmeña? *[Silence]* There being none, so reconsidered.

**Senator Osmeña III.** Mr. President, will the kind gentleman yield the Floor?

**Senator Biazon.** Gladly, Mr. President.

**Senator Osmeña III.** Mr. President, during the hearings that were conducted on this bill, we were given the information that the rent increases from... The last time this was passed in 2001?

**Senator Biazon.** Yes, 2001.

**Senator Osmeña III.** I think Senator Recto was the sponsor. The rent had not increased by more than 10% or 15%. Therefore, to increase this to P10,000 would, in effect, be covering more units than the original law or the law had envisioned. Am I correct, Mr. President?

**Senator Recto.** If I may speak, Mr. President, with the permission of the two gentlemen on the Floor.

**The President.** The sponsor of the amendment, Sen. Ralph G. Recto, is recognized.

**Senator Recto.** Thank you, Mr. President.

First, if the Chair will recall, during the period of interpellations of Senator Pimentel and myself with Senator Biazon, the reason we adopted a P10,000 figure is that rental for residential units of P10,000 is not subject to VAT under our VAT law so we wanted to make it uniform with regard to the VAT law. In effect, under the VAT law, if one rents a dwelling or a residential unit below P10,000, he cannot be subject to VAT. That is one argument, to make it uniform.

The second argument is, based on the statement made by Senator Osmeña, if from the year 2000 to the present rentals have not increased by more than 10% to 15%, then there is nothing to fear by increasing the amount to P10,000. In fact, inflation is at 7.5%. So, reasonably, they should not increase rental rates by more than 7.5%.

**Senator Osmeña III.** Mr. President, I think the good senator was not in the Chamber three weeks ago when we interpellated Senator Biazon, the good sponsor on this particular measure.

As a matter of principle, I believe that rent control is counter-productive. It discourages developers from developing units at the price range which we seek to protect. As a matter of fact, during the hearings—I do not know if it was during the hearings or during the break—only 2% of all housing units constructed in mega Manila in the past 10 years had been in this price range. This is because people do not want to build housing units and put their money in and then be subject to regulation on how much they can charge. Fortunately, because of the slowdown in the economy, demand for housing rental decreased and that the annual increases have been averaging—the sponsor may correct me because my memory might be faulty on this—to about 3% to 4% a year.

**Senator Biazon.** On the socialized and low-cost level.

**Senator Osmeña III.** That is correct at this level.

**Senator Recto.** Mr. President, the socialized and the low-cost housing is at a much, much lower level.

**Senator Osmeña III.** I know. I realize that, Mr. President. But what I am saying is that the principle of controlling prices, as the good chairman of the Committee on Ways and Means knows, discourage people from developing the very units that they want to develop. So, essentially, the ones we are protecting are existing tenants, but we are sacrificing future tenants who have a demand for units precisely at those pricing levels. I have told the good sponsor that I would not object to this but, hopefully, we would be able to at least limit and not expand the coverage so that we will be able to encourage developers to come in.

**Senator Recto.** Mr. President, I see the point of Senator Osmeña, the gentleman from Cebu, but I do not agree with his observation. Why is that?

For example, if inflation is at 7.5% and we put a cap on increase at 5%, then that is definitely distortionary. But if inflation is at 7.5% and we are allowing them to increase the rate by 10%, then that should not be a problem.

**Senator Osmeña III.** Mr. President, I have no objection to that. That is one of the reasons I did not object to this bill because the 10% is still high. But the psychological effect on developers in the future, as has happened in the past... As we all know, we debated on this bill and we were all concerned about the existing tenants. But nobody really looked at the wider picture to find out whether the purpose of this bill would be in conformity with the desire of the government to let the private sector be the ones to develop housing units particularly at this price level. In this manner we are driving away or we are keeping developers out of this particular segment of the housing market simply because they



do not want to be subjected to any law, now or in the future, that will say, "We are putting a cap on rent at this particular rate."

Mr. President, the chairman of the Committee on Ways and Means is correct. Inflation is now running at about 7.5%. As a matter of fact, in the past few years, it was much less than that—3%, 4% or 5%—which is why this particular law was not really effective because the cap was much higher than the actual inflation and the demand for the units.

