

**[ OP EXECUTIVE ORDER NO. 877, April 23, 2010 ]**

**THE COMPREHENSIVE MOTOR VEHICLE DEVELOPMENT PROGRAM**

WHEREAS, Executive Order No. 226 (EO 226) empowers the Board of Investment (BOI) to formulate and implement rationalization programs for certain industries;

WHEREAS, the motor vehicle industry is a significant contributor to the country's economic output, employment, investments, exports and the development of small and medium scale parts and components manufacturing establishments;

WHEREAS, Executive Order No. 156 series of 2002 (EO 156) provided for a comprehensive industrial policy and directions for the Motor Vehicle Development Program to accelerate the sound development of the Philippine Motor Vehicle Industry;

WHEREAS, continuing trade liberalization and the rapidly changing competitive environment provide scope for the enhancement of existing and development of new policies to ensure a balanced transition to open trade at minimal risk to the local motor vehicle industry;

WHEREAS, there is a need to increase the level of progress achieved by EO 156 through the enhancement of the existing motor vehicle industry policy framework in order to fully develop the competitive capacity of the Motor Vehicle Industry, thereby allowing greater participation in a globalized economy;

WHEREAS, there is a need to enhance and sustain the Motor Vehicle Development Program to attain competitiveness in the Association of Southeast Asian Nations (ASEAN) region in particular, and in the world in general;

WHEREAS, there is a need to strengthen the used vehicle importation prohibition under EO 156;

WHEREAS, there is a need to take advantage of ASEAN Free Trade Agreements (AFTA) and tariff reduction schemes by the ASEAN such as the Common Effective Preferential Treatment (CEPT) to improve the local motor vehicle industry's competitiveness;

WHEREAS, there is a need to enhance the privileges and benefits for the motor vehicle industry to achieve economic volume of production;

WHEREAS, there is a prevailing trend toward the global harmonization of vehicle standards;

WHEREAS, there is a need to strengthen the local supply base to promote the maximum scale integration of the production of motor vehicles, and parts and components.

WHEREAS, there is a need to promote the development of new technologies in the motor vehicle industry and its support infrastructure;

WHEREAS, an integrated transport policy is necessary to optimize the growth of the motor vehicle industry thereby ensuring sustainable transportation development;

WHEREAS, there is a need to create a Motor Vehicle Industry Development Council to oversee, coordinate and align all government policies and programs, rules and regulations, related to the motor vehicle industry;

WHEREAS, the President, as Chief Executive is vested with the power of control over all Executive Departments and Agencies;

NOW, THEREFORE, I, GLORIA MACAPAGAL-ARROYO, President of the Republic of the Philippines, do hereby order;

### **Article 1. Motor Vehicle Development Program (MVDP)**

*SECTION 1. Coverage.* -The Program shall cover the manufacture and assembly of the following motor vehicles:

a. Classification I – Passenger Cars – shall refer to any four (4)-wheel motor vehicle, which is propelled by gasoline, diesel, electricity or any other motive power and principally designed to transport persons and not primarily to transport goods.

b. Classification II – Commercial Vehicles – shall refer to any four (4) or more wheeled motor vehicle, which is propelled by gasoline, diesel, electricity and any other motive power and principally designed to transport goods/cargoes and/or persons, such as but not limited to the following: utility vehicles, sports utility vehicles, Asian utility vehicles and the Philippine utility vehicles; commuter vans, pick-ups, light, medium and heavy trucks and buses; and special purpose vehicles.

c. Classification III – Motorcycles – shall refer to any two or three wheel vehicle propelled by gasoline, electricity or any motive power, with or without sidecars.

d. Classification IV – Other Vehicle Assemblies – shall refer to commercial vehicle platforms, major vehicle assemblies and bodies for commercial vehicles.

The production and/or assembly of motor vehicles and other vehicles assemblies covered under the MVDP shall be in knocked-down (KD) condition only. The KD scheme shall promote high value added in motor vehicle manufacturing and high degree of vehicle production operations.

Only brand-new Original Equipment Manufacturer (OEM) of KD parts and components for assembly purposes shall be eligible for importation under the MVDP subject to such limitations as may be imposed by BOI.

*SECTION 2. Participants.* – Entities organized under Philippine laws that will engage in the manufacture and/or assembly of brand new motor vehicles shall qualify as a participant under the MVDP. The participant shall:

- a. Assemble and/or manufacture brand new quality motor vehicles;
- b. Establish a new manufacturing and/or assembly facility or utilize an existing assembly facility, which is either idle or in operation , provided that existing assembly facility, which is either idle or in operation, provided that there is investment in the manufacturing of parts and components;
- c. (i) Obtain a Technical Licensing Agreement (for those assembling foreign-branded vehicles), with the foreign OEM that will supply the KD parts and components and provide technology transfer, technical and production assistance and support services; or (ii) Secure a Long-term Supply Agreement, for those assembling locally-developed vehicles utilizing major parts and components; and
- d. The manufacturing and/or assembly operation shall involve at least the basic assembly processes of welding, painting, trimming and quality testing/inspection.

*SECTION 3. Investments of New Participant.* – A new participant refers to a local manufacturer and/or assembler not registered under EO 156 or its predecessor programs.

