

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Fifteenth Congress
Second Regular Session



COMMITTEE REPORT NO. **2277**

24 JUL 2012

Submitted by the Committee on National Defense and Security on

Re: House Bill No. **6410**

Recommending its approval in substitution of House Bill Nos. 4949, 76, 2112, House Resolution Nos. 3, 93, 578 and 333

Sponsor: Representative Rodolfo G. Biazon

Mr. Speaker:

The Committee on National Defense and Security to which were referred House Bill No. 4949 introduced by Rep. Rodolfo G. Biazon, entitled:

"AN ACT AMENDING REPUBLIC ACT NO. 7898, OTHERWISE KNOWN AS THE AFP MODERNIZATION ACT, AND FOR OTHER PURPOSES";

House Bill No. 76 introduced by Reps. Albert S. Garcia, Mel Senen S. Sarmiento, Francisco Emmanuel R. Ortega III, Leopoldo N. Bataoil and Imelda G. Calixto-Rubiano, entitled:

"AN ACT PROVIDING FOR THE MODERNIZATION OF THE GOVERNMENT ARSENAL AND APPROPRIATING FUNDS THEREFOR";

House Bill No. 2112 introduced by Reps. Rufus B. Rodriguez, Maximo B. Rodriguez, Jr., Marcelino R. Teodoro and Imelda G. Calixto-Rubiano, entitled:

"AN ACT AUTHORIZING THE ARMED FORCES OF THE PHILIPPINES TO LEASE OUT SOME OF ITS PROPERTIES TO RAISE FUNDS FOR ITS MODERNIZATION";

House Resolution No. 3 introduced by Reps. Rodolfo G. Biazon, Neptali M. Gonzales II and Edcel C. Lagman, entitled:

"RESOLUTION DIRECTING THE COMMITTEE ON NATIONAL DEFENSE AND SECURITY TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE IMPLEMENTATION OF THE ARMED FORCES OF THE PHILIPPINES MODERNIZATION PROGRAM, WITH FOCUS ON ITS OBJECTIVES, PRIORITIZATION IN EQUIPMENT ACQUISITION, AND FUNDING REQUIREMENTS AND SOURCES, IN RELATION TO THE COUNTRY'S PRESENT NEEDS";

House Resolution No. 93 introduced by Reps. Rufus B. Rodriguez and Maximo B. Rodriguez, Jr., entitled:

"A RESOLUTION URGING THE ARMED FORCES OF THE PHILIPPINES TO RAISE FUNDS BY LEASING OUT SOME OF ITS PROPERTIES TO THE PRIVATE SECTOR";

House Resolution No. 333 introduced by Reps. Rufus B. Rodriguez, Maximo B. Rodriguez, Jr., Neptali M. Gonzales II and Edcel C. Lagman, entitled:

"RESOLUTION DIRECTING THE COMMITTEE ON NATIONAL DEFENSE AND SECURITY TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, INTO THE LEGALITY AND FEASIBILITY OF THE PROPOSED TIE-UP OF THE ARMED FORCES OF THE PHILIPPINES WITH OIL COMPANIES OFF PALAWAN";

and House Resolution No. 578 introduced by Reps. Rodolfo G. Biazon, Neptali M. Gonzales II and Edcel C. Lagman, entitled:

"RESOLUTION DIRECTING THE COMMITTEE ON NATIONAL DEFENSE AND SECURITY TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE STATUS OF THE SECURITY ARRANGEMENTS PROVIDED BY THE ARMED FORCES OF THE PHILIPPINES WITH COMPANIES CONDUCTING EXPLORATIONS AND EXTRACTIONS OF OIL, GAS AND OTHER ENERGY RESOURCES IN ONSHORE AND OFFSHORE AREAS FOR THE PURPOSE OF DETERMINING ITS SUFFICIENCY, ADEQUACY AND FUNDING SUPPORT AND SOURCES TO MEET CONTINGENCIES AND THREATS TO THE LATTER'S FACILITIES"

6410

has considered the same and recommends that the attached House Bill No. _____, entitled:

