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*First Regular Session*

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SENATE

RECEIVED BY:                     

COMMITTEE REPORT NO.           30          

Submitted jointly by the Committees on Urban Planning, Housing and Resettlement;  
Finance; and Local Government on 15 JUN 2005.

Re: Privilege Speech of Senator Pimentel Jr., entitled: "The North Rail Project:  
Development vs. People's Rights?"

Recommending the adoption of this Report and the immediate implementation of its  
recommendation.

Sponsors: Senator Biazon, Villar Jr., Lim, and Pimentel Jr.

**MR. PRESIDENT:**

The Committee on Urban Planning, Housing and Resettlement joint with the  
Committees on Finance, and Local Government to which the Privilege Speech of Senator  
Pimentel Jr., entitled: "The North Rail Project: Development vs. People's Rights?" was  
referred, has considered the same and has the honor to submit this report back to the  
Senate.

**I. Background**

Senator Aquilino Q. Pimentel Jr. delivered on the floor of the Senate a privilege  
speech entitled, "*The North Rail Project: Development vs. People's Rights?*" on  
November 08, 2004. The speech was referred primarily to the Committee on Urban  
Planning, Housing and Resettlement, and secondarily to the Committees on Finance,  
and Local Government.

Said speech was about the construction of the multi-billion peso NorthRail  
Project, herein referred to as the Project, that would affect the informal settlers living  
along the railroad tracks. In his speech, Senator Pimentel Jr. raised the following  
issues/questions:

- 1) Readiness of the relocation sites and other issues relevant thereto;
- 2) Cost of the project:
  - a) Is it true that for Phase I alone of the Project, which covers approximately  
32 kilometers starting from Caloocan to Bulacan up to the Clark  
Economic Zone, the cost is estimated at \$503 million?

- b) Is it also true that of the said amount, \$395.22 million will come from the China National Machinery and Equipment Corporation and the China Import and Export Bank? Shall the Bases Conversion Development Authority shoulder the remaining \$107.8 million for the said Project?
  - c) Is it true that out of the \$503 million, the actual construction cost is only \$244.745 million, hence, the remaining \$258.26 million or roughly P14.47 billion shall cover the cost of relocation?
- 3) Propriety/constitutionality of contracts that the Executive Department has been entering into, which obligate the government. Should Congressional authority be first secured before agreements are entered into by the Executive Department?
  - 4) Coordination of efforts of government agencies involved in the relocation of families that will be affected by the Project, with the end in view of organizing them into one workable housing outfit, in order to eliminate overlapping of functions, lessen expenses, etc.

## II. Committees' Actions

In response, the Committees conducted four (4) public hearings held on 25 November 2004, 11 February 2005, 17 February 2005, and 17 March 2005. The Committees also conducted two consultation meetings at the Valenzuela City Convention Center, and at the Hiyas Convention Center in Malolos Bulacan held on 05 March 2005. There was also an ocular inspection of a government resettlement site in Barangay Bignay, Valenzuela City.

The officials of the Housing and Urban Development Coordinating Council (HUDCC), National Housing Authority (NHA), Housing and Land Use Regulatory Board (HLURB), National Home Mortgage Finance Corporation (NHMFC), Home Development Mutual Fund (HDMF), Home Guaranty Corporation (HGC), Presidential Commission for the Urban Poor (PCUP), Bases Conversion Development Authority (BCDA), North Luzon Railways Corporation (NLRC), Philippine National Railways (PNR), Department of Finance (DOF), Department of Transportation and Communication (DOTC), National Economic Development Authority (NEDA), local government units, and representatives of federations of organizations of the affected families in Metro Manila, Bulacan and Pampanga were the resource persons during these public hearings and consultation meetings.

## III. Discussion

The Project is a mass transportation system designed to provide a fast and reliable means of transporting goods and services from Metro Manila to Central and Northern Luzon and vice versa. It is envisioned to enhance and accelerate the development and growth of the former military bases (Fort Bonifacio, Clark Air Base, Wallace Air Station and Camp John Hay) and indeed the surrounding areas. The Project was conceptualized by virtue of a Memorandum of Understanding signed by President Fidel V. Ramos and King Juan Carlos of Spain, as early as September 1994 "to jointly develop the rail system to Northern Luzon."<sup>1</sup>

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<sup>1</sup> This information was disclosed during a presentation made by Ms. Gina Jota of the North Luzon Railways Corporation during a Public Hearing conducted by the Committees on 25 November 2004 at the Sen. Claro M. Recto Room, Philippine Senate.