But I am looking at the future, Mr. President. I am looking at developers who might be encouraged to build housing units for lower-income class. With this type of national policy, they would be discouraged: "Well, yes, please, develop housing for the lower-income class; but by the way, we are going to limit your increase in rents."

**Senator Recto.** Mr. President, I do not know if the gentleman also recall that during the interpellation made by Senator Pimentel, it was also pointed out that in Metro Manila, a lot of those renting are students. And the students who come to Metro Manila to study pool their resources together and it would be very difficult for them if their families and they themselves—worse, many of them could be working students—cannot predict the rent increase—that their landlords or landowners can increase the rate by more than 10% every year.

So for predictability purposes, Mr. President, it would be good also for the students to know that the highest increase could only be 10% per annum. And like I said, I do not see that this law will deter now investors from investing in this sector because it is still higher than the inflation rate of 7.5%.

**Senator Osmeña III.** Yes, Mr. President, I agree with the gentleman. I think the specifics and the experience in the past five, six, seven years, showed that inflation rate was below 10%, which is why I did not bring forth any enthusiastic objection to extending this law. But again, I would like to bring to the minds of the members of this Chamber that the policy should be the reverse.

Mr. President, I have seen Rent Control Laws implemented in various cities in the United States when I was in exile. And precisely, it deterred developers from going to those cities to develop simply because they just did not want to be hamstrung by putting their good money in, and later on, maybe five or six years down the line being able to be stuck with a rent level that was not in conformity with the market demand. That is No. 1.

And No. 2, the resale value also of any unit in a rent control area or an area subjected to rent control is far below areas which have no rent control.

For example, San Francisco has rent control; certain cities in the LA area have rent control, like Sta. Monica, West Hollywood. Even LA City itself has a rent control but it has a very lax form of rent control.

So, I just wanted to remind our colleagues that this is counterproductive.

**Senator Recto.** Just a final word, Mr. President.

**Senator Osmeña III.** Now, may I just finish on the P10,000, why the gentleman said he wanted to harmonize that with the VAT.

**Senator Recto.** Yes, Mr. President.

**Senator Osmeña III.** Precisely, we gave them a break on the VAT. We do not have to give them a double break.

**Senator Recto.** But, Mr. President, it would be better if it were uniform.

Since we decided that under the VAT, if one is renting a residential unit for P10,000, then he is no longer subject to a VAT. And similarly...

**Senator Osmeña III.** What is the connection? Could the gentleman explain? What is the connection?

**Senator Recto.** It is P10,000.

**Senator Osmeña III.** No. But what is the connection between a VAT break on P10,000 and below and rent control up to P10,000?

**Senator Recto.** For simplicity, Mr. President, because it would look funny that we will be protecting those—assuming that was the intent—who are renting a unit for P10,000 VAT-free, supposed to be, and for those developers who are developing units, I cannot remember or recall, I think P1.5 million and below, VAT-free as well. Then as far as the Rent Control Law is concerned, instead of having it at P7,500, let us just increase it to P10,000. Like I said, a lot of those who are renting also are students, and it will be very difficult for the students if they cannot predict how much the rent shall increase per year.

By the way, there are so many bed-spacers throughout Metro Manila in the university belts. The developers have not stopped from developing these bed-spacer dormitories for students because of the Rent Control Law in the past. Aside from that, under this law, it also identifies the rights of the lessor and the lessee—two months advance, one month deposit. And it is very important. If we do not pass a law such as this, then again there is that predictability that any one can charge three months, four months,



five months, six months, seven months. That is also against market practice.

But just as a final word, then I can sit down for the consideration of everyone.

I understand the position of the gentleman if, for example, inflation was—if I may repeat—at, say, 15% and we cap it at 10%, then there is a problem. But in this case, we expect inflation to be at 7.5% this year or next year. In fact, this is the highest inflation rate, and we are allowing the owners of these residential units to increase it by 10%. That is actually higher than inflation; so that should not be a problem for the market. And I am very much concerned about the students who rent bed space.

**Senator Osmeña III.** Mr. President, I never brought up and never objected to the other parts of this law. So the two months security deposit or one month security deposit, two months advance rent, I never objected to that. Also, I did not object to the 10%. The point I was making is that at P7,500, if we bring it up to P10,000, we are more or less even expanding the area which will be covered by rent control.