**“AN ACT AMENDING REPUBLIC ACT NO. 7898, OTHERWISE KNOWN AS
THE AFP MODERNIZATION ACT, AND FOR OTHER PURPOSES”**

be approved in substitution of House Bill Nos. 4949, 76, 2112, House Resolution Nos. 3, 93, 333 and 578 with Reps. Rodolfo G. Biazon, Albert S. Garcia, Mel Senen S. Sarmineto, Rufus B. Rodriguez, Maximo B. Rodriguez, Jr., Neptali M. Gonzales II, Edcel C. Lagman, Francisco Emmanuel R. Ortega III, Leopoldo N. Bataoil, Imelda G. Calixto-Rubiano, Marcelino R. Teodoro, Tupay T. Loong, Jose F. Zubiri III, Rodolfo B. Albano, Gabriel Luis R. Quisumbing, Nur Ana I. Sahidulla, Carlos M. Padilla, Michael Angelo C. Rivera, Susan Yap, Reena Concepcion Obillo, Giorgidi P. Aggabao, Hermilando I. Mandanas, Eduardo R. Gullas, Ma. Milagros H. Magsaysay, Danilo E. Suarez, Tobias M. Tiangco, Marc Douglas C. Cagas IV, Magtanggol T. Gunigundo I, George P. Arnaiz, Fernando V. Gonzalez and Anthony Rolando T. Golez, Jr. as authors thereof.

Respectfully submitted,



HON. RODOLFO G. BIAZON

Chairman

Committee on National Defense and Security

THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
QUEZON CITY

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS

Third Regular Session

House Bill No. **6410**

Introduced by Reps. Rodolfo G. Biazon, Albert S. Garcia, Mel Senen S. Sarmineto, Rufus B. Rodriguez, Maximo B. Rodriguez, Jr., Neptali M. Gonzales II, Edcel C. Lagman, Francisco Emmanuel R. Ortega III, Leopoldo N. Bataoil, Imelda G. Calixto-Rubiano, Marcelino R. Teodoro, Tupay T. Loong, Jose F. Zubiri III, Rodolfo B. Albano, Gabriel Luis R. Quisumbing, Nur Ana I. Sahidulla, Carlos M. Padilla, Michael Angelo C. Rivera, Susan Yap, Reena Concepcion Obillo, Giorgidi P. Aggabao, Hermilando I. Mandanas, Eduardo R. Gullas, Ma. Milagros H. Magsaysay, Danilo E. Suarez, Tobias M. Tiangco, Marc Douglas C. Cagas IV, Magtanggol T. Gunigundo I, George P. Arnaiz, Fernando V. Gonzalez and Anthony Rolando T. Golez Jr.

AN ACT
AMENDING REPUBLIC ACT NO. 7898, OTHERWISE KNOWN AS THE AFP
MODERNIZATION ACT, AND FOR OTHER PURPOSES

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

SECTION ONE. Section 4 (b), (d) and (e) of Republic Act No. 7898, otherwise known as the AFP Modernization Act, is hereby amended to read as follows:

“SEC.4. Components of the **REVISED** AFP Modernization Program. –

xxx

(b) Capability, materi[a]l, and technology development – The AFP [m]Modernization [p]Program entails the development and employment of certain capabilities that can address the assessed threats: *Provided*, That the acquisition of air force, navy and army equipment and materiel of such types and quantities shall be made in accordance with the need to develop AFP capabilities pursuant to its modernization objectives: *Provided, further*, That the acquisition of equipment and weapons systems shall be synchronized with the phase-out of uneconomical and obsolete major equipment and weapons systems in the AFP inventory: *Provided, even further*, That no major equipment shall be purchased if the same are not being used by the armed forces in the country of origin or used by the

1 armed forces of at least two countries: *Provided, furthermore,* That only offers
2 from suppliers who are themselves the manufacturers shall be entertained:
3 *Provided, finally,* That no supply contract shall be entered into unless such
4 contract provides for, in clear and unambiguous terms, an after-sales services and
5 the availability of spare parts.

6 XXX

7 (d) Human resource development – The human resource development component of
8 the **REVISED AFP [m]Modernization [p]Program** shall have the following
9 objectives:

10 (1) xxx

11 (2) To develop and transform the AFP into a [primarily external security-
12 oriented force] **MULTI-MISSION ORIENTED FORCE CAPABLE OF**
13 **EFFECTIVELY ADDRESSING INTERNAL AND EXTERNAL SECURITY**
14 **THREATS;**

15 (3) xxx

16 (4) xxx

17 (5) xxx

18 (6) xxx

19 (e) Doctrines development. – [The transition of the AFP from an internal
20 security-oriented force to an external security-oriented force requires the
21 review, evaluation and validation of its present set of doctrines for the
22 purpose of formalizing such doctrines. Towards this end, t] The
23 Department of National Defense and the [general headquarters,] AFP
24 shall be responsible for the generation, evaluation, consolidation and
25 formalization of doctrines; the conduct of periodic review and validation
26 of doctrines through field application, testing and exercises; and the
27 dissemination of approved doctrines at all levels of command.