The Project has four phases:<sup>2</sup>

1. Phase I – Caloocan to Clark Special Economic Zone;
2. Phase II – Branch line to Subic Freeport Zone;
3. Phase III – Extension to Bonifacio Global City; and
4. Phase IV – Extension to Poro Point Special Economic Zone, San Fernando City, La Union.

Phase I of the Project will cover an 80-kilometer rail line from Caloocan City to Diosdado Macapagal International Airport at the Clark Special Economic Zone (CSEZ), Pampanga.<sup>3</sup> It is divided into two sections. Section I covers the areas from Caloocan to Malolos, Bulacan. Section II covers the areas starting in Longos, Malolos, Bulacan up to the Clark Special Economic Zone, Pampanga.<sup>4</sup>

The Project is being undertaken by the NLRC, a subsidiary of the BCDA, which was incorporated on 02 August 1995 “to implement the development, construction, operation and maintenance of a mass transit system in Central and Northern Luzon.”<sup>5</sup>

#### IV. Findings

During the hearings, the Committees decided to divide the issues raised in the speech of Senator Pimentel Jr. The first are issues concerning the relocation and resettlement of families that will be affected by the Project and the second are issues concerning the construction of the railway.

Hereunder are the findings of the Committees.

##### A. On Issues Concerning the Relocation and Resettlement of Affected Families

The census conducted by the NHA showed that, the Project will affect some 40,505 families living along the railroad tracks – 8,127 in Metro Manila, 12,878 in Bulacan and 19,500 in Pampanga.<sup>6</sup>

Table 1 shows a detailed distribution of these affected families.

<sup>2</sup> *“The NorthRail Project, Phase I – Section 1: Executive Summary,”* p.1. This document was submitted by the North Luzon Railways Corporation to the Senate Committee on Urban Planning, Housing and Resettlement on October 12, 2004.

<sup>3</sup> *“The NorthRail Project, Phase I – Section 1: Executive Summary,”* p.1. This document was submitted by the North Luzon Railways Corporation to the Senate Committee on Urban Planning, Housing and Resettlement on October 12, 2004.

<sup>4</sup> Ibid.

<sup>5</sup> Also part of the information contained in the presentation of Ms. Gina Jota of the North Luzon Railways Corporation during a Public Hearing conducted by the Committees on 25 November 2004 at the Sen. Claro M. Recto Room, Philippine Senate.

<sup>6</sup> *“Status of Relocation – Northrail Resettlement Project”* p.1. This document was submitted by the Housing and Urban Development Coordinating Council (HUDCC) and the National Housing Authority (NHA) to the Senate Committee on Urban Planning, Housing and Resettlement on March 03, 2005.

## Distribution of Affected Families

CITY/MUNICIPALITY	NO. OF AFFECTED FAMILIES
<b>Metro Manila</b>	<b>8,127</b>
<ul style="list-style-type: none"> <li>• Caloocan North</li> <li>• Malabon</li> <li>Valenzuela</li> </ul>	<ul style="list-style-type: none"> <li>626</li> <li>3,399</li> <li>4,102</li> </ul>
<b>Bulacan</b>	<b>12,878</b>
<ul style="list-style-type: none"> <li>• Meycauayan</li> <li>• Marilao</li> <li>• Bocaue</li> <li>• Balagtas</li> <li>• Guiguinto</li> <li>Malolos</li> </ul>	<ul style="list-style-type: none"> <li>3,341</li> <li>1,911</li> <li>2,086</li> <li>1,141</li> <li>1,703</li> <li>3696</li> </ul>
<b>Pampanga</b>	<b>19,500</b>
<b>TOTAL</b>	<b>40,505</b>

**Table 1**

### **A.1 On The Relocation of Affected Families in Metro Manila**

The relocation of affected families in Metro Manila started in November 2000. Approximately 261 families in Caloocan were initially relocated by the NLRC to Harmony Hills in San Jose Del Monte, Bulacan. However, a Presidential directive declared a moratorium on the demolition and relocation activities in February 2001, thus, putting on hold the relocation of families that will be affected by the Project. The Project was then included as one of the Priority Projects of the administration of President Gloria Macapagal Arroyo in July 2001. Relocation activities resumed in November 2004.

