

FOURTEENTH CONGRESS OF THE }
REPUBLIC OF THE PHILIPPINES }
First Regular Session }

SENATE
P. S. Res. No. 317

Introduced by Senator M. A. Madrigal

RESOLUTION

DIRECTING THE COMMITTEE ON ACCOUNTABILITY OF PUBLIC OFFICERS AND INVESTIGATIONS TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE BUREAU OF CUSTOMS' NON-INTRUSIVE CONTAINER INSPECTION SYSTEM (NCIS) PROJECT IN THE LIGHT OF ITS ALLEGED OVERPRICE, LACK OF PUBLIC BIDDING AND INTERVENTION OF THE FIRST GENTLEMAN IN THE PROCUREMENT PROCESS

WHEREAS on 15 December 2006, President Gloria Macapagal-Arroyo signed Executive Order No. 592 implementing the Non-Intrusive Container Inspection System (NICS) project that involves the purchase, installation and operation of mobile x-ray scanning machines to allow the speedy examination and inspection of cargoes in the country's ports of entry and "help combat smuggling, facilitate trade, and prevent tariff evasion";

WHEREAS the Macapagal-Arroyo government, through the Department of Finance and Bureau of Customs, signed a concessional loan agreement with China on 11 May 2006 and 15 January 2007 to finance Phase 1 and 2 of the NCIS project, respectively;

WHEREAS the loan for Phase 1 costs \$50 million for 10 units of mobile x-ray scanning machines, and \$100 million for 20 more units for Phase 2;

WHEREAS the Export-Import Bank of China was the assigned bank for the loan processing of the NCIS project while the Beijing-based Nuctech Co. Ltd. was China's assigned supplier for the project;

WHEREAS to cover the grant extended by China to purchase the x-ray scanners, under EO 592, all import and export cargoes landed, stored in piers, airports, terminal facilities including container yards, freight stations under the jurisdiction of the Bureau of Customs will be charged a security fee of \$50 on each 40-footer container shipment and \$20 on every 20-footer container;

WHEREAS President Arroyo said that: "after the completion of the concessional loan payment, the 75 percent allocation shall be deposited in a trust fund created through

(EO 529),” which will be used for the maintenance and upgrade of the NCIS, for the institutionalization of post-audit processes, and for fraud-related investigations; the remaining 25 percent shall be retained by the Bureau of Customs as an administrative support;

WHEREAS the NCIS project is part of the \$1.109 billion loan agreement of the Macapagal-Arroyo government with China that include the North Rail and South Rail projects, and the amount of which has been described as “staggering” because it is way above the usual pledges of development aid (the International Monetary Fund, the World Bank and Japan promised \$1.4 billion combined, with \$1 billion more still being negotiated) that comes from one country alone – China;

WHEREAS during the 7 November 2007 budget hearing, Bureau of Customs Commissioner Napoleon Morales said that each unit of the x-ray scanning machines costs \$2.5 million;

WHEREAS according to comparative international prices however, as in the public biddings of the Los Angeles Harbor Department and the Iceland State Trading Centre, each unit of the x-ray machines from Nuctech Co. Ltd. in fact only costs \$1.9 million on the average;

WHEREAS it is estimated that the alleged overprice of the NCIS project may run between \$18 million and \$90 million for both project phases;

WHEREAS NBN-ZTE witness Engr. Rodolfo Lozada Jr., during his Senate testimony on 8 February 2008, said that he was with First Gentleman Mike Arroyo when they inspected the x-ray scanning machines in China, along with Mr. Francis Chua of the Federation of Filipino-Chinese Chamber of Commerce and Industry;

WHEREAS in the fight for good and clean government, it is incumbent upon the Senate to investigate all matters relating to malfeasance, misfeasance and nonfeasance in public office which cover as well members of the First Family;

WHEREAS it becomes thus important to look into reports of the involvement of the First Gentleman in the NCIS project, particularly in the procurement process, and that Mr. Francis Chua acted as the “broker” for the same overpriced project;

WHEREAS it is likewise important to investigate reports that some x-ray machines were found defective and not operational a few months after their delivery to the country;

WHEREAS local traders and exporters, who are already hurting from the continued appreciation of the peso, have borne the immediate burden of the controversial project because of the increased port fees due to the loan;

WHEREAS ultimately, it will be the Filipino people who will pay for the overprice in the project come the maturity of the loan;

WHEREAS while the objectives of the NCIS project may be commendable to deter rampant smuggling and graft and corruption in the assessment and collection of duties and taxes, the anomalies in the NCIS project may have arisen because of the lack of transparency in this government-to-government transaction, when it could have been done through public bidding;

THEREFORE, BE IT RESOLVED AS IT IS HEREBY RESOLVED, to direct the Committee on Accountability of Public Officers and Investigations to conduct an inquiry, in aid of legislation, on the Bureau of Customs' Non-Intrusive Container Inspection System (NICS) project in the light of its alleged overprice, lack of public bidding and involvement of the First Gentleman in the procurement process.

Adopted,

M. A. MADRIGAL