

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS

First Regular Session

HOUSE BILL NO. 76

Introduced by **HONORABLE ALBERT S. GARCIA**

EXPLANATORY NOTE

This proposed Government Arsenal Modernization Bill seeks to provide for the modernization of the Government Arsenal empowering it to become more productive and achieve self-reliance in the production of munitions for our armed forces. It is correlated with Republic Act no. 7898, otherwise known as the AFP Modernization Act, which provides for the modernization of the Government Arsenal for the development of production capabilities to enhance self-sufficiency in defense requirements. Section 12 of RA 7898 specifically mandates that "the government arsenal shall be utilized in the production of basic weapons, ammunition and other munitions for the use of the AFP and the PNP, and for the sale and export of products in excess of AFP and PNP requirements."

The Government Arsenal was created under Republic Act (RA) No. 1884, entitled "An Act To Establish A Government Arsenal, Provide For Its Operation And For Other Purposes" on June 22, 1957, as a line bureau under the Department of National Defense for the manufacture of small arms ammunition (SAA). Under RA 1884, the Government Arsenal was mandated to achieve within a reasonable time, self-sufficiency in small arms, mortars and other weapons, ammunitions for these weapons and other munitions for use of the military establishments.

Section 24, Chapter 3, Subtitle II, Title VIII (National Defense) of Executive Order No. 292, s. 1987, otherwise known as the Administrative Code of 1987, stipulates that the Government Arsenal shall, among others, "...procure, stockpile and allocate arms, mortars and other weapons and munitions without the necessity of obtaining any permits or licenses; and devise ways and means for the efficient mobilization of civilian industry to augment the production of the Arsenal in time of emergency."


The Government Arsenal is envisioned to be a center for defense industries to meet domestic requirements and supply the world market. The arsenal is located in a 370- hectare defense industrial estate in Lamao, Limay, Bataan. Through this bill, the Arsenal's current manufacturing capabilities and production capacity will be enhanced and upgraded; new and modern machineries and technologies will be acquired and appropriate infrastructure for the manufacture, test and evaluation of various munitions will be

established; an aggressive and efficient research and development capability in consonance with the Self-Reliant Defense Posture (SRDP) Program of the government will be developed; and appropriate technology and equipment in order for the Arsenal to be able to manufacture medium and large caliber ammunitions, as well as various weapons to achieve the level of a sustainable strategic resource and center for the development of Philippine-based munitions industries to meet both domestic and exports, will be attained.

Executive Order No. 303 dated 29 March 2004 mandates the Armed Forces of the Philippines (AFP), the Philippine National Police and other law enforcement agencies to source their small arms ammunitions and other munitions from the Government Arsenal. Presently, however, only four (4) types of ammunitions are being produced by the Government Arsenal: the 7.62mm M80, 5.56mm M193, Cal .45 M1911, and 9mm Parabellum. Hence, there is a need to upgrade the capability of the Government Arsenal to produce not only small arms ammunition but also higher caliber ammunition such as 40 cal., and even mortars and other crew-served weapons ammunitions.

There are reports, however, that there is a shortage in the supply of ammunition being used by the military and police establishments. If these reports are true and we are importing ammunition to fill this shortage, this definitely has an impact on our dollar reserves. Moreover, there is also a need to secure the sufficiency and availability of our ammunition as this affects national security.

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



ALBERT S. GARCIA

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1 **AN ACT**
2 **PROVIDING FOR THE MODERNIZATION OF THE GOVERNMENT**
3 **ARSENAL AND APPROPRIATING FUNDS THEREFOR**
4

5 *Be it enacted by the Senate and House of Representatives of the Philippines*
6 *in Congress assembled:*
7

8 **SECTION 1. Short Title.** – This Act shall be known as the
9 *“Government Arsenal Modernization Act.”*

10 **SEC. 2. Declaration of Policy.** – It is hereby declared the policy of
11 the State to modernize the Government Arsenal, hereinafter referred to as
12 Arsenal, a civilian line Bureau of the Department of National Defense, to a
13 level where it can effectively and efficiently perform its lawful mandate to
14 design, develop, manufacture, procure, stockpile and allocate small arms,
15 mortars and other weapons, ammunition for these weapons, and other
16 munitions for use of the Armed Forces of the Philippines (AFP), Philippine
17 National Police (PNP) and other government law enforcement agencies and
18 for sale and export of products in excess of the requirements of all
19 government law enforcement agencies. Towards this end, the principal goals
20 of the Government Arsenal Modernization Program shall be:

21 a) The Arsenal's current manufacturing capabilities and production
22 capacity will be enhanced and upgraded;

1 b) New and modern machineries and technologies will be acquired
2 and appropriate infrastructure for the manufacture, test and evaluation of
3 various munitions will be established;

4 c) An aggressive and efficient research and development (R&D)
5 capability in consonance with the Self-Reliant Defense Posture (SRDP)
6 Program of the government will be developed; and

7 d) Appropriate technology and equipment in order for the Arsenal
8 to be able to manufacture medium and large caliber ammunitions, as well as
9 various weapons to achieve the level of a sustainable strategic resource and
10 center for the development of Philippine-based munitions industries to meet
11 both domestic and export markets will be attained.