28 The Secretary of National Defense shall formulate guidelines to
29 implement this section in accordance with the objectives of the
30 modernization program enumerated in the preceding section."

31 Sec. 2. Section 6 of the same Act is hereby amended to read as follows:

32 "Sec. 6. Period of Implementation. – The **REVISED AFP**
33 **[m]Modernization [p]Program** under this Act shall be implemented over a
34 period of fifteen (15) years **EFFECTIVE UPON THE DATE OF THE**
35 **APPROVAL OF THIS ACT;** *Provided, however,* That payments for
36 amortization of outstanding multi-year contract obligations incurred under

[this] **THE REVISED AFP MODERNIZATION** Act may extend beyond this period."

Sec. 3. Section 7 of the same Act is hereby amended to read as follows:

"Sec. 7. *Submission of the REVISED AFP Modernization Program.* - (a) Within [ninety (90)] **SIXTY (60)** days from the effectivity of this Act, the President, upon the recommendation of the Secretaries of National Defense and Budget and Management, shall submit the **REVISED AFP [m]Modernization [p]Program** as provided for in this Act to Congress. [for its consideration and approval in a joint resolution of the House of Representatives and the Senate.] The [p]Program shall indicate or show inter alia:

- (1) The size and shape of the AFP in terms of personnel, equipment, and facilities during the various phases of the modernization program;
- (2) The modernization projects under it, including the major weapon and non-weapon equipment and technology acquisitions sought by the respective services and units of the AFP, any major infrastructure construction or improvement to be made and the particular objective(s) and component(s) under Sections 3 and 4, respectively, of this Act to which such intended acquisition, construction or improvements belongs; and
- (3) The priorities, schedules as well as estimated average cost of each modernization project or upgrading to be undertaken[.] : **PROVIDED, THAT THE IMPLEMENTATION OF THE PROGRAM SHALL BE DEVOTED TOWARDS THE DEVELOPMENT OF THE AFP WITH THE SHIFTING CAPABILITY TO MEET INTERNAL AND EXTERNAL SECURITY THREATS.**

(b) [In the event Congress approves t]The **REVISED AFP [m]Modernization [p]Program, AS SUBMITTED TO CONGRESS** [the joint resolution] shall be the basis for subsequent executive and legislative actions to implement the AFP [m]Modernization [p]Program from year to year until its complete and full realization."

Sec. 4. Section 8 of the same Act is hereby amended to read as follows:

"Sec. 8. *Appropriations for the REVISED AFP Modernization Program.* - The annual appropriations for the **REVISED AFP [m]Modernization [p]Program** shall include the amounts necessary to support the funding requirements for all modernization projects approved by Congress under the preceding section."

The funds to be appropriated by Congress under this Act shall be treated as a distinct and separate budget item from the regular appropriation for the Department of National Defense (DND) and the AFP and shall be administered by the Secretary of National Defense.

1 [The proposed program shall be based on a ceiling, for the first five (5)
2 years, of Fifty billion pesos (P50,000,000,000.00); Provided, that thereafter,
3 this amount may be increased commensurate to the increase in the Gross
4 National Product (GNP).]"

5 "THE REVISED AFP MODERNIZATION PROGRAM SHALL
6 BE BASED ON AN AMOUNT OF SEVENTY FIVE BILLION PESOS
7 (P75,000,000,000.00) FOR THE FIRST FIVE (5) YEARS: *PROVIDED*,
8 THAT THE RELEASE OF THE AMOUNT SHALL BE SUBJECT TO
9 THE CAPACITY OF THE DND TO UTILIZE AND IMPLEMENT THE
10 REVISED AFP MODERNIZATION PROGRAM IN ACCORDANCE
11 WITH THE DEFENSE SYSTEM OF MANAGEMENT."