Now, the gentleman also brought up the bedspacers. Mr. President, the bedspacers are way below the P7,500 a month.

**Senator Recto.** Mr. President, they pool resources. Some of them have a unit of P10,000, then there are four or five bedspacers. They are covered under this law.

**Senator Osmeña III.** We are talking about existing students. In four years, they will be out of there. I am talking about students who will come in the future. We would like to be able to encourage people to develop more such units.

**Senator Recto.** Precisely, Mr. President.

**Senator Osmeña III.** We are not encouraging them to develop units by putting a cap on prices. Since when did we ever...

**Senator Recto.** Like I said, if the cap is lower than the inflation rate, then I understand the objections. But in this case, it is higher than the inflation rate, so there is also a problem.

**Senator Osmeña III.** Let me see. First, the market is subject to the law of supply and demand. Essentially, if there is no demand, then I will not even increase my rent everytime I have a vacancy. Let us say, that in the future years, inflation pops after my tenants have left. And let us say, it goes up to 15%, then I am limited to the 10%. Let us say, demand goes up, then I am limited to a 10% increase. What happens then is that, I will be looking forward. I do not buy or build an apartment building to collect rent today. I

look at an income stream for the next 10 years to 15 years and I also look at an exit strategy wherein if I need the money, I will be able to sell these units, find somebody who would be willing to invest in it, and then go on to some other business or build additional units. This is why I am worried about the dynamics of the real estate market wherein the moment we put a cap on profits or rent increases in this particular bill, then we will be discouraging it.

Mr. President, I will not prolong the issue if the gentleman and the members of this Chamber wish to pass this bill with the existing amendments. That is fine. All I am saying is that, I am concerned. I brought this up three years ago. I think the gentleman sponsored the rent control extension at that time, and now it is being sponsored by Senator Biazon. I would like to repeat that this type of policy does not encourage development of units. Maybe we should hear from one of our biggest developers in this country and see whether he agrees or disagrees with this type of policy.

**The President.** He voted with the amendments.

**Senator Biazon.** Mr. President, the futuristic concern raised by the gentleman from Cebu, I think, is addressed by the fact that this is a proposed law that has a shelter life. It is time-bound. So that at the end of the period, we can probably make a reevaluation of the effects of the law on the concerns raised by the gentleman from Cebu.

**Senator Osmeña III.** Yes. Mr. President, we brought that up during the hearing. Those who attended the hearing did not come up with enough statistics. They did not even know what on earth we were talking about.

Again, this is a signal from Congress. This is a signal that at the drop of a pin, we are going to impose what we call "price controls." And the moment we say the word "price control," any businessman right away says, "I am staying out of that particular segment or out of that particular sector. I do not want to be limited in the future on price controls." Because there are times when rents could drop.

Therefore, if I am paying P1,000 a month today for a bed space, it could drop to P800 and then that P800 becomes the new base for a 10% increase, and I would be left holding the bag. That is the downside also of control.

Essentially, if we allow the market to work—and I think Senator Recto is very familiar with this—if we encourage people to develop, then supply catches up with demand and the market itself tends to even out and stabilize at an equilibrium price level. That makes everybody happy. But essentially, the downside here, the real estate developer is not protected. That is all I am trying to explain, and since the new Act will go on until 2011, these are



usually renewed every three years; now it becomes six years. I just do not think this is the signal that Congress should continuously be sending to developers.

**Senator Biazon.** Mr. President, with the permission of the author of the law, in the hearings and in consultations with developers, indeed, they still think of the production of rental units. But they are going at the level of P15,000 and above. They do not manufacture anymore at P10,000 rental. They do not produce this anymore. So I think we still need to give protection to that level of the market because if this is not done, we may be driving a lot of families out of the rental units and live along the *riles*, riverbanks and under the bridges.

**Senator Osmeña III.** Mr. President, I am sorry. I do not agree. It seems to be a *non sequitur* because they are not developing at this price level. Now, we have to protect those at this price level. As a matter of fact, it should be the other way around. We should be encouraging supply to come in at this price level.