12 SEC. 3. ***Phases of the Arsenal Modernization Program.*** – a) The
13 Government Arsenal Modernization Program shall consist of the following
14 phases with an overall funding requirement of Six Billion Three Hundred
15 Million Pesos (P6.300B):

16 Phase I – Enhancement of the Arsenal's Capacity in Production of
17 Small Arms Ammunition – The Arsenal shall acquire various equipment
18 necessary to enhance its capability and increase its annual capacity in the
19 production of Small Arms to a level where it can fully support the Small Arms
20 Ammunition requirements of the AFP, PNP and other government law
21 enforcement agencies in accordance with its modernization objectives.
22 Phase I shall be aimed at increasing its annual Small Arms Ammunition
23 production to meet the overall Small Arms Ammunition requirements of all
24 defense and law enforcement agencies. Phase I of the Arsenal
25 Modernization Program shall be implemented upon effectivity of this Act and
26 shall be completed within two (2) years therefrom. The amount of One Billion

1 Three Hundred Forty Million Pesos (P1.340B) is hereby appropriated to
2 support the acquisition of the needed equipment for Phase I of the
3 Government Arsenal Modernization Program.

4 Phase II – Development of Arsenal's Capability on Weapons
5 Manufacture – The Arsenal shall acquire necessary equipment and
6 technologies to develop its capabilities in the field of weapons manufacture to
7 a level where it can truly perform its lawful mandate. The Arsenal shall
8 likewise continuously conduct research and development activities in
9 accordance with the spirit of Self-Reliant Defense Posture (SRDP) Program of
10 the government in order to gain insights and finally develop technical
11 capability in the manufacture of weapons that are vital to support the mission
12 of the AFP, PNP and other law enforcement agencies: *Provided*, That the
13 acquisition of equipment and necessary technology as well as the
14 establishment of attendant facilities shall be in consonance with the objectives
15 of the Government Arsenal Modernization Program. The Congress shall
16 include in the annual General Appropriations Act the amount of Two Billion
17 Pesos (P2.0B) for a period of four (4) years to support the acquisition of
18 necessary equipment and technology as well as the construction of needed
19 facilities: *Provided, further*, that the amount necessary to conduct continuous
20 research and development activities shall be included in the annual General
21 Appropriations Act.

22 Phase III – Establishment of Various Munitions Testing Facilities –The
23 Arsenal shall be transformed from its present status as a mere small arms
24 ammunition manufacturer into a multi-task-capable agency by establishing
25 various facilities with necessary equipment and appropriate technology to
26 hone and harness its technical know-how in the conduct of tests and

1 evaluation of an assortment of defense material. The amount of Five
2 Hundred Million Pesos (P500M) is hereby appropriated to support the
3 acquisition of necessary equipment and technology as well as the
4 establishment of facilities.

5 Phase IV – Development of Arsenal's Capability to Manufacture
6 Medium and Large Caliber Ammunition – The Arsenal shall require suitable
7 equipment and the attendant technology and establish facilities to develop its
8 capability in the manufacture of medium and large caliber ammunition:
9 *Provided, however,* That the acquisition of necessary equipment and
10 technology as well as the establishment of appropriate facilities shall be in
11 accordance with its mandate and modernization objectives.

12 This Phase shall be completed within five (5) years from the effectivity
13 of this Act. *Provided,* That the amount of Four Hundred Ninety-two Million
14 Pesos is hereby appropriated for the initial implementation of the Phase IV
15 with the same amount to be included in the annual General Appropriations Act
16 for a period of four (4) years thereafter for a total of Two Billion Four Hundred
17 Sixty Million Pesos to support the acquisition of necessary equipment and
18 technology as well as the construction of needed facilities: *Provided, further,*
19 That no contract for the acquisition of major equipment shall be entered into
20 unless such contract provides for, in clear and unambiguous terms, an after-
21 sales service and the availability of spare parts thereof.