12 Sec. 5. Section 9 (b) and (c) of the same Act are hereby amended to read as follows:

13 "SEC. 9. Multi-year Contracts and Other Contractual Arrangements.-

14 xxx

15 (b) For multi-year contracts, Congress shall, upon [the certification by the President]
16 **ISSUANCE OF A MULTI-YEAR OBLIGATIONAL AUTHORITY BY THE**
17 **DEPARTMENT OF BUDGET AND MANAGEMENT (DBM)**, make the
18 corresponding appropriation for the ensuing fiscal years: *Provided*, That [Congress
19 shall appropriate only such funds as may be necessary to pay any unpaid amount
20 where such funds mentioned in Section 11 of this Act are not sufficient or available to
21 meet such payment in full or in part] **THE DND AND THE DBM SHALL ISSUE**
22 **THE IMPLEMENTING GUIDELINES TO ENSURE CONSISTENCY WITH**
23 **THE REVISED AFP MODERNIZATION PROGRAM AND EXISTING**
24 **GUIDELINES IN THE CONTRACTING OF MULTI-YEAR PROJECTS.**

25 (c) The Secretary of National Defense shall submit to Congress, through the
26 [chairmen] **CHAIRPERSONS** of the Senate Committees on National Defense and
27 Security and Finance and the [chairmen] **CHAIRPERSONS** of the House
28 Committees on National Defense **AND SECURITY** and Appropriations, copies of
29 these multi-year contracts and other agreements/arrangements to enable Congress to
30 appropriate funds."

31 Sec. 6. Section 11 of the same Act is hereby amended to read as follows:

32 "Sec. 11. *THE REVISED AFP Modernization Act Trust Fund.* -
33 There is hereby created a trust fund, to be known as the **REVISED AFP**
34 **Modernization Act Trust Fund**. Said trust fund, which shall be used
35 exclusively for the AFP modernization program **INCLUDING ALL**
36 **NECESSARY EXPENSES TO IMPLEMENT THE PROCUREMENT**
37 **OF EQUIPMENT SUCH AS EXPENSES FOR PRE-SELECTION AND**
38 **POST-QUALIFICATION STAGES**, but not to include salaries and
39 allowances, shall be funded out of the following:

40 (a) Appropriations for the **REVISED AFP [m]Modernization [p]Program**;

1 (b) The proceeds from the sale[, lease or joint development] of military
2 reservations, as may be authorized by Congress, PURSUANT TO THE
3 PROVISIONS OF EXISTING LAWS AND REGULATIONS
4 GOVERNING SALES OF GOVERNMENT PROPERTIES,
5 including such immovable and other facilities as may be found therein,
6 not OTHERWISE covered by the Bases Conversion Development
7 Authority, as provided for in Republic Act No. 7227, AS AMENDED;

8 (C) THE PROCEEDS FROM THE LEASE OR JOINT
9 DEVELOPMENT OF MILITARY RESERVATIONS, AS MAY BE
10 AUTHORIZED BY THE PRESIDENT, PURSUANT TO THE
11 PROVISIONS OF EXISTING LAWS AND REGULATIONS
12 GOVERNING LEASE OR JOINT DEVELOPMENT OF
13 GOVERNMENT PROPERTIES, INCLUDING SUCH
14 IMMOVABLES AND OTHER FACILITIES AS MAY BE FOUND
15 THEREIN, NOT SPECIFICALLY ENUMERATED UNDER
16 REPUBLIC ACT NO. 7227, AS AMENDED;

17 [(c)] (D) Shares of the AFP from the proceeds of the sale of military camps
18 provided for under Republic Act No. 7227, AS AMENDED, AND AT
19 LEAST FIFTY PERCENT (50%) OF THE PROCEEDS, NET OF
20 DIRECT EXPENSES AUTHORIZED TO BE DEDUCTED FROM
21 SUCH PROCEEDS FROM THE LEASE AND/OR JOINT
22 VENTURE AGREEMENTS AND SUCH OTHER DISPOSITIONS
23 PERTAINING TO THE SAME CAMPS IN ACCORDANCE
24 WITH APPLICABLE AND/OR EXISTING ORDERS, RULES,
25 REGULATIONS AND ISSUANCES.

