

MALACAÑANG  
MANILA

EXECUTIVE ORDER No. 877

THE COMPREHENSIVE MOTOR VEHICLE  
DEVELOPMENT PROGRAM

WHEREAS, Executive Order No. 226 (EO 226) empowers the Board of investments (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 towards 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 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 other 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 vehicle 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 the BOI.

**SEC. 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.

**SEC. 3. Investments of a 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 conditions as may be imposed.

**SEC. 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.

**SEC. 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.

**SEC. 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 the 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.

**SEC. 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.

## **ART. 2. Prohibition of used Vehicles 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 guidelines.
- 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 a 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, pick-up truck is a vehicle with gross weight of up to 3 tons.
- n. **A vehicle for the use of an official of the Diplomatic Corps and authorized to be imported by the Department of Foreign Affairs;**
- o. **Trucks with GVW of 2.5 tons and above covered by an authority to import issued by the Department of Trade and Industry (DTI);**
- p. **Buses with GVW of 6 tons and above covered by an authority to import issued by the DTI;**
- q. **Special purposes vehicles;**
  - 1. fire trucks
  - 2. ambulances
  - 3. funeral hearses/coaches
  - 4. crane lorries
  - 5. tractor heads or truck tractors
  - 6. boom trucks
  - 7. tanker trucks
  - 8. tank lorries with high pressure spray gun
  - 9. reefers or refrigerated trucks
  - 10. mobile drilling derricks
  - 11. transit/concrete mixers
  - 12. mobile radiological units
  - 13. wrecker or tow trucks
  - 14. concrete pump trucks
  - 15. aerial/bucker flat-form trucks
  - 16. street sweepers
  - 17. vacuum trucks
  - 18. garbage compactors
  - 19. self loader trucks
  - 20. man lift trucks
  - 21. lighting trucks
  - 22. trucks mounted with special purpose equipment
  - 23. all other types of vehicles designed for a specific use; and
- r. **motorcycles covered by an authority to import issued by the DTI.**

**SEC. 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.

**SEC. 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;

**SEC. 4. Exempted Used Vehicles.**—Used vehicles exempted from the prohibition on importation shall require an authority to import from the DTI.

**SEC. 5. Used Engine, Parts and Components.**—Importation of used engines and parts and components for all motor vehicles shall require an authority to import issued by DTI.

SEC. 6. *Monitoring of Importation of Used Motor Vehicle.*—To effectively implement the provisions of this Article, the following shall be carried out:

a. The DTI shall monitor all importations of used motor vehicles. A monthly report on the result of its monitoring and the impact of imports shall be submitted to the DTI. When necessary and after due public consultation, it may issue an order suspending or restricting the entry of certain types of motor vehicles.

b. The Bureau of Customs (BOC) is hereby directed to submit the following information pertaining to the importation of motor vehicles to the DTI:

1. Name of importer;
2. Importer's address;
3. Quantity and invoice values of vehicle/s;
4. Make (brand), vehicle model, year model and identification numbers of vehicle/s;
5. Date of importation;
6. Assessed values of the vehicle/s;
7. Tariff classification and rate of duty per vehicle;
8. Total amount of taxes and duties paid on the shipment; and
9. Other relevant information on the importation of the said vehicle/s.

c. The Land Transportation Office (LTO) is hereby directed to submit the following information pertaining to the registration of imported motor vehicles to the Council;

1. Name of registrant;
2. Registrant's address;

3. Quantity and invoice values of vehicle/s;

4. Make (brand), vehicle model, year model and identification numbers of vehicle/s;

5. Date of registration; and

6. Other relevant information on the registration of the vehicle/s.

Such information shall be submitted every month not later than fifteen (15) days after the end of the reference month. The DTI, through the BOI, in coordination with the BOC and the LTO, may issue additional guidelines if necessary, to effectively implement this directive.

d. Consistent with the provisions of Republic Act No. 8749 or the Clean Air Act of 1999, all imported motor vehicles shall not be sold nor allowed to operate unless it has complied with emission standards. The LTO shall only register imported motor vehicles upon compliance.

e. The Department of Finance (DOF) and the Department of Transportation and Communication (DOTC), including the BOC, Bureau of Internal Revenue (BIR), LTO and other government instrumentalities shall perform their duties and responsibilities consistent with this Executive Order as they apply to the program.

f. All agencies instructed under the provisions of this Executive Order are directed to issue additional directives, circulars, or orders, if necessary to implement the provisions hereof, within fifteen (15) days from the effectivity of this Executive Order.

