

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
Third Regular Session

House Bill No. 9834



Introduced by **REPRESENTATIVES JOEY SARTE SALCEDA, SHARON S. GARIN, AND CONRADO M. ESTRELLA**

**AN ACT
GRANTING LUCKY 8 STAR QUEST INC. A FRANCHISE
TO OPERATE OFFSITE BETTING ACTIVITIES ON DULY-LICENSED
COCKFIGHTING, DERBIES, AND OTHER SIMILAR ACTIVITIES
THROUGH ON-LINE OR OTHER SIMILAR MODERN MEANS,
ANYWHERE IN THE PHILIPPINES**

EXPLANATORY NOTE

Offsite cockpit betting stations (OCBS) are given some recognition by local governments and the Philippine Amusement and Gaming Corporation, but the national government is unable to maximize the revenue potential of the industry and its ability to regulate the sector due to a lack of a national regulatory framework.

However, the standing of Congress to regulate the industry and to delegate the authority to conduct the activity is clear. Operating betting activities on horseracing, for example, is authorized solely by an act of Congress.

Furthermore, the merit of a national government franchise is clear: For example, the lack of clarity on whether these activities fall under the revenue-collecting ambit of the national government prevents more accountability and transparency in the system, as the Bureau of Internal Revenue (BIR) does not have clear and explicit legal oversight on the revenue-generating capacity of these activities.

The confusion over taxing and regulatory powers is compounded by the fact that most of these activities are electronic derivatives of already licensed physically-conducted activities.

Republic Act No. 7160, or the Local Government Code granted the Sangguniang Bayan (at the Municipal and City level) the authority to “authorize and license the establishment,

operation, and maintenance of cockpits, and regulate cockfighting and commercial breeding of gamecocks.¹”

The LGC, however, appears not to have been able to anticipate the limits of these powers in the case of electronic betting on such activities. These activities also do not explicitly fall within the purview of the government gaming agencies, such as the Philippine Amusement and Gaming Corporation (PAGCOR) or the Philippine Charity and Sweepstakes Office (PCSO).

Also, as these activities involve broadcasting the games and the use of the airwaves to do so, and as broadcasting is considered under the broad definition of a “public utility,” the Philippine Constitution explicitly “prohibits the issuance of any franchise to operate a public utility except in accordance with certain conditions, including that this shall be ‘subject to amendment, alteration, or repeal’ by Congress” including for broadcasting.

To set the precedent for the regulation of this activity, and to ensure that Congress has adequate oversight of the activity, this franchise sets strict conditions and standards for the grantee. It also sets mechanisms and safeguards to ensure fair play and transparency in the conduct of authorized activities. Finally, it provides the necessary provisions to specify taxing power and the power to regulate the industry, while respecting the power of local governments.

This precedent-setting opportunity also allows Congress to regulate an industry at its early stages, so that it can be studied

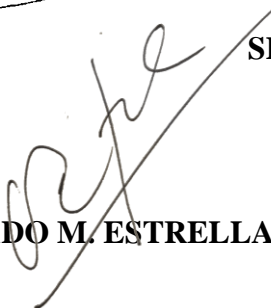
In view of the foregoing, the approval of this bill is urgently sought.



JOEY SARTE SALCEDA



SHARON S. GARIN



CONRADO M. ESTRELLA III

¹ Local Government Code (LGC), Sec. 458, par. 3 (v) and Sec. 446, par. 3 (v).

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Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

CHAPTER I
NATURE, SCOPE, AND TERM OF FRANCHISE

SECTION 1. *Nature and Scope of Franchise.* – Subject to the provisions of the Constitution and the applicable laws, rules and regulations, there is hereby granted to Lucky 8 Star Quest Inc., hereunder referred to as the grantee, its successors or assigns, a franchise to operate offsite betting activities on duly-licensed cockfighting, derbies, and other similar or derivative activities.

In the exercise of the franchise, the grantee shall also be allowed to broadcast live and data streamed cockfighting activities and derbies, through on-line or other similar modern means, anywhere in the Philippines, and to construct, establish, operate and maintain on-cockpit and off-cockpit betting stations for the taking of wagers on the result of the duly-licensed activities, either directly or by means of any mechanical, electrical and/or computerized totalizator, and to do and carry out all such acts, deeds and things as may be necessary to give effect to the foregoing:

Provided, That the establishment of off-cockpit betting stations anywhere in the country shall be subject to the approval or consent of the local government of the city or municipality where the off-cockpit betting station shall be established.

Provided further, That the cockfighting activities broadcast and on whose result wagers are made shall be subject to the approval by the relevant local government unit, pursuant to Section 447 (3) (v) of the Local Government Code, as amended, in the case of municipalities, and to Section 458 (3) (v) in the case of cities.

SEC. 2. *Term of Franchise.* – This franchise shall be for a term of twenty-five (25) years from the date of acceptance of the franchise by the grantee, unless sooner revoked or cancelled by an Act of Congress.