To facilitate the relocation and resettlement of families that will be affected by the rehabilitation of the country's railway system, President Gloria Macapagal Arroyo issued Memorandum Order No. 46 on 10 December 2001. The executive issuance directed the HUDCC to *"relocate/provide alternative housing sites for the informal dwellers within the Philippine National Railways (PNR) right-of-way in all areas to be affected by the PNR rehabilitation and modernization."* Pursuant to the said Memorandum Order, Secretary Michael T. Defensor, the then Chairman of the HUDCC, issued Memorandum Order No. 04 on 13 March 2002. Said Memorandum Order designated the National Housing Authority as the lead agency to oversee the clearing of illegal occupants within the 5-meter danger zone PNR right-of-way. It also directed the PNR, DOTC, NHMFC and concerned local government units to provide complementary support to the NHA.

President Arroyo issued Administrative Order Nq. 111 designating the NHA as the lead agency in the implementation of the rail-related resettlement program on 08 November 2004. The Chairman of the HUDCC was also tasked to direct, manage, and coordinate all activities, mobilize available government resources, and call on the assistance of all government agencies concerned in the implementation of the resettlement program. Likewise, said administrative order also directed all government agencies, including government-owned and controlled corporations (GOCCs), to extend full cooperation, support and

assistance to the HUDCC regarding all matters and requests specifically related to the program.

As a result of inter-agency meetings conducted by the HUDCC, the following are the roles of the other agencies involved in the resettlement program:

1. Philippine National Railways (PNR)

- To identify the alignment plan for the project;
- To issue and sign the Notices of Demolition for the affected families; and
- To maintain cleared areas after demolition structures and movement of families.

2. Local Government Units (LGU)

- To act as Chairman of the Local Inter-Agency Committee (LIAC);
- To assist in the social preparation activities for relocates, including information dissemination and community relations/coordination;
- To provide relocation assistance when needed; and
- To assist in the containment of the cleared areas.

3. Presidential Commission for the Urban Poor (PCUP)

- To be a member of the LIAC;
- To participate in consultations with affected families; and
- To issue Certificate of Compliance<sup>7</sup> required for relocation.

There are other agencies that are involved in the implementation of the resettlement program, namely, the Commission on Human Rights (CHR), the Department of Social Welfare and Development (DSWD), the Philippine National Police (PNP), the National Anti-Poverty Commission (NAPC), the Metro Manila Development Authority (MMDA), the Armed Forces of the Philippines (AFP), and the Technology Livelihood and Resource Center (TLRC).

The stated families were given two options, namely: (1) Housing Financial Assistance (HFA) of P50,000.00 or Balik-Probinsiya Program; and (2) Relocation and Resettlement. The HFA is a grant offered to the affected families to be utilized for "Balik Probinsiya," transfer to other areas, equity for land purchase or livelihood assistance.

The relocation and resettlement option is based on a beneficiary-led and in-city/town relocation (whenever possible) approach. It is an option where beneficiaries are given a recoverable loan of P150,000.00. Out of this amount, P100,000.00 represents their loan for the lot while P50,000.00 represents their housing material loan. The loan is payable within 30 years. For the first five years, the P100,000.00 loaned will be interest-free. On the sixth year and onwards, an interest rate of six percent per annum will be imposed on said amount. On the other hand, the remaining P50,000.00 loaned will be interest-free. Aside from the P150,000.00 loaned, an additional cost recoverable livelihood assistance or development loan of P25,000.00 is also extended to families who are relocated out-of-town/city as compensation for possible displacement in their jobs.

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<sup>7</sup> The Certificate of Compliance that is being mentioned here is the issuance from the PCUP certifying that all the provisions under Section 28 of the UDHA (RA 7279) have been complied with.