SEC. 7. *Penalty.*—All vehicles imported found to be in violation of this Executive Order shall be subject to seizure and re-exported at the expense of the importer/consignee immediately.

**ART. 3. Restructuring of Tariff Rates**

SECTION 1. *Tariff Restructuring.*—Consistent with the objectives of the MVDP, the tariffs for motor vehicle products shall be restructured at such rates comparable to neighboring countries with similar motor vehicle development programs.

**ART. 4. Restructuring of Excise Tax**

SEC. 1. *Excise Tax Restructuring.*—Consistent with the objectives of this Executive Order, the excise taxation system for motor vehicles shall be restructured to create a fair, simple, transparent and stable taxation system and promote the development of the motor vehicle industry.

**ART. 5. Export Incentives**

SECTION 1. *Export Incentives.*—An incentive package shall be granted on the exports of motor vehicles, other vehicle assemblies and its parts and components, in order to encourage greater participation and diversification in automotive exports.

**ART. 6. Standards and Technical Regulations**

SECTION 1. *Standards and Technical Regulation.*—Standards and Technical Regulations shall be established for quality, safety and environmental performance, among others, of motor vehicles.

SEC. 2. *Mutual Recognition Agreement.*—Efforts shall be made towards the adoption of Mutual Recognition Agreement (MRA).

SEC. 3. *Support Infrastructures.*—Privileges and benefits shall be extended to support infrastructures under this Article as may be allowed.

**ART. 7. Parts Manufacturing and Auto-Supporting Industries Development**

SEC. 1. *Support Measures.*—Support measures shall be implemented to ensure the development, competitiveness and capacity utilization of parts manufacturing and auto-supporting industries.

**ART. 8. ASEAN Agreements and Programs**

SECTION 1. *ASEAN Agreements and Programs.*—Aligned with its objectives, the MVDP shall aggressively continue to take advantage of the free trade agreements and programs of the ASEAN for the benefit of the automotive industry.

**ART. 9. Motor Vehicle Industry Council**

SECTION 1. *Motor Vehicle Industry Council.*—There is hereby created a Council for the motor vehicle industry hereinafter referred to as the Council, and shall be under the supervision of the DTI.

The Council shall be the central policy coordinating body tasked to ensure the accelerated development of the Philippine motor vehicle industry, in accordance with this Executive Order.

The Council shall be composed of:

- a. DTI Secretary – Chairman
- b. DTI Undersecretary for Industry and Investments – Vice Chairman
- c. DTI Undersecretary for Consumer Welfare and Trade Regulations – Member
- d. DENR Undersecretary – Member
- e. DOE Undersecretary – Member
- f. DOLE Undersecretary – Member
- g. Assistant Secretary, LTO – Member
- h. Chairman, LTFRB – Member
- i. Commissioner, BOC – Member
- j. Four (4) industry representatives to be appointed by the President upon the recommendation of the motor vehicle industry associations for a term of two (2) years

Permanent representatives designated by government members shall not be lower than the position of Assistant Secretary.

**SEC. 2. Powers and Functions of the Council.**—The Council shall have the following powers and functions:

- a. To oversee the implementation of the MVDP and other programs for the development of the automotive industry;
- b. To harmonize policies, rules and regulations, and other concerns as they affect the implementation of this Executive Order;
- c. To coordinate all automotive industry development efforts of all agencies and instrumentalities of the government towards the attainment of the following:
  - 1) Creation of a conducive environment to attract new investments and expand existing opportunities;
  - 2) Development of innovative technologies in the automotive industry;
  - 3) Development of high value-added manufacturing activities in niche areas;
  - 4) Increase in the motor vehicle industry's exports and make the Philippines as a production hub for the region;
  - 5) Competitiveness of parts and component manufacturers and to enhance their contribution to the industry and the economy.
- d. To perform such other acts as may be necessary or incidental to the exercise of its function and powers and the discharge of its duties under this Executive Order.