The new participant shall, within one (1) year from date of registration with the MVDP, invest in the manufacture and/or assembly of motor vehicles and its parts and components at least US\$2 million for motorcycle assembly; Provided that, the investment requirement shall be subject to periodic review by the BOI. Investments shall be in any or a combination of the following schemes.

- a. Investments in in-house motor vehicle parts and components manufacturing; or
- b. Equity investment, either minor or major stockholdings in new or existing motor vehicle parts and components manufacturing company; or
- c. Cost sharing schemes with existing motor vehicle parts and components manufacturing companies in terms of tooling, modernization, and/or upgrade of facilities and technology.

Investments mentioned under paragraphs b and c above should result to increased capacity or improved production efficiency.

If the investment requirement mentioned above will be made on a purely assembly operation, it will be subject to such conditions as may be imposed by the BOI.

The BOI shall set the investment requirement for the parts and components manufacture for new participants that will utilize an existing assembly facility, which is either idle or in operation, subject to such condition as may be imposed.

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*SECTION 4. Application.* – Application for registration shall be submitted to the BOI, together with an undertaking to invest in the manufacture and/or assembly of motor vehicles and its parts and components. The BOI shall decide on the application within thirty (30) working days from the date of its official acceptance.

The approved participants shall be issued a Certificate of Registration by the BOI, which shall include the commitments made by the participant in the proposal and the terms and conditions imposed by the BOI. The participant shall present proof of investments within one (1) year from the date of registration; otherwise, the Certificate of Registration shall be automatically cancelled after due process, in addition to the imposition of penalties, such as refund of incentives availed of, if any.

*SECTION 5. Vested Rights.*– Existing participants under EO 156 and its predecessor programs shall remain as members of the MVDP and continue to avail of the privileges hereof, provided they are in good standing.

*SECTION 6. Models and Variants.* – There shall be no limitation in the number of models that a participant may assemble and/or manufacture provided the same are registered with BOI. However, as a general rule, the BOI shall not register the same models under two (2) participants.

A participant may register multi brands of motor vehicles.

*SECTION 7. Privileges.* – The privileges of MVDP participants shall be as follows:

- a. Availment of tariff rates for KD parts and components for assembly under the MVDP tariff lines of the Tariff and Customs Code, subject to the issuance of Certificates of Authority(CA) to import by the BOI.
- b. Motor vehicle assembly and/or manufacture of parts and components manufacture shall be listed in the annual investments Priorities Plan (IPP) for five (5) years from the date of effectivity of this EO.
- c. Other privileges and benefits as may be allowed.

## **Article 2. Prohibition of used Vehicle Importation**

*SECTION 1. Definition of Terms.*– For purposes of determining the type of motor vehicles that are allowed for importation, the following descriptions shall be used:

- a. Vehicle imported under the no dollar import program – a motor vehicle personally owned by a returning resident or immigrant with GVW not exceeding 3 tons in accordance with the Program’s guidance.
- b. Truck – any motor vehicle whose body configuration is designed to carry heavy loads, general freight, or for special purpose regardless of gross vehicle weight, provide that pick-ups are not considered as trucks.
- c. Bus – a motor vehicle intended for mass transport or carrying of passengers.
- d. Special Purpose Vehicles – a range of motor vehicles specially constructed or adapted, equipped with various devices that enable them to perform certain non-transport functions (i.e fire trucks, crane lorries,

mobile radiological units, mobile drilling derricks, concrete mixer lorries etc.) or a specialized type of motor vehicles used for the transport of persons or goods. (i.e. ambulance, hearses)

e. Fire truck – fire fighting vehicle with pump, usually driven by the vehicle's engine.

f. Crane lorry – an equipment consisting of a motor vehicle chassis on which a cab and a rotating crane are permanently mounted.

g. Mobile drilling derrick – a lorry fitted with a derrick assembly, winchs and other appliances for drilling.

h. Ambulance - a vehicle equipped with medical equipment or facilities and used for transportation the injured or sick.

i. Hearse - a vehicle for conveying the dead.

j. Truck tractor/tractor head – a vehicle constructed essentially for hauling or pushing another vehicle, appliance or load.

k. Concrete-mixer lorry – a vehicle consisting of a cab and chassis, on which is permanently mounted a concrete mixer, capable of use for both making and transporting concrete.

l. Mobile radiological unit – a vehicle fitted with a examination room, dark room and complete radiological equipment.

m. Pickup truck – a light truck having an enclosed cab and an open body with low sides and tailgate. For purposes of this EO, pickup truck is a vehicle with gross weight of up to 3 tons.

*SECTION 2. Brand New Vehicles-* The importation of brand new motor vehicles shall be allowed pursuant to Executive Order No. 264, series of 1995 and Monetary Board Circular No. 92, series of 1995. To be considered brand new, the motor vehicles shall be (a) of current or advance year model in the country of origin and/or manufacture, or (b) of year model immediately preceding year in the country of origin and/or manufacture, provided that:

a. The motor vehicle has a mileage of not more than 200 kilometers; and

b. The motor vehicle has been acquired by the importer from the dealer as first owner.

*SECTION 3. Used Motor Vehicles.-* The importation into the customs territory or the Philippine territory outside the secured fenced-in Freeport zones of all types of used motor vehicles is prohibited except for the following:

a. A vehicle that is owned and for the personal use of returning resident or immigrant and covered by an authority to import issued under the No-Dollar Importation Program. Such vehicles cannot be resold for at least three (3) years;