Other assistance given to the affected families that are non-recoverable are the following:

1. Relocation Cost – P10,000.00
  - Which includes costs for trucking, manpower and dismantling of structures;
2. Financial Assistance – P1,000.00
  - The amount given to each family prior to relocation;
3. Water and Power Connection – P2,500.00
4. Community Facilities – P10,000.00

Verification of those families who had undergone census and were determined to be qualified to avail of the options that were offered by the government. Out of the 8,127, only 7,442 families or 91.57% from Caloocan, Malabon and Valenzuela qualified to avail of the options offered by the government. These families who qualified were structure owners, sharers or renters. The 685 disqualified families, who did not fall within any of the categories mentioned earlier, were either absentee homeowners or recipients of past relocation and resettlement programs. Verification of families who had undergone census is still ongoing in the provinces of Bulacan and Pampanga.

Table 2 shows a breakdown of the verification of families who have undergone census in Metro Manila.

#### Results of the Verification of Censused Families in Metro Manila

CITY/MUNICIPALITY	NO. OF CENSUSED FAMILIES	NO. OF QUALIFIED FAMILIES
Caloocan	626	626
Malabon	3,399	3,078
Valenzuela	4,102	3,738
<b>TOTAL</b>	<b>8,127</b>	<b>7,442</b>

**Table 2**

Around 4,943 out of the 7,442 qualified families in Caloocan, Malabon and Valenzuela have already been moved out. In Caloocan, 410 families opted to avail of relocation while 216 families opted to avail of the Balik-Probinsiya Program. For Malabon, 2,369 families have been moved so far with 481 families choosing the option of relocation and 1,888 families choosing the HFA. In Valenzuela, 1,948 families have already been moved – 1,358 families chose the option of relocation while 590 families chose to avail of the HFA.

For those families who opted to be relocated, they were accommodated in three government relocation sites. These are the Towerville Resettlement Site located in San Jose Del Monte Bulacan, the KASARIVAL Resettlement Site in Barangay Bignay, Valenzuela, Metro Manila and the HARV Resettlement Site also in Barangay Bignay. The two resettlement sites located in Barangay Bignay were chosen by the affected residents, while the Towerville Resettlement Site I is a government project already in existence prior to the NorthRail Resettlement Project. Officials from the HUDCC and the NHA informed the Committees that these three resettlement sites will be able to accommodate all the affected families in Metro Manila who chose the option of relocation.

#### **A.2. On The Relocation Of Affected Families in Bulacan and Pampanga**

In the province of Bulacan, moves were already undertaken as early as 1996 to address the relocation and resettlement of families that will be affected by the Project. A Memorandum of Agreement (MOA) was signed between the NLRC and the Province of Bulacan to jointly address the relocation of families within the PNR ROW in Bulacan on 25 April 1997. Under said MOA, NLRC committed to donate to the Province, sixty (60) hectares of real property in Bulacan to be used solely as relocation site for the families who will be affected by the Project. It was also stipulated under the MOA that the Province of Bulacan will tap the services of an 'experienced group' to assist in the project, especially in the establishment of a sustainable community for the families relocated therein.

Subsequently, the Province of Bulacan signed a MOA with Alto Projekt Asia, Inc. (APAI), on 30 September 1997, the latter having been chosen by the Province as the 'experienced group' to assist in the establishment of a sustainable community for the relocated families. A Joint Venture Agreement (JVA) was later signed by the two parties in May "1999 to develop 60 hectares of land and such additional properties still to be acquired by way of donation, into a low-cost residential subdivision, including the construction of some 10,500 low-cost residential houses" (page 2 of the JVA).

In accordance with the MOA executed between the Province of Bulacan and the NLRC, another MOA was signed among NLRC, the Province of Bulacan and APAI on 07 March 1999. There were three subsequent addenda to this MOA, dated 01 March 2000, 18 April 2001 and 25 October 2002, respectively.