22 SEC. 4. ***Submission of Government Arsenal Modernization***
23 ***Program.*** – Within ninety (90) days from the effectivity of this Act, the
24 Secretary of National Defense shall submit to the President for approval the
25 plan for the Phase I of the Arsenal modernization program containing, among
26 others, the pre-determined projects, activities, undertakings and schedules to

1 be implemented pursuant to this Act: *Provided, however,* That the detailed
2 plans and programs under the various phases of the Arsenal modernization to
3 be undertaken during the succeeding years shall likewise be subsequently
4 submitted to the President for approval: *Provided, further,* That the programs
5 relative to the Arsenal modernization are all subject to period review so that
6 necessary revisions, if any, may be undertaken: *Provided, furthermore,* That
7 all such changes made on the Arsenal modernization programs, if any, shall
8 be subject to the approval by the President.

9 **SEC. 5. *Implementation of the Government Arsenal Modernization***
10 ***Program.*** – The implementation of the Government Arsenal Modernization
11 Program under this Act shall be a continuing effort: *Provided, however,* That
12 the plans and programs of activities and undertakings under the various
13 phases shall have prior approval by the President: *Provided, further,* That
14 payments for amortization of outstanding multi-year contract obligations
15 incurred under this Act, if any, may be extended further to soften its impact on
16 the national economy.

17 **SEC. 6. *Appropriations for the Government Arsenal***
18 ***Modernization Program.*** –The Government Arsenal Modernization Act shall
19 have an annual appropriation in an amount sufficient to support the funding
20 requirements of the modernization projects as approved by the President
21 under the preceding section: *Provided, however,* That the funds to be
22 appropriated by Congress under this Act shall be treated as a distinct and
23 separate budget item from the regular appropriations for the Department of
24 National Defense and the Arsenal, and shall be administered by the Secretary
25 of National Defense: *Provided, further,* That Congress shall initially
26 appropriate funds to support the Phase I of the Government Arsenal

1 Modernization Program in the amount of One Billion Three Hundred Forty
2 Million Pesos (P1.340B): *Provided, furthermore,* That thereafter, this amount
3 may be increased in accordance with the requirement of the various phases
4 of the Government Arsenal Modernization Program as may be approved by
5 the President.

6 SEC. 7. ***Multi-Year Contracts and Other Contractual***
7 ***Arrangements.*** –

8 a) The Secretary of National Defense, pursuant to the Government
9 Arsenal Modernization Program, projects and appropriations approved by
10 Congress, may, subject to the approval by the President, provisions of
11 existing laws and regulations including those of the Commission on Audit and
12 under such terms and conditions most favorable to the government, enter into
13 multi-year contracts, lease and lease-purchase agreements;

14 b) For multi-year contracts, Congress shall, upon certification by
15 the President, make the corresponding appropriation for the ensuing fiscal
16 year: *Provided,* That Congress shall appropriate such funds as may be
17 necessary to pay any unpaid amount where such funds mentioned in Section
18 3 of this Act are not sufficient or available to meet such payments in full or in
19 part;

20 c) The Secretary of National Defense shall submit to Congress
21 copies of these multi-year contracts and other agreements and arrangements
22 to enable Congress to appropriate funds.

23 SEC. 8. ***Arsenal Real Estate Authority.*** – An Arsenal Real Estate
24 Authority (AREA) shall be created to effectively establish command
25 relationships and responsibilities in the execution of the total development
26 plan of the Arsenal Defense Industrial Estate in order to generate funds to

1 support the implementation of the Government Arsenal Modernization
2 Program.

3 SEC. 9. **Purposes of the AREA.** – The Arsenal Real Estate Authority
4 shall have the following purposes:

5 a) To hold and administer the parcel of land occupied by the
6 Arsenal in Lamao, Limay, Bataan, which is specifically described as the
7 Arsenal Defense Industrial Estate pursuant to Presidential Proclamation No.
8 361-A dated March 7, 1968, as amended by Presidential Proclamation No.
9 371 dated May 6, 2003;

10 b) To prepare, adopt and implement a comprehensive and detailed
11 development plan embodying projects that would bring forth economic and
12 social development in the area, consistent with ecological and environmental
13 standards;

14 c) To encourage the active participation of the private sector in
15 transforming the Arsenal Defense Industrial Estate into more productive use;
16 and

17 d) To establish a mechanism that would enable coordination with
18 local government units and other government agencies to effect meaningful
19 consultations regarding plans and programs, and project implementation
20 within the Arsenal Defense Industrial Estate in order to develop the area into a
21 self-sustaining defense industrial, commercial, eco-tourism and investment
22 center by creating employment opportunities in and around the complex, and
23 attracting and promoting productive foreign investments primarily to generate
24 funds to support the implementation of the Arsenal Modernization Program.

1 SEC. 10. **Supervision of the AREA.** – The Arsenal Real Estate
2 Authority shall be under the direct supervision and control of the Secretary of
3 National Defense for purposes of policy direction and coordination.