26 THE DND OR THE AFP MAY ASSIGN TO THE BASES
27 CONVERSION AND DEVELOPMENT AUTHORITY OR
28 DESIGNATE IT AS DISPOSITION ENTITY FOR THE SALE,
29 LEASE OR JOINT DEVELOPMENT OF MILITARY
30 RESERVATIONS OR PORTIONS THEREOF OR FACILITIES
31 AND IMMOVABLES LOCATED THEREIN NOT OTHERWISE
32 COVERED UNDER REPUBLIC ACT NO. 7227, AS AMENDED,
33 SUBJECT TO THE PARAMETERS SET BY THE DND OR THE
34 AFP AND APPLICABLE LAWS, RULES, REGULATIONS AND
35 OTHER RELATED ISSUANCES;

36 (E) THE PROCEEDS DERIVED FROM PUBLIC-PRIVATE
37 PARTNERSHIPS ENTERED INTO BY THE DND OR THE AFP,
38 AS MAY BE AUTHORIZED BY THE PRESIDENT, PURSUANT
39 TO THE PROVISIONS OF EXISTING LAWS AND
40 REGULATIONS;

41 [(d)] (F) Proceeds from the sale of the products of the [g]Government
42 [a]Arsenal AND/OR, IN CASE OF JOINT VENTURE, ALL
43 INCOMES EARNED FROM THE EQUITY SHARE OF THE
GOVERNMENT ARSENAL FROM THE JOINT VENTURE;

1 [(e)] (G) The proceeds from the disposal of excess and/or uneconomically
2 repairable equipment and other movable assets of the AFP and the
3 government arsenal;

4 [(f)] (H) Funds from budgetary surplus, if any, as may be authorized by
5 Congress subject to the provisions of Section 8 of this Act; [and]

6 (I) DONATIONS COMING FROM LOCAL AND FOREIGN
7 SOURCES, SPECIFICALLY EARMARKED TO BE USED FOR
8 THE REVISED AFP MODERNIZATION PROGRAM;

9 (J) A REASONABLE AMOUNT FROM THE SHARE OF THE
10 NATIONAL GOVERNMENT IN THE MALAMPAYA OIL AND
11 GAS EXPLORATION AND SUCH OTHER SIMILAR OR
12 RELATED EXPLORATIONS FOR ENERGY, AS MAY BE
13 APPROVED BY THE PRESIDENT; AND

14 [(g)] (K) All interest income of the trust fund.

15 [The trust fund] FUNDS FROM THE FOREGOING SOURCES,
16 REGARDLESS OF INCOME SOURCE, SHALL BE DIRECTLY
17 DEPOSITED TO A SPECIAL ACCOUNT IN THE GENERAL FUND
18 CREATED SPECIFICALLY FOR THE REVISED AFP
19 MODERNIZATION PROGRAM. THE CORRESPONDING
20 ALLOTMENT AND CASH ALLOCATION SHALL BE RELEASED
21 TO THE AFP SUBJECT TO THE SUBMISSION OF A SPECIAL
22 BUDGET. THEREAFTER, THE CASH ALLOCATION SHALL BE
23 TRANSFERRED TO THE REVISED AFP MODERNIZATION TRUST
24 FUND WHICH shall be administered by the Secretary of National Defense
25 in accordance with existing government BUDGETING AND auditing rules
26 and regulations. THE DND SHALL CONDUCT PERIODIC STUDIES
27 ON HOW TO MAXIMIZE THE UTILIZATION OF THE TRUST
28 FUND AND HOW ADDITIONAL REVENUES CAN BE GENERATED
29 TO FUND THE REVISED AFP MODERNIZATION PROGRAM."

30 Sec. 7. Section 12 of the same Act is hereby amended to read as follows:

31 "Sec. 12. Modernization of the Government Arsenal. - The modernization
32 of the government arsenal, for the development of production capabilities to
33 enhance self-sufficiency in defense requirements, shall be part of the
34 REVISED AFP [m]Modernization [p]Program. The government arsenal shall
35 be effectively utilized in the production of basic weapons, ammunition and
36 other munitions for the use of the AFP, [and] the Philippine National Police
37 (PNP) AND OTHER UNIFORMED GOVERNMENT AGENCIES, and
38 for the sale and export of products in excess of [AFP/PNP] THE requirements
39 OF THE AFP, PNP AND OTHER UNIFORMED GOVERNMENT
40 AGENCIES. The government arsenal may use such production facilities as it
41 may own or be provided with under this Act or as it may arrange, under joint
42 venture, co-production or similar agreements with local and foreign entities.
43 THE PRESENT SITE OF THE GOVERNMENT ARSENAL, AS