As a result of all these agreements, the Bulacan Housing and Agro-Industrial (BUHAI) Project was undertaken. Per the provisions of the MOA of 07 March 1999 and its three subsequent addenda, the NLRC committed to buy 120 hectares of land and around P250.5 million for the BUHAI Project. The breakdown of the P250.5 million is as follows:

1. Land Documentation and Clearances	-	P 13.0 M
2. Relocation of Affected Families	-	52.5
3. Loan to APAI to Jumpstart Development	-	15.0
4. Project Management Office	-	5.0
5. Construction of a 12-km. Access Road	-	120.0
6. Maintenance Cost of Relocated Families	-	30.0
7. Facilities and Structures in the Resettlement Site	-	15.0
<b>TOTAL</b>	-	<b>P250.5 M</b>

According to the BCDA, it had no direct participation in the BUHAI Project except as the mother agency of the NLRC, it was obligated to provide the necessary funds to its subsidiary to fulfill its commitments to the BUHAI Project.<sup>8</sup>

BCDA has released a total of P235.89 million to NLRC for the BUHAI Project as of 31 October 2004, broken down as follows:

1. Land Documentation	-	P 3.0 M
2. Construction of Access Road	-	99.54
3. Financial Assistance to the Province	-	15.46
4. Land Acquisition Cost (163 has.)	-	114.71
5. Provincial Management Office	-	3.18
<b>TOTAL</b>	-	<b>P 235.89 M</b>

Of this total amount released by the BCDA to the NLRC, the latter has already released to the Province of Bulacan around P118,184,573.62, broken down as follows:

1. Social Preparation	-	P 15,457,800.00 M
2. Project Management Office Funds	-	3,184,069.00
3. Access Road Construction	-	99,542,704.62
<b>TOTAL</b>	-	<b>P118,184,573.62 M</b>

The presentation made by the Province of Bulacan during the hearing conducted by the Committees last 17 March 2005, out of the 163 hectares of land bought by NLRC for the BUHAI Project, only 60 hectares have been donated to the said Province. Out of said 60 hectares, 10 hectares have been fully developed and subdivided into 813 lots with individual titles and 57 housing units have been completed. The roads and drainage system of the project have been concreted. The water and electrical facilities have been installed. The access road leading to Phase I of the project is almost complete.

Despite the existence of the BUHAI Project, it was announced by the HUDCC and the NHA officials, during the consultation meeting held in Bulacan on 05 March 2005, that the government has adopted an in-town or in-city relocation policy for the families that will be affected by the Project in Bulacan. This policy was brought about by the need to immediately undertake the relocation of affected families in Bulacan for the reason that the government is already paying interest payments on the loan acquired by the Philippine government to finance the Project. Since an in-town or in-city relocation policy has been adopted by the

<sup>8</sup> Contained in a letter of Gen. Narciso L. Abaya (Ret.), President and CEO of the Bases Conversion Development Authority to the Chairman of the Senate Committee on Urban Planning, Housing and Resettlement, dated 14 March 2005.

Provincial government in Bulacan, the P50,000.00 housing financial assistance that was offered to affected families in Metro Manila will not be made available to them anymore. Only the P150,000.00 loan for lot and housing materials, similar to the one extended to the affected families in Metro Manila, will be extended to said affected families in Bulacan.

Presently, Local Inter-Agency Committees (LIACs) headed by the Mayors of towns and cities in Bulacan, that have families that will be affected by the Project, have now been formed. Thus, no affected family has yet to be relocated as the LIACs are still in the process of consulting with them.

In Pampanga, the same policy, as the one in Bulacan, will be implemented by the government. No families have been yet to be relocated from their present locations.

### **A.3. Time Frame and Funding of the Relocation and Resettlement Program**

During the public hearing held last 17 March 2005, the NHA officials reported that it expected to finish the relocation of affected families in Metro Manila by the end of March 2005, while it expects to finish relocating affected families by 31 October 2005. There is no clear timetable yet for the relocation of affected families in Pampanga.

According to officials from the housing agencies, the estimated total funding requirement of the NorthRail Resettlement Program is around P6.635 billion. No amount was appropriated from the \$503 million to fund the relocation of families that will be affected by the Project. In fact, the General Manager of the NHA, Mr. Federico Laxa, during the public hearing conducted by the Committees on 17 March 2005, testified to wit:

*"It is unfortunate that whenever there is a flagship project, the National Housing Authority is the last one to know about the relocation ... we were not consulted on the relocation aspect or component of the project. Second Your Honor, when the funds are being arranged to finance certain projects, the funding for the relocation component is not included. So it is only last December that we were able to get releases for the relocation of the Metro Manila segment Your Honor."*

According to the NHA official, it has available funds amounting to around P1.6 billion for the NorthRail Resettlement Program. Out of this amount, P100 million came from a non-interest bearing loan extended by the NLRC to the NHA. The rest of the amount came from budgetary appropriations of the agency in the General Appropriations Act (GAA).

