

NPM No. 65-2007

3 December 2007

MS. DONA MAY DC TAURO
GHQ AFP Resource Management Office
ARMED FORCES OF THE PHILIPPINES
Camp General Emilio Aguinaldo
Quezon City

Re : Lease-to-Own of Motor Vehicles

Dear Ms. Tauro:

We respond to your letter dated 09 February 2007 requesting for an opinion on whether Section 46 of the Implementing Rules and Regulations Part A (IRR-A) of Republic Act No. 9184 (R. A. 9184) is applicable to the purchase of motor vehicles under lease-to-own arrangement.

Section 46 of IRR-A provides that lease of construction and office equipment, including computers, communication and information technology equipment are subject to the same public bidding and to the processes prescribed under the IRR-A. Section 46 further states that lease may also cover lease purchases or lease-to-own and similar variations.

While lease-to-own of motor vehicles is not contemplated under Section 46 of the IRR-A which specifically relates to construction and office equipment, Section 5 (k) of the IRR-A expressly defines goods as including "related" or "analogous services," such as, lease or purchase of office space, media advertisements, health maintenance services, and other services essential to the operation of the procuring entity. Undoubtedly, motor vehicles are essential in the operations of the procuring entity. In addition, a lease-to-own arrangement is a variant of lease which involves procurement as defined under Sections 4 and 5 (p) of the IRR-A.

Based on the foregoing, the procurement of motor vehicles under lease-to-own arrangement is subject to the general rule of competitive bidding under Section 5 (k) in relation to Section 4 of the IRR-A.

We trust that this clarifies matters. Should you have further questions, please do not hesitate to contact us.

Very truly yours,



RUBY U. ALVAREZ
Executive Director III