1 DEFINED BY PRESIDENTIAL PROCLAMATION NUMBER 361-A
2 DATED 7 MARCH 1968, AS AMENDED, IS HEREBY DECLARED A
3 DEFENSE INDUSTRIAL ECONOMIC ZONE WITH INVESTMENTS
4 THEREAT ENTITLED TO SUCH TAX PRIVILEGES AND OTHER
5 APPROPRIATE INCENTIVES THAT ARE ALLOWED UNDER
6 REPUBLIC ACT NO. 7916, AS AMENDED, AND OTHER EXISTING
7 LAWS."

8 Sec. 8. Section 14 of the same Act is hereby deleted and in lieu thereof, a new Section
9 14 shall be inserted to read as follows:

10 [Sec. 14. AFP Procurement System. - The DND-AFP shall strengthen its
11 systems and procedures for equipment acquisition, taking into account new
12 requirements under the AFP modernization program. Contract negotiations
13 and equipment acquisition shall be treated as two sequential but separate
14 steps, each requiring the separate decision of the Secretary of National
15 Defense. The decision making process for equipment acquisition shall start at
16 the appropriate service command and submitted to the AFP Weapons Systems
17 Board, while contract negotiation shall start at general headquarters AFP
18 level. In its system and procedures for equipment acquisition, the provisions
19 of Presidential Decree No. 1594, as amended, and other applicable laws shall
20 apply.]

21 "SEC. 14. *MODERNIZATION PLANNING AND PROCUREMENT.* -
22 THE REVISED AFP MODERNIZATION PROGRAM PLANNING
23 AND PROCUREMENT SHALL BE CONDUCTED IN ACCORDANCE
24 WITH THE DEFENSE SYSTEM OF MANAGEMENT (DSOM)
25 WHICH IS DEFINED AS A STRATEGY-DRIVEN, CAPABILITY-
26 BASED MULTI-YEAR PLANNING AND EXECUTION PROCESS. IN
27 THIS REGARD, STRATEGIC PLANNING, CAPABILITY
28 ASSESSMENT AND PLANNING, ACQUISITION PLANNING,
29 PROCUREMENT AND CONTRACTING, AND RESOURCES
30 PLANNING AND FINANCIAL MANAGEMENT SHALL BE
31 TREATED AS AN INTEGRATED AND WHOLISTIC PROCESS.

32 UPON PRIOR APPROVAL BY THE PRESIDENT OF THE
33 PHILIPPINES, WHEN THE PROCUREMENT FOR USE BY THE
34 AFP INVOLVES MAJOR DEFENSE EQUIPMENT IN ACCORDANCE
35 WITH THE DEFENSE SYSTEM OF MANAGEMENT, AND THE
36 EQUIPMENT OR MATERIAL REQUIRED IS NOT AVAILABLE
37 LOCALLY AND THE SECRETARY OF NATIONAL DEFENSE HAS
38 DETERMINED THAT THE INTERESTS OF THE COUNTRY SHALL
39 BE PROTECTED BY NEGOTIATING DIRECTLY WITH A
40 MANUFACTURER OR AN INSTRUMENTALITY OF ANOTHER
41 COUNTRY WITH WHICH THE PHILIPPINES HAS ENTERED INTO
42 A DEFENSE COOPERATION AGREEMENT OR OTHERWISE
43 MAINTAINS DIPLOMATIC RELATIONS, THE PROCUREMENT BY
44 THE AFP OF THE EQUIPMENT ABOVEMENTIONED SHALL BE
45 EXEMPTED FROM THE REQUIREMENT OF PUBLIC BIDDING
46 UNDER REPUBLIC ACT NO. 9184: *PROVIDED, HOWEVER, THAT*

1 THE PERFORMANCE BY THE SUPPLIER OF ITS OBLIGATIONS
2 UNDER THE PROCUREMENT CONTRACT SHALL BE COVERED
3 BY A PERFORMANCE SECURITY IN ACCORDANCE WITH
4 SECTION 39 OF REPUBLIC ACT NO. 9184; *PROVIDED, FINALLY,*
5 THAT MAJOR DEFENSE EQUIPMENT SHALL REFER TO
6 AIRCRAFTS, VESSELS, TANKS, ARMORED VEHICLES,
7 COMMUNICATION EQUIPMENT, RADAR SYSTEMS AND HIGH-
8 POWERED FIREARMS.