**Senator Recto.** Mr. President, if I may. It is not necessarily because of the Rent Control Act. In the last three years, inflation was much, much lower and we allowed them to increase their rates by 10%. So I do not think it is due to the Rent Control Act. It is because, possibly, there is no market or the market is not growing because incomes have not increased. That is why they would rather develop a higher market where we have OFW remittances and that seems to be the practice in the real estate sector. Many of the condominium units being erected today are marketed to Filipinos living in the West Coast. That is where the market is right now for real estate development. That is a fact. But I do not think the reason why they are not producing possibly at this level is the Rent Control Law. What was inflation in 2001, 2002, and 2003? It was very low and we allowed them to increase rates by 10%, maybe even two, three, four times higher than the inflation rate.

**Senator Osmeña III.** Mr. President, that is totally out of line. We are forgetting that, for example, in Quezon City, 60% of the families live in squatter areas. That is not subject to rent control simply because the housing does not legitimately exist. And because there is no rent control,...

**Senator Recto.** Under the law, they would be subjected, Mr. President.

**Senator Osmeña III.** Mr. President, will the gentleman please confirm this and go take a look? They are not subjected to rent control. The unit does not exist under the law. It is just a *barong-barong*. But there is no shortage of housing.

As a matter of fact, because there is no rent control there, people buy and sell rights to their *barong-barong*. There is a very

lively market for this. If I go there and I build a four-square-meter *barong-barong*, and after two years I saved enough money to actually buy a house and lot somewhere, there are people who will come to me and pay me P5,000, P10,000 for the right to that *barong-barong*. There are property rights that are unofficially protected and respected in the squatter areas, in the homesteaders' areas, which is why I am saying the next step would really be the low-income housing level.

But then from a *barong-barong* to a P2-million condominium, which, as what Senator Recto is talking about, is too big a jump. I am looking at that segment that is precisely covered by the P500 a month, P1,000 a month level which can be undertaken by the private sector, if they would be given tax benefits and other incentives, and if they are not subjected to rent control such as this.

That is all. To me, it is just a matter of policy. We have to understand that the market does work. As a matter of fact, I am surprised that the chairman of the Committee on Ways and Means, who has agreed with me and I agreed with him on several matters relating to market pricing and letting the market determine the price, does not agree with us on this.

But I will let it slide. Let us get this bill out of the way. I just wanted to put on record my continuing concern for this type of policy.

**Senator Biazon.** Of course, this is going to be put on the record, and the comments of the gentleman will definitely be material after six years when we again make an assessment of the effectiveness of this law, Mr. President.

**The President.** All right. We will now proceed with the Recto amendment, the approval of which was reconsidered. The Chair again would ask the sponsor...

**Senator Osmeña III.** I withdraw my objection, Mr. President, if that will help.

**The President.** All right, the objection, having been withdrawn, the...

Sen. Manny Villar is recognized.

#### REMARKS OF SENATOR VILLAR (Rent Control Law Extension as One of the Reasons for Proliferation of Squatters)

**Senator Villar.** Mr. President, I am not objecting to the bill and I will not propose any amendment. I will go with the desire of the Body.



I would just like to share some of my thoughts on this. When this Rent Control Law was imposed, initially, it was meant to be very temporary. Then it has remained and now we are extending it by another six years. I will go along with my colleagues' decision on this, except that I agree with the observations of Senator Osmeña because this is one of the reasons why squatting proliferated, squatters or informal settlers increased significantly in the last decade or so. Before, apartments used to be the favorite investment of retirees, widows, those with small investments. Now, very few people are investing in apartments.

Now, if one wants to have a decent house or a decent place to live in, he has to buy a house very far from the city or find a place that he can rent. But they would probably be in the squatters' area, most probably. Because there is now a rental business in the squatters' area. A lot of the units now built there are actually being rented out. Now, one has two options. If one wants to have a decent residence, he has to buy a house very far from the place of work in the city or live in these slums.

Now, I realize the difficulty of stopping something like this that we started, the difficult political decision that one has to take in stopping a program like this. I would just like to share with my colleagues that this is not really working. But I will not object nor will I introduce any amendment. But I agree that now it is very difficult for a poor person to find a decent place. Either he will rent somewhere in a slum or he will have to buy very far from the city. Those are the two options right now.

Thank you.