SEC. 3. *Other authorized activities.* – Notwithstanding any law to the contrary, nothing in this Act shall be construed as precluding the grantee from operating activities outside the scope of this franchise.

CHAPTER II

REGULATION OF THE GRANTEE AND AUTHORIZED ACTIVITIES

SEC. 4. *Authority of the Philippine Amusement and Gaming Corporation (PAGCOR).* – Unless otherwise provided by law, the Philippine Amusement and Gaming Corporation (PAGCOR) shall exercise supervision and regulation over the operation and conduct of offsite betting on locally authorized and remotely broadcast cockfighting matches and their activities in order to promote and maintain, orderly, honest and fair conduct of activities, provide protection to the betting public and patrons and ensure that offsite betting on locally authorized and remotely broadcast cockfighting matches and similar activities as authorized under this franchise shall remain a stable base for revenue generation.

SEC. 5. *Permits with the local government units.* – The grantee shall secure from local government units and such other relevant government agencies the necessary licenses and other permits for the construction, establishment, operation and maintenance of its on-cockpit and off-cockpit betting stations.

Provided, that the process for such permits and licenses shall be subject to the provisions of Republic Act No. 9485, or Anti-Red Tape Act of 2007, as amended by the Republic Act No. 11032, or the Ease of Doing Business Law

SEC. 6. *Computerized and/or Mechanical Devices.* – The grantee shall provide and operate, and is hereby authorized to do and carry out, all such acts, deeds and things as may be necessary for the effective conduct of the business under this franchise.

To ensure that activities authorized under this franchise are conducted in an orderly, clean and honest manner, the grantee shall in particular, provide and operate any mechanical, electrical and/or computerized devices, equipment and facilities, including, but not limited to: (a) Electric and/or computerized totalizator; (b) Machines directly connected to a computer in a display board for the sale of tickets including those sold in off-cockpit betting stations; (c) Modern sound system and loud speaker facilities; (d)

Modern telecommunications, and broadcasting equipment and facilities, whether at the grantee's off-cockpit betting stations, for receiving and transmitting, whether live or otherwise, messages, signals and pictures by any means now known or which in the future may be developed for the reception and transmission of messages, signals and pictures relating to the betting system, the actual conduct of cockfighting events, the announcements of winning numbers and dividends paid or to be paid thereon, and any other form of information relating to the conduct and promotion of cockfighting events within or outside the Philippines; (e) Continuous and back-up power supply, and such other instruments, devices, equipment, facilities and systems; (f) Facilities that will bring safety, security, comfort and convenience to the public; and (g) Such other facilities, devices and instruments that will ensure clean, honest and orderly betting on cockfighting events.

The Philippine Amusement and Gaming Corporation shall issue guidelines as to the fairness and effectiveness of cockfights, derbies, and other activities authorized under this franchise.

SEC. 7. Offering, Taking or Arranging Bets for Cockfighting Events or Derbies. – The grantee or its duly authorized agent may offer, take or arrange bets for cockfighting, derbies, and other similar events conducted in or outside the Philippines, in person or by any electronic, on-line or other means of processing transactions, anywhere in the Philippines, whether within or outside the place, enclosure of the cockpit where the cockfight events are held, in on-cockpit or off-cockpit betting stations.

No other entity or person other than the grantee or its duly authorized agents or licensees shall offer, take or arrange any bets on any cockfighting events participating in any cockpit arenas conducted by the same, or maintain or use a totalizator or any other device, method or system to bet on any cockfights within its premises or outside the same enclosure, in the course of cockfighting events conducted and/or operated by the same grantee.

SEC. 8. Terms of Betting Tickets. – The grantee shall publish and display prominently and in appropriate places the terms and conditions regarding the sale of betting tickets, be they physical or virtual tickets.

CHAPTER III TAXATION AND REVENUE MONITORING AND INTEGRITY

SEC. 9. Taxation. – There shall be levied, assessed, and collected on the grantee a tax equivalent to five percent (5%) based on gross gaming receipts derived from activities authorized under this franchise: *Provided*, that ‘gross gaming receipts’ embraces all the receipts including income derived from ‘*plasada*’ or net commission from activities authorized by this franchise, net of agents’ commissions and marketing expenses: *Provided further*, that such revenues shall be directly remitted to the Bureau of Internal Revenue (BIR): *Provided furthermore*, that such tax shall not be in lieu of local government taxes and regulatory fees and charges applicable to such activities: *Provided finally*, that all other

activities of the grantee whose authorization does not derive from this franchise shall be subject to applicable taxes under the National Internal Revenue Code, as amended, and other applicable local and national laws, and that the fiscal regime provided under this Section does not extend to agents and all other distinct and separate persons or entities whose activities are ancillary to those of the grantee.

SEC. 10. *Revenue monitoring.* – The Bureau of Internal Revenue (BIR) shall have the authority to inspect totalizators and other gambling devices used in the collection, consolidation, and recording of wagers made in offsite betting activities on locally licensed games.