4 a) Arsenal Real Estate Authority Management Committee. – An *ad*
5 *hoc* body to be known as the Arsenal Real Estate Authority Management
6 Committee, hereinafter referred to as "Management Committee", is hereby
7 created as a tool of the Secretary of National Defense in the implementation
8 of the intents of this Act primarily to generate funds for the Government
9 Arsenal Modernization Program, through the development of the Arsenal
10 Defense Industrial Estate by way of sale, lease or joint venture development.

11 b) Powers and Functions of the Management Committee. – The
12 Management Committee shall have the following powers and functions:

- 13 1. To administer and manage the development of the entire
14 Arsenal Defense Industrial Estate into a self-sustaining Defense
15 Economic and Industrial Complex that shall produce world-class
16 ammunitions to meet both domestic and world market
17 requirements;
- 18 2. To accept any local or foreign investment, business or
19 enterprise, subject to applicable existing rules and regulations;
- 20 3. To undertake and regulate the establishment, operation and
21 maintenance of utilities, other services and infrastructure in the
22 Arsenal Defense Industrial Estate subject to reasonable rates,
23 charges and other prices therefore;
- 24 4. To enter into contract of lease or sale of portions of the Arsenal
25 Defense Industrial Estate, in conformity with existing applicable
26 laws;

1 5. To adopt and implement measures and standards for
2 environmental pollution control within the Estate; and

3 c) Membership of the Management Committee. – The
4 Management Committee shall be under the direct supervision of the Secretary
5 of National Defense, and shall be composed of four (4) members with the
6 Undersecretary for Legislative Affairs and Special Concerns as Chairman and
7 the following as members:

8 Undersecretary for Finance and
9 AFP Modernization Affairs Assistant Secretary
10 for Acquisition, Installations & Logistics, and
11 Director, Arsenal

12 SEC. 11. **Technical Working Group.** – An Inter-Agency Technical
13 Working Group hereinafter referred to as Technical Working Group (TWG)
14 shall be created upon the effectivity of this Act purposely to support the
15 Management Committee in the preparation of the necessary development
16 plans, secure the necessary permits, clearances and other pertinent
17 documentary requirements for the transformation of the Arsenal Defense
18 Industrial Estate into a vibrant estate and center for the development of
19 Philippine-based defense industries to meet domestic requirements and
20 supply the world market. The Secretary of National Defense shall appoint the
21 Chairman of the TWG and the following members:

22 Representative from the Department of National Defense
23 Representative from the Arsenal
24 Representative from the Department of Environment
25 and Natural Resources
26 Representative from the Local Government of Bataan

1 Representative from the Department of Trade and Industry
2 Two (2) Representative(s) from other sector(s) as the
3 Secretary of National Defense may deem necessary
4 Administrator – The Director of the Arsenal, in addition to his present
5 duties, shall be designated as the manager and administrator of the Arsenal
6 Defense Industrial Estate.

7 SEC. 12. ***Arsenal Modernization Trust Fund.*** – There is hereby
8 created a trust fund to be known as the Arsenal Modernization Trust Fund.
9 Said trust fund, which shall be used exclusively for the modernization
10 program, shall be funded out of the following:

- 11 a) Appropriations for the Government Arsenal Modernization
12 Program;
- 13 b) Proceeds from the sale, lease or joint development of the
14 Arsenal Defense Industrial Estate, as may be authorized by the Secretary of
15 National Defense;
- 16 c) Proceeds from the sale of the products of the Arsenal;
- 17 d) Proceeds from the disposal of scraps, excess or uneconomically
18 repairable equipment and other movable assets of the Arsenal;
- 19 e) Funds from the budgetary surplus, if any, as may be authorized
20 by Congress subject to applicable laws and regulations; and\
- 21 f) All interest income of the trust fund.

22 SEC. 13. ***Transitory Provision.*** – The Director of the Arsenal through
23 the Secretary of National Defense shall, within ninety (90) days from the
24 effectivity of this Act, submit for approval by the President, the necessary
25 Implementing Guidelines, Rules and Regulations (IGRR) to carry out the
26 intents of this Act.

1 SEC. 14. **Annual Reports.** – The Director of the Arsenal through the
2 Secretary of National Defense shall submit to the President and Congress an
3 annual report containing the status and progress of the implementation of the
4 modernization program under this Act as well as the status of the Arsenal
5 Modernization Trust Fund.

6 SEC. 15. **Separability Clause.** – If any provisions of this Act shall be
7 held unconstitutional or invalid, the other provisions not otherwise affected
8 thereby shall remain in full force and effect.

9 SEC. 16. **Repealing Clause.** – All laws, executive orders, rules and
10 regulations inconsistent with this Act, are hereby repealed or amended
11 accordingly.

12 SEC. 17. **Effectivity.** – This Act shall take effect fifteen (15) days after
13 its publication in two (2) national newspapers of general circulation.

14 Approved,