The P6.635 billion needed to finance the relocation and resettlement program will come from bridge financing to be arranged by the National Development Company in the amount of P2 billion, while the rest will be sourced from the GAA.

### **B. On Issues Concerning the Construction of the Railway**

Based on the presentation made by NLRC officials during the public hearing on 25 November 2004, Phase I – Section 1 of the Project covers a stretch 32.14 kilometers starting from Caloocan up to Malolos, Bulacan. It will be a

combination of viaduct, retaining wall and at-grade rail tracks using PNR right-of-way.

Table 3 shows the features of Phase I – Section 1 of the Northrail Project with an estimated cost of \$503.04 million.

### Features of Phase I – Section 1 of the NorthRail Project<sup>9</sup>

Types of Trains	Initially use Diesel Multiple Units (DMUs), upgradable to EMUs
Number of DMUs	19 DMU sets
Design Speed	120 kph
Operating Speed	Approximately 80-100 kph (for inter urban services)
Total Track Length	32.2 kms.
Travel Time (Caloocan-Malolos & Vice Versa)	37 minutes with 5 minutes headway
Number of Stations	Six (6): Caloocan, Valenzuela, Marilao, Bocaue, Guiguinto & Malolos
Fare Box Structure	P10.00 boarding fee plus P1.00 per kilometer or a total of P42.00 from Caloocan to Malolos or vice versa
Construction Period	Three (3) years

**Table 3**

The Investment Coordination Committee – Cabinet Committee approved \$503.043 million as the cost for Phase I – Section 1 of the Project, of which \$395.224 million will be sourced from a \$400 million loan from the Chinese government through the Export-Import Bank of China<sup>10</sup> and \$107.819 million from the project proponents BCDA and the NLRC<sup>11</sup> in a meeting held on 18 December 2003.

Table 4 presents the break down of the estimated \$503.04 million dollars cost for Phase I – Section 1 of the NorthRail Project.

<sup>9</sup> "The NorthRail Project, Phase I – Section 1: Executive Summary," p.4. This document was submitted by the North Luzon Railways Corporation to the Senate Committee on Urban Planning, Housing and Resettlement on October 12, 2004.

<sup>10</sup> Contained in a letter of Secretary Romulo L. Neri of the National Economic Development Authority, to Mr. Jose L. Cortes, Jr., President of the North Luzon Railways Corporation, dated 06 January 2004.

<sup>11</sup> Contained in a letter of Secretary Romulo L. Neri of the National Economic Development Authority, to Sen. Rodolfo G. Biazon, Chairman of the Senate Committee on Urban Planning, Housing and Resettlement dated 23 November 2004.

## Cost for Phase I – Section 1 of the NorthRail Project<sup>12</sup>

PARTICULARS	COST (\$ Million)
<p style="text-align: center;"><b>Civil and Track Works</b></p> <ul style="list-style-type: none"> <li>• Design</li> <li>• Preliminaries</li> <li>• Permanent Way</li> <li>• Stations</li> <li>• Depot</li> <li>• Contingencies (5%)</li> </ul>	<p style="text-align: center;"><b>280.90</b></p> <p>7.01</p> <p>28.38</p> <p>193.27</p> <p>26.01</p> <p>14.53</p> <p>11.69</p>
<p style="text-align: center;"><b>Right-Of-Way</b></p> <ul style="list-style-type: none"> <li>• Land Acquisition</li> <li>• Utilities Diversion</li> </ul>	<p style="text-align: center;"><b>17.5</b></p> <p>7.50</p> <p>10.0</p>
<p style="text-align: center;"><b>Signaling and Communications</b></p> <ul style="list-style-type: none"> <li>• Design</li> <li>• Preliminaries</li> <li>• Signaling</li> <li>• Communications</li> <li>• Ticketing System</li> <li>• Power Supply</li> <li>• Contingencies (5%)</li> </ul>	<p style="text-align: center;"><b>29.84</b></p> <p>0.76</p> <p>2.53</p> <p>13.52</p> <p>3.90</p> <p>3.46</p> <p>4.40</p> <p>1.26</p>
<p style="text-align: center;"><b>Rolling Stock</b></p>	<p style="text-align: center;"><b>87.79</b></p>
<p style="text-align: center;"><b>Other Costs</b></p> <ul style="list-style-type: none"> <li>• Project Management</li> <li>• Taxes</li> <li>• Others</li> </ul>	<p style="text-align: center;"><b>87.02</b></p> <p>13.58</p> <p>54.08</p> <p>19.35</p>
<p style="text-align: center;"><b>TOTAL</b></p>	<p style="text-align: center;"><b>503.05</b></p>