The Philippine Amusement and Gaming Corporation (PAGCOR) and the BIR shall establish a system of exchange of information with regards to the monitoring of revenues of the grantee.

SEC. 11. *Monitoring through financial institutions.* – To discourage transactions in bulk cash, to ensure that the grantee’s cash inflows remain available for use in the economy, and to allow the financial system regulators to monitor cash flows of the grantee, in the interest of revenue integrity protection, the grantee shall, as far as practicable, make use of Bangko Sentral ng Pilipinas -Supervised Financial Institutions (BSFIs) in its transactions.

The Bangko Sentral ng Pilipinas (BSP) shall issue a compliance checklist of minimum requirements that the grantee must present to BSFIs when availing of their services, as well as other guidelines to assist BSFIs discriminate between authorized and unauthorized operators and agents, and to ensure that cash flows of the grantee can be kept within regulated financial institutions.

SEC. 12. *Regulatory fee.* – The Philippine Amusement and Gaming Corporation (PAGCOR) may impose a regulatory fee of twelve thousand five hundred pesos (P12,500.00) per cockfighting match broadcast by the grantee, or one hundred twenty million pesos (P120,000,000.00) for every month of the grantee’s operations, whichever is higher.

CHAPTER IV OTHER PROVISIONS

SEC. 13. *Penalties.* –

(a) Violation of provisions on operations. – Any person or entity found to have violated the provisions of Sections 1, 2, 3, 6, 7, and 8 shall be punished by a fine of not less than Twenty thousand pesos (P20,000.00) but not more than One hundred thousand pesos (P100,000.00) or by imprisonment of a minimum of six months and a maximum of one year, or both, at the determination of the court.

If the offender is a corporation, partnership or association the criminal liability shall devolve upon its president, managing partner or manager responsible for such violation.

(b) Violation of tax provision. – Any person or entity who willfully attempts in any manner to evade or defeat any tax imposed under this franchise or the payment thereof shall, in addition to other penalties provided by law, upon conviction thereof, be punished with a fine of not less than Five hundred thousand pesos (P500,000) but not more than Ten million pesos (P10,000,000), and imprisonment of not less than six (6) years but not more than ten (10) years: *Provided*, That the conviction or acquittal obtained under this Section shall not be a bar to the filing of a civil suit for the collection of taxes. *Provided further*, that the civil suit for the collection of such taxes shall be subject to applicable provisions of Title VIII of the National Internal Revenue Code, as amended.

Nothing in this Act shall be construed as to prevent the grantee from seeking damages from any liable person or corporation for the unauthorized use of the privileges of this franchise.

SEC. 14. *Non-transferability of Franchise.* – The grantee shall not lease, transfer, grant the usufruct of, sell nor assign or otherwise dispose of the rights and privileges acquired hereunder to any person, firm, company, corporation or other commercial or legal entity, nor merge with any other corporation or entity organized for the same purpose without the approval of the Congress of the Philippines. Any person or entity to which this franchise is sold, transferred or assigned shall be subject to the same conditions, terms, restrictions and limitations of this Act. Any transfer of franchise in violation of this section shall render the franchise ipso facto revoked.

SEC. 15. *Warranty in Favor of National and Local Governments.* – The grantee shall hold the national, provincial and municipal governments of the Philippines free from all claims, accounts, demands or actions arising out of accidents or injuries, whether to property or persons, caused by the construction or operation of the off-cockpit betting station of the grantee.

SEC. 16. *Acceptance and Compliance.* – Acceptance of this franchise shall be given in writing to the Congress within one (1) year after the effectivity of this Act. Upon giving such acceptance, the grantee shall exercise the privileges granted under this Act. Non-acceptance shall render the franchise void.

SEC. 17. *Reportorial Requirement.* – The grantee shall submit an annual report to the Congress of the Philippines on its compliance with the terms and conditions of the franchise and on its operations within sixty (60) days from the end of every year.

SEC. 18. *Equality Clause.* – Any advantage, favor, privilege, exemption or immunity granted under existing franchises or may hereafter be granted shall ipso facto become part of this franchise and shall be accorded immediately and unconditionally to the herein grantee: *Provided*, however, That any advantage, favor, privilege, exemption or immunity granted under this franchise shall also ipso facto become part of existing and future franchises: *Provided, further*, That the foregoing shall neither apply to nor affect the provisions concerning territory covered by the franchise and the life span of the franchise.

Provided finally, that the conduct of activities or the exercise of any advantage, favor, privilege, exemption, or immunity granted covered under this franchise shall similarly require the grant of a legislative franchise.

SEC. 19. *Separability Clause*. – If any of the sections or provisions of this Act is held invalid, all the other provisions not affected thereby shall remain valid.

SEC. 20. *Effectivity*. – This Act shall take effect fifteen (15) days from the date of its publication in at least two newspapers of general circulation in the Philippines.

Approved,