**SEC. 3. Motor Vehicles Industry Department.**—There is hereby created a Motor Vehicles Industry Department in the BOI to be headed by a Director. The organizational structure, including the duties and responsibilities of the Department consistent with this Executive Order, shall be drawn and approved by the BOI Board.

The Department shall also serve as the Secretariat of the Council.

**SEC. 4. Power to Require Assistance.**—The Council may require, if necessary, the assistance and cooperation of any government agency or any entity or association in order to ensure the effective implementation of the powers and functions of the Council.

**SEC. 5. Meeting and Quorum.**—The Council shall be organized within thirty (30) days from the promulgation of this Executive Order. The Council shall meet at least once in every quarter or as the need arises. The presence of seven (7) members shall constitute a quorum for the doing of business.

**SEC. 6. Honoraria and Allowances.**—The Council may in its discretion provide for honoraria and allowances for its members and its resource persons subject to existing rules and regulations.

**SEC. 7. Appropriations.**—To carry out the provisions of this Executive Order, the Council shall submit a supplemental budget to the Department of Budget and Management, which shall set aside the initial amount of Twenty Million Pesos (P20 million) for its organizational and operational expenses from any fund in the National Treasury not otherwise appropriated. Thereafter, a regular line item in the General Appropriations. Thereafter, a regular line item in the General Appropriations Act under the BOI budget shall be provided to cover the requirements of the Council subject to existing accounting and auditing rules and procedures.

## **ART. 10. Industry Development Fund**

**SECTION 1. Industry Development Fund.**—An Industry Development Fund (IDF) shall be established to provide for research and development, acquisition, development and upgrading of equipment and facilities, for exporter, which fund shall be administered by the Council through the BOI. The fund shall be sourced from the budget of the

Council and contributions from private sector stakeholders. This may be supplemented by grants and donations from any private or government office, agency or corporation in the Philippines or abroad. The fund shall be accounted for and disbursed in accordance with pertinent and existing laws, accounting and auditing rules and regulations.

#### ART. 11. Penalties

SECTION 1. *Participants*.—In case of violation of the provisions of this Executive Order or the terms and conditions of their registrations, after due notice, the Participants may be required to refund the benefits they enjoyed including interests and monetary penalties and/or cancellation or suspension of their registrations.

SEC. 2. *Government Entities and Employees*.—Any person, entity, government instrumentality or institution, found to be violating or grossly negligent in executing the mandates of this Executive Order shall result in the expulsion from office of any or all of the following personnel: the chief executive officer, responsible directors, responsible rank and file personnel and other responsible operating officers. Notwithstanding any provision of law to be contrary, they shall likewise be prohibited from holding any government position for at least two (2) years.

#### ART. 12. General Provisions

SECTION 1. *Repealing Clause*.—All other orders, rules and regulations or part thereof, which are inconsistent with the provisions of this Executive Order, are hereby repealed, amended or modified accordingly.

SEC. 2. *Implementing Rules and Regulations*.—The BOI, in consultation with concerned government agencies and the industry shall promulgate the implementing Rules and Regulations within sixty days from the effectivity of this Order.

SEC. 3. *Separability Clause*.—The provisions of this Executive Order are hereby declared separable and in the event any of such provisions is declared unconstitutional, the other provisions, which

are not affected thereby shall remain in full force and effect.

SEC. 4. *Effectivity*.—This Executive Order shall take effect 15 days upon publication in at least two (2) national newspaper of general circulation in the Philippines.

Manila, 23 April 2010

(Sgd.) GLORIA MACAPAGAL-ARROYO  
*President of the Philippines*

By the President:

(Sgd.) LEANDRO R. MENDOZA  
*Executive Secretary*