**Table 4**

The Government of the Republic of the Philippines, through the Department of Finance, represented by then Secretary Juanita D. Amatong, and the Peoples Republic of China, through the Export-Import Bank of China, represented by Yang Zilin, as its Chairman and President, signed the Buyer Credit Loan Agreement No. BLA 04055, herein referred to as the Agreement on 26 February 2004. In page one of the Agreement, it cites that “a Memorandum of Understanding (MOU) between the Export-Import Bank of China and the Department of Finance of the Republic of the Philippines was signed on August

<sup>12</sup> Contained in a letter of Secretary Romulo L. Neri of the National Economic Development Authority, to Sen. Rodolfo G. Biazon, Chairman of the Senate Committee on Urban Planning, Housing and Resettlement dated 23 November 2004.

30, 2003 to facilitate the utilization of the 400 million US Dollars Preferential Buyer's Credit being extended by the Export-Import Bank of China, as the Lender, to the Government of the Republic of the Philippines acting by and through its Department of Finance, as the Borrower, for the purpose of financing the construction of the Northrail Project – Phase I, Section 1 in the Philippines.” The Agreement also appoints the China National Machinery & Equipment Corporation as the prime contractor for Phase I, Section 1 of the Northrail Project.<sup>13</sup>

The Agreement defines the repayment period for the loan as “no more than fifteen (15) years...”<sup>14</sup> and assigns an interest rate of three percent (3%) per annum.<sup>15</sup> Of the amount loaned from China Export-Import Bank, an initial draw down of \$125 million has already been made by the Philippine Government.<sup>16</sup> When asked on whether or not we are already paying the interest to this loan, Ms. Georgina Jota, Head Executive Assistant to the Chairman of the BCDA, answered in the affirmative during the hearing held last 17 March 2005.<sup>17</sup>

It is the assessment of the Committees that there is a need to further inquire on the following issues related to the construction of the railway system in the North:

1. The cost of Phase I, Section 1 of the NorthRail Project to determine whether it is overpriced or not;
2. The provisions of the Buyer Credit Loan Agreement No. BLA 04055 to determine if it contains provisions that are onerous and disadvantages to the government;
3. The propriety/constitutionality of contracts that the Executive Department has been entering into that obligate the government; and
4. The plan of the DOF to add another one percent (1%) interest on top of the three percent (3%) interest that the Export-Import Bank of China is charging.<sup>18</sup>

While the Committees admit to the necessity of the aforesaid inquiry, we also take cognizance of the fact that such is no longer within their jurisdiction.

## V. Recommendations

With the foregoing considerations, the Committees recommend that:

1. The hearings on issues raised in the speech of Senator Pimentel Jr. related to the relocation and resettlement of families that are going to be affected by the NorthRail Project be terminated; and
2. An inquiry be made by the appropriate Senate Committees on issues related to the construction of the railway system in the North and other appropriate Senate Committees.<sup>19</sup>

<sup>13</sup>Buyer Credit Loan Agreement No. BLA 04055, p.1

<sup>14</sup>Ibid. p. 5.

<sup>15</sup>Ibid. p. 12.


<sup>16</sup>(TSN MTCajandab II-2 March 17, 2005 10:39 AM p.6)

<sup>17</sup>Ibid. p.7.

<sup>18</sup>(TSN MHSantos IV-1 February 11, 2005 10:51 am pp. 5-7 and RL Tumamos V-I February 11, 2005 11:01 am pp. 1-3)


<sup>19</sup>(TSN RL Tumamos V-1 February 11, 2005 11:01 am p. 4)

Respectfully submitted,



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