9 NOTWITHSTANDING THE PROVISIONS OF THIS SECTION,
10 ONLY DULY AUTHORIZED REPRESENTATIVES OF SERVICE
11 PROVIDERS, MANUFACTURERS OR INSTRUMENTALITIES OF
12 OTHER COUNTRIES SHALL BE ALLOWED TO PARTICIPATE IN
13 ANY ACTIVITY INVOLVING THE REVISED AFP
14 MODERNIZATION PROGRAM, INCLUDING BUT NOT LIMITED
15 TO SUPPLIES, REPAIR AND REHABILITATION OF MAJOR AND
16 MINOR EQUIPMENT. "

17 Sec. 9. Section 16 of the Same Act is hereby amended to read as follows:

18 "Sec. 16. [Annual] Reports. - [Not later than the end of the first
19 quarter of the succeeding year:]

20 (a) **NOT LATER THAN THE END OF THE FIRST QUARTER OF**
21 **THE SUCCEEDING YEAR, [T]he** Secretary of National Defense
22 shall submit to the President and Congress an annual report on the
23 status of the **REVISED** AFP Modernization Act Trust Fund, as
24 provided for in Section 11 of this Act;

25 (b) The Chief of Staff, AFP, shall submit to the President and Congress
26 through the Secretary of National Defense, a[n annual]
27 **QUARTERLY** report containing the progress of the implementation
28 of the modernization program under this Act to include the AFP
29 modernization activities implemented prior to the approval of this
30 Act."

31 Sec. 10. Insert three sections after Section 16 of the same Act which shall now
32 become the new Sections 17, 18 and 19 respectively, which shall read as:

33 "SEC. 17. *EXEMPTION FROM VALUE-ADDED TAX AND*
34 *CUSTOMS DUTIES.*- THE SALE OF WEAPONS, EQUIPMENT AND
35 AMMUNITIONS TO THE AFP, WHICH ARE DIRECTLY AND
36 EXCLUSIVELY USED FOR ITS PROJECTS, UNDERTAKINGS,
37 ACTIVITIES AND PROGRAMS UNDER THE REVISED AFP
38 MODERNIZATION ACT, SHALL BE EXEMPT FROM THE VALUE-
39 ADDED TAX; PROVIDED, THAT THE IMPORTATION OF THE
40 SAME BY THE AFP SHALL LIKEWISE BE EXEMPT FROM THE
41 VALUE-ADDED TAX AND CUSTOMS DUTIES.

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SEC. 18. CONGRESSIONAL OVERSIGHT COMMITTEE.
THERE IS HEREBY CREATED A CONGRESSIONAL OVERSIGHT
COMMITTEE TO MONITOR AND OVERSEE THE
IMPLEMENTATION OF THE PROVISIONS OF THIS ACT. THE
COMMITTEE SHALL BE COMPOSED OF SIX (6) MEMBERS FROM
THE SENATE AND SIX (6) MEMBERS FROM THE HOUSE OF
REPRESENTATIVES WITH THE CHAIRPERSONS OF THE
COMMITTEES ON NATIONAL DEFENSE AND SECURITY OF
BOTH HOUSES AS JOINT CHAIRPERSONS. THE FIVE (5) OTHER
MEMBERS FROM EACH CHAMBER SHALL BE DESIGNATED BY
THE SENATE PRESIDENT AND THE SPEAKER OF THE HOUSE OF
REPRESENTATIVES, RESPECTIVELY. THE MINORITY SHALL
HAVE AT LEAST TWO REPRESENTATIVES FROM BOTH
CHAMBERS.

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SEC. 19. SUNSET REVIEW. - AS THE NEED ARISES OR
WITHIN FIVE (5) YEARS AFTER ITS EFFECTIVITY, THE
CONGRESSIONAL OVERSIGHT COMMITTEE SHALL CONDUCT
A SUNSET REVIEW OF THIS ACT. THE TERM "SUNSET REVIEW"
SHALL MEAN A SYSTEMATIC EVALUATION OF THE
ACCOMPLISHMENTS AND IMPACT OF THIS ACT, AS WELL AS
THE PERFORMANCE AND ORGANIZATIONAL STRUCTURE OF
ITS IMPLEMENTING AGENCIES, FOR PURPOSES OF
DETERMINING REMEDIAL LEGISLATION."