**The President.** All right. Before we vote again on the Recto amendment, the Chair would propose to the sponsor of the amendment that he includes in the amendment Section 11, which would also mention a ceiling of P7,500 and P4,000.

**Senator Recto.** Yes. An omnibus amendment, I think. Just a final statement, Mr. President.

I understand the points raised by Senator Osmeña and Senator Villar. Like what they said, it is higher than the inflation rate. There is no problem with that. The problem is the speculation in land prices in Metro Manila.

Land prices in Metro Manila are too high because of the speculation, Mr. President. That is why people have to go outside of Metro Manila or be in the squatters' area in Metro Manila because of the high land prices.

Having said that, Mr. President, again I reiterate the amendment which has to be approved and I think it is a proper course of action.

Thank you, Mr. President.

**The President.** All right. The Recto amendment would cover Section 3 on page 1 and Section 11 on page 4.

Is there any objection, the same having been accepted by the sponsor? [Silence] There being none, the motion is approved.

Sen. Sergio R. Osmeña III is now recognized.

#### OSMEÑA III AMENDMENTS

**Senator Osmeña III.** Mr. President, may I start on page 1, Section 1. At the end of the line, maybe it should be known as RENT CONTROL ACT OF 2005. So we will have a consistency instead of calling it "Rental Reform Act of 2005."

**The President.** What does the sponsor say? That is on line 2.

**Senator Biazon.** It is accepted, Mr. President.

**The President.** Is there any objection? [Silence] There being none, the amendment is approved.

**Senator Osmeña III.** In Section 2, *Declaration of Policy*. May I just read the entire sentence as it would read, Mr. President, and do away with asking for deleting this or that.

**The President.** Please proceed.

**Senator Osmeña III.** "*Declaration of Policy*. -The State shall, for the common good, undertake a continuing program FOR ENCOURAGING THE DEVELOPMENT OF AFFORDABLE HOUSING FOR THE LOWER INCOME BRACKETS.

Towards this end, the State shall CONTINUE TO PROTECT HOUSING TENANTS IN THE LOWER INCOME BRACKETS FROM UNREASONABLE RENT INCREASES."

I move that we delete the two sentences in Section 2 and a recrafting of the policy so it will be clearer.

**The President.** What does the sponsor say?

**Senator Biazon.** It is accepted, Mr. President.

**The President.** Is there any objection? [Silence] There being none, the amendment is approved.

**Senator Osmeña III.** In Section 3, Mr. President, instead of using the word "Rentals", I think we should just use the word



RENT. This is commonly acknowledged in the sector, "Monthly RENT and Maximum Increases."

So, delete the last three letters in the word "Rentals". Let it read "Monthly RENT".

**Senator Biazon.** Is it an omnibus amendment, Mr. President?

**Senator Osmeña III.** An omnibus amendment, Mr. President.

**Senator Biazon.** It is accepted, Mr. President.

**The President.** All right. In every instance where the word "rentals" appears, the Osmeña amendment would substitute the same with the word RENT.

Is there any objection to the omnibus amendment? [Silence]  
There being none, the amendment is approved.

**Senator Osmeña III.** Still on page 1, Section 3, line 9, right after the phrase "monthly RENT", I move that we insert the phrase PAID BY EXISTING LESSEES.

**Senator Biazon.** In line 9, Mr. President?

**The President.** Line 9.

**Senator Osmeña III.** In other words, Mr. President, this clarifies that the Rent Control Law only covers existing lessees. The moment the unit is vacated, it is not anymore subjected to the 10% cap. I think that was the intent of the original law.

**Senator Biazon.** Yes, Mr. President, but there is a danger here of economic ejection. Meaning, the lessor would probably be able to go to court and secure orders for the ejection of lessees on account of like, for example, ... Forget about improving the accommodations of the rented unit and have it declared as abandoned or hazardous. This could lead to that.

**Senator Osmeña III.** Mr. President, there is no such intention. As a matter of fact, it was merely a clarificatory amendment. Is the good sponsor saying that this particular section in the law which provides that monthly rental of residential units not existing x amount shall not be increased by more than 10% annually by the lessor?

**Senator Biazon.** Yes, Mr. President.

**Senator Osmeña III.** Now, the question then arises. Is rent control on the unit or rent control on the lessee? *Sapagkat kapag umalis na...*

**Senator Biazon.** The rent control definitely is on the lessor.

**Senator Osmeña III.** On the lessee, not the lessor.

**Senator Biazon.** No. We are controlling the rent. The amount of rent is being controlled.

**Senator Osmeña III.** The specific rent being paid by the lessee is capped at an annual rate of 10%, not the lessor. The lessor does not pay rent, he collects the rent.

**Senator Biazon.** That is correct.

**Senator Osmeña III.** All right. So, the lessee who pays the rent has a 10% protective cap on an annual basis. It cannot be increased to more than 10%.

**Senator Biazon.** If we put it that way, that is correct, Mr. President.

**Senator Osmeña III.** The moment the lessee vacates the unit, that unit, whether it is an apartment, a bedspace, a house, or a condo is free from the 10% cap. In other words, if a new tenant comes in, the lessor can charge whatever the market will bear. That is the purpose of the law.

Then the new tenant is now subjected to a 10% cap if it falls below the P10,000 level in Metro Manila and the P5,000 level outside. But remember, in rent control, it is actually the unit that is controlled. The lessor collects from the lessee who occupies the controlled unit. But there is a decontrol of rent the moment he vacates the unit. *Kung may papasok na bagong tenant who pays P20,000, masasabi ba ng tenant, "Oh by the way, your last guy only paid P10,000, so you can only pursue the 10%."*

**Senator Biazon.** May we hear where this amendment is going to be inserted?

**Senator Osmeña III.** Mr. President, this is really a clarification. I was under the impression that that was the intention of this existing law. In Section 3, line 9, after the words "monthly RENT," the monthly rent paid by existing lessees of residential units in the National Capital Region shall not be increased annually by the lessor by more than 10%.

**Senator Biazon.** Mr. President, why National Capital Region?

**Senator Osmeña III.** No, I am just reading. This is Section 3, Mr. President.

**Senator Biazon.** All right.

**Senator Osmeña III.** So insert the phrase PAID BY EXISTING LESSEES.



**Senator Biazon.** It is accepted, Mr. President.

**Senator Osmeña III.** Thank you, Mr. President. On line 17, which is Section...

**The President.** First, we should act on that. Having been accepted by the sponsor, is there any objection?

Senator Recto is recognized.

**Senator Recto.** I have no objection, Mr. President, but I just want to make sure that that is the intent. Because we do not want it crafted improperly that later on, prospectively, the lessor now can increase it by more than 10%. I will accept the explanation made by Senator Osmeña, but that should be the intent.

**The President.** The Chair wishes to invite the attention of Senator Recto to page 3, paragraph (d) of Section 7, where in case of a repair of the leased premises in order to make the said premises safe and habitable, that is a ground for ejectment. And thereafter, the proposed measure says, "That the new rental shall be reasonably commensurate with the expenses incurred for the repair of the said residential unit".

**Senator Recto.** That is correct, Mr. President. I do not have a problem with that.

**The President.** Under these circumstances, can the rental be beyond 10%? It appears to be so because there is no such limitation.

**Senator Recto.** That is fine, Mr. President. Because, for example, if the local government unit says that the place is unsafe, therefore the owner of the property should now make improvements in that residence. And later on the market forces will determine what will be the new rate. Nevertheless, prospectively, the lessor can only increase it by 10% annually.

**The President.** What about immediately after the old lessee...

**Senator Recto.** Market forces will determine that.

**The President.** Just a clarification, can it be increased beyond 10% under these circumstances?

**Senator Recto.** Yes, Mr. President, under that circumstances.

**Senator Biazon.** Commensurate with...

**The President.** Yes.

**Senator Biazon.** I think that is providing for the concern of the gentleman from Cebu.

**Senator Osmeña III.** That is correct. The term used in real estate is the unit becomes "decontrolled". And the moment it is leased out again, if it still falls within that particular bracket, then it becomes controlled again and is subjected to a 10% annual cap on increases.

**Senator Recto.** That is correct, Mr. President.

**Senator Biazon.** But we may have to look at line 17 on page 3. I think it is appropriate to allow such renovations or repairs.