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Sec. 11. All sections of the same Act are hereby amended and renumbered
accordingly.

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Sec. 12. *Repealing Clause.* - All laws, executive orders, rules and regulations
inconsistent with or contrary to this Act, are hereby deemed accordingly repealed or
amended.

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Sec. 13. *Separability Clause.* - If, for any reason, any section or provision of this Act
is declared unconstitutional or invalid, the other sections or provisions not affected thereby
shall remain in full force and effect.

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Sec. 14. *Effectivity Clause.* - This Act shall take effect after fifteen (15) days after its
publication in at least two (2) newspapers of national circulation.

FACT SHEET
HOUSE BILL NO. 6410

(In substitution of HB Nos. 4949, 76, 2112, HR Nos. 3, 93, 578 and 333, as approved by the Committee)

AN ACT AMENDING REPUBLIC ACT NO. 7898, OTHERWISE KNOWN AS THE AFP MODERNIZATION ACT, AND FOR OTHER PURPOSES

Introduced by: Reps. Rodolfo G. Biazon, Albert S. Garcia, Mel Senen S. Sarmineto, Rufus B. Rodriguez, Maximo B. Rodriguez, Jr., Neptali M. Gonzales II, Edcel C. Lagman, Francisco Emmanuel R. Ortega III, Leopoldo N. Bataoil, Imelda G. Calixto-Rubiano, Marcelino R. Teodoro, Tupay T. Loong, Jose F. Zubiri III, Rodolfo B. Albano, Gabriel Luis R. Quisumbing, Nur Ana I. Sahidulla, Carlos M. Padilla, Michael Angelo C. Rivera, Susan Yap, Reena Concepcion Obillo, Giorgidi P. Aggabao, Hermilando I. Mandanas, Eduardo R. Gullas, Ma. Milagros H. Magsaysay, Danilo E. Suarez, Tobias M. Tiangco, Marc Douglas C. Cagas IV, Magtanggol T. Gunigundo I, George P. Amaiz, Fernando V. Gonzalez and Anthony Rolando T. Golez, Jr.

*Committee Referral: Committee on National Defense and Security
Committee Chairperson: Hon. Rodolfo G. Biazon (Primary)*

OBJECTIVES:

- To make the provisions of RA 7898 more responsive to a continuously changing international and regional security environment.

KEY PROVISIONS:

- Provides for the revision of the AFP Modernization Program that shall be substantially focused and directed towards addressing the internal and external security threats to the country and develop the AFP towards an organization with a shifting capability to meet internal and external security threats.
- Provides for a revised AFP Modernization Program to be implemented over the next 15 years.
- Mandates the submission to Congress of the revised AFP Modernization Program within 60 days from approval of this Act.
- Mandates that the Revised AFP Modernization Program Planning and Procurement shall be conducted in accordance with the Defense System of Management (DSOM) which is a strategy-driven, capability-based multi-year planning and execution process.

- Mandates that proceeds from lease and joint venture agreements of military camps shall accrue to the AFP Modernization Program Trust Fund.
- Provides a Php75 billion budget for the first five (5) years of the Revised AFP Modernization Program provided that the release of the amount shall be subject to the capacity of the Department of National Defense (DND) to utilize and implement the said program in accordance with the DSOM.
- Provides that a reasonable amount of the National Government share in the Malampaya oil and gas exploration and such other similar or related explorations for energy shall likewise accrue to the AFP Modernization Trust Fund, as may be approved by the President.
- Declares the present site of the Government Arsenal as a defense industrial economic zone.
- Exempts certain major defense purchases, such as aircraft, vessels, tanks, armored vehicles, communications equipment and high powered firearms, from the requirement of public bidding.
- Exempts from value-added tax and customs duties the sale and importation of weapons, equipment and ammunitions to the AFP which are directly and exclusively used for its projects, undertakings, activities and programs under this Act.

RELATED LAWS:

- RA 7898, otherwise known as the AFP Modernization Act
- RA 7227, as amended otherwise known as the Bases Conversion and Development Act
- RA 9184, otherwise known as the Government Procurement Reform Act
- PD 361-A creating the Government Arsenal
- RA 7042 otherwise known as the Foreign Investments Act of 1991