**Senator Osmeña III.** Mr. President, I was going to ask for a deletion of this. This is an exemption to the lessor. And to tell the gentleman frankly, this is where the naughty tricks could come in.

Mr. President, I have studied about six or seven of the rent control laws. I have read them two weeks ago in various cities in the States. There is usually a Rent Control Board. If one has an extraordinary repair to make, then he will apply to the Rent Control Board for an increase in rent and then the board will divide it by the amount of time that he wants to recover his investment. So, supposing he puts in only smoke detectors, it will give him one year to recover the smoke detector. If the smoke detector costs \$100, then he can increase his rent by \$10 only, good for one year.

There are many fine-tuning provisions in other laws. If one has to repair a pipe—that is a normal wear and tear—the Rent Control Board will not allow him to recover that by increasing his rent. If he will change the carpet, the board will not allow him. Most Rent Control Board will not allow him to increase his rent because that would be what is known as normal wear-and-tear. Now, if one has to earthquake-proof the building, as mandated by a city ordinance, then the board would allow him to recover that. But maybe it will say, "Well, you can recover it only over 60 months, not over 12 months."

So, there are issues that are covered in other laws in finer detail than in this particular law. To tell the gentleman the truth, if we really wanted to take out the naughty tricks, we should reconsider even keeping in subsection (d) of Section 7.

**Senator Biazon.** Section 7, yes. That is what I am saying, Mr. President—that this provision addresses the concerns of the gentleman.

**Senator Osmeña III.** No, Mr. President, because my concern is very basic. The very basic element in rent control anywhere in this world has to do with the relationship between the unit and the lessee in that unit. It does not matter who the lessor is. The lessor can change hands several times a year for all we know. But the rent has to do with the lessee occupying a particular unit under a contract. All right?



**Senator Biazon.** So, let us go back to the...

**Senator Osmeña III.** So, the moment the lessee leaves that unit, then rent decontrol normally in most laws comes in. They say, "All right, you are not limited by the cap any longer. You can rent it now to the next person who wants to rent it at whatever price you can get for it."

**Senator Biazon.** That will be dictated by the lessor.

**Senator Osmeña III.** By the market.

**Senator Biazon.** Yes, Mr. President.

**Senator Osmeña III.** The lessor.

**Senator Biazon.** That is right, the lessor.

**Senator Osmeña III.** Yes. As a matter of fact, in most laws also...

Subsection (c), says "Legitimate need of the owner-lessor to repossess his or her property for his or her own use or for the use of any immediate member of his or her family..." That is not allowed, Mr. President. We cannot use the family as an excuse to take back a rental unit. A rental unit is normally subjected to a contract. It can be a written contract; it can be a verbal contract. But it is subjected to a contract.

**Senator Biazon.** That is correct.

**Senator Osmeña III.** Of course, it is better if it is written. If it is written, there is usually a term in the contract—one year, six months, et cetera. We cannot eject the person simply because one's son-in-law, or daughter-in-law wants to occupy the unit. They have to wait until the term of the contract expires.

**Senator Biazon.** That is right.

**Senator Osmeña III.** Now, there are also month-to-month contracts. This is usually verbal, in other words, 30 days. So, the owner has to give at least 30 days' notice to the person who is renting his unit, if there is no written contract and tell him: "Well, I want that unit back. Sorry, you are out of there."

This is not a simple issue, Mr. President. What do we do now with month-to-month contracts?

**Senator Biazon.** Is there any proposal, Mr. President?

**Senator Osmeña III.** Mr. President, I was hoping that the expertise of the staff of the chairman of the Committee on Urban

Planning, Housing and Resettlement would be better able to provide us with that. If we have not been able to look at all the laws impacting on the housing industry in this country...

**Senator Biazon.** That was done, Mr. President, but I guess the discernment powers of the gentleman is not equaled by the people who work with this representation. So, if we may benefit from the powers of discernment of the gentleman, are there any proposals?

**Senator Osmeña III.** Mr. President, the reason why I go back to the issue—why rent control does not really work well—is that the moment we put in the rules, the provisions and the laws and regulations, then we need to have a Rent Control Board to implement that.

For example, let us say, I was renting a unit from Ms. Madrigal on a month-to-month basis, meaning, 30 days, automatic 30-day extension without any written contract. That is a contract under the law. That is still a verbal contract. I am given 30 days. So, Ms. Madrigal decides to raise my rent by 20% and I say "no". The law says I am only supposed to pay no more than 10%. So, she gives me a 30-day notice to vacate because she needs the unit. There is no law now. There is nothing in this provision that covers that.

#### SUSPENSION OF SESSION

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 5:19 p.m.*

#### RESUMPTION OF SESSION

*At 5:37 p.m., the session was resumed.*

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

#### SUSPENSION OF CONSIDERATION OF S. NO. 1956

**Senator Pangilinan.** Mr. President, after conferring with the sponsor of the measure, Senator Biazon, and Senator Osmeña, with the permission of the Body, I move that we suspend consideration of Senate Bill No. 1956 under Committee Report No. 17.

**The President.** Before we act on the motion of the Majority Leader, the Chair notes that the pending amendment is the Osmeña amendment which is to insert the phrase PAID BY THE



EXISTING LESSEES between the words "rentals" and "of" on line 9 on page 1, so that we will be reminded.

There is a motion that we suspend consideration of the measure. Is there any objection? [Silence] There being none, the motion is approved.

**MANIFESTATION OF SENATOR PANGILINAN  
(Directing the Secretariat to Prepare a Clean Copy of S. No. 1956 with the Amendments)**

**Senator Pangilinan.** Mr. President, we would also request that a clean copy of the measure as of today be prepared.

**The President.** The Secretary is so directed.

**SUSPENSION OF SESSION**

**Senator Pangilinan.** 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 5:38 p.m.*

**RESUMPTION OF SESSION**

*At 5:38 p.m., the session was resumed.*

**The President.** The session is resumed.

**Senator Pangilinan.** Mr. President, I move that we proceed to the Second Additional Reference of Business.

**The President.** Is there any objection? [Silence] There being none, the motion is approved.

The Secretary will read the Second Additional Reference of Business.

**SECOND ADDITIONAL REFERENCE OF BUSINESS**

**BILLS ON FIRST READING**

**The Acting Secretary** [Dir. Bantug]. Senate Bill No. 2120, entitled

AN ACT ADOPTING A SALARY SCHEDULE FOR THE MEMBERS OF THE BENCH AND OTHER LAWYERS IN THE JUDICIARY, PROVIDING FUNDS THEREFOR, AND FOR OTHER PURPOSES

Introduced by Senator Angara

**The President.** Referred to the Committees on Justice and Human Rights; Civil Service and Government Reorganization; and Finance

**The Acting Secretary** [Dir. Bantug]. Senate Bill No. 2121, entitled

AN ACT GRANTING FRANKING PRIVILEGE TO THE NATIONAL LABOR RELATIONS COMMISSION AND FOR OTHER PURPOSES

Introduced by Senator J. Ejercito Estrada

**The President.** Referred to the Committees on Public Services; and Finance

**RESOLUTIONS**

**The Acting Secretary** [Dir. Bantug]. Proposed Senate Resolution No. 337, entitled

RESOLUTION EXTENDING CONGRATULATIONS AND COMMENDATION TO MANNY "PACMAN" PACQUIAO FOR HIS UNPRECEDENTED VICTORY IN THE SPORTS OF PROFESSIONAL BOXING AFTER EARNING THE INTERNATIONAL SUPER FEATHER-WEIGHT TITLE SANCTIONED BY THE WORLD BOXING COUNCIL (WBC) THUS MAKING HIM A THREE TIME INTERNATIONAL BOXING CHAMPION

Introduced by Senator Lapid

**The President.** Referred to the Committee on Rules

**The Acting Secretary** [Dir. Bantug]. Proposed Senate Resolution No. 338, entitled

RESOLUTION DIRECTING THE SENATE COMMITTEE ON ACCOUNTABILITY OF PUBLIC OFFICERS AND INVESTIGATIONS TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, INTO THE ACCOMPLISHMENT AND THE CURRENT THRUST OF THE PRESIDENTIAL COMMISSION ON GOOD GOVERNMENT IN FULFILLING ITS MANDATE IN THE RECOVERY OF ILL-GOTTEN WEALTH, ENJOINING THEM TO SUBMIT A REPORT AND INVENTORY OF RECOVERED