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MEMORANDUM ORDER NO. 473

PROVIDING AMENDMENTS TO MO 346 "AMENDING THE GUIDELINES ON THE CAR DEVELOPMENT PROGRAM, THE COMMERCIAL VEHICLE DEVELOPMENT PROGRAM, AND THE MOTORCYCLE DEVELOPMENT PROGRAM"

Pursuant to the provisions of the 1987 Omnibus Investments Code (EO 226), and upon the recommendation of the Board of Investments, I, FIDEL V. RAMOS, President of the Philippines do hereby order the following amendments to the Guidelines on the implementation of the Car Development Program (CDP), the Commercial Vehicle Development Program (CVDP), and the Motorcycle Development Program (MDP):

Section 1. Section 5.3 of Chapter I (CDP) which prescribes the guidelines on the importation of semi-knocked down units is hereby deleted.

Section 2. Section 7.4 of Chapter I (CDP) is hereby amended to read:

"Section 7.4: The BOI, upon recommendation of the Technical Review Committee, may adopt a program to require a short mandatory list of strategic and high-technology automotive parts, such as engines, transmissions, clutch and brake systems, suspension systems and drive line assemblies. Items listed in the mandatory list may not be imported by assemblers after the target dates for the local production of such components are reached".

Section 3. Section 7.6 is hereby included in Chapter I (CDP) to read as follows:

"Section 7.6. In recognition of high export achievement by any Program participant, which shall mean exports of at least US\$200 million per year, the BOI may grant a local content offsetting scheme consistent with the government's commitments under the GATT Agreement, in the following manner: An applicant may opt to exchange local content with net foreign exchange earnings (NFEE) up to 50% of the requirement under the CDP provided that:


a) such an offset shall be twice the US dollar value of local parts displaced or the difference between the local content requirement of the program and the local content that the assembler has committed itself to comply; b) said value shall be in NFEE which shall be deducted from the assembler's ledger account; c) the assembler shall still comply with the basic NFEE requirement for the importation of CKDs; and d) NFEE earned the previous year shall be considered as basis for the local content offset in the current year."

Section 4. Section 16.5 of Chapter II (CVDP) is hereby amended to read:

"**Section 16.5** The BOI, upon recommendation of the Technical Review Committee, may adopt a program to require a short mandatory list of strategic and high-technology automotive parts, such as engines, transmissions, clutch and brake systems, suspension systems and drive line assemblies. Items listed in the mandatory list may not be imported by assemblers after the target dates for the local production of such components are reached".

Section 5. Section 16.7 is hereby incorporated in Chapter II (CVDP) to read as follows:

"**Section 16.7** In recognition of high export achievement by any participant, which shall mean exports of at least US\$200 million per year, the BOI may grant a local content offsetting scheme in the following manner: An applicant may opt to exchange local content with net foreign exchange earnings (NFEE) up to 50% of the requirement under the CDP provided that: a) such an offset shall be twice the US dollar value of local parts displaced or the difference between the local content requirement of the program and the local content that the assembler has committed itself to comply; b) said value shall be in NFEE which shall be deducted from the assembler's ledger account; c) the assembler shall still comply with the basic NFEE requirement for the importation of CKDs and d) NFEE earned the previous year shall be considered as basis for the local content offset in the current year."



Section 6. Section 24.6 is hereby incorporated in Chapter III (MDP) to read as follows:

"Section 24.6. In recognition of high export achievement by any participant, which shall mean exports of at least US\$200 million per year, the BOI may grant a local content offsetting scheme in the following manner: An applicant may opt to exchange local content with net foreign exchange earnings (NFEE) up to 50% of the requirement under the CDP provided that: a) such an offset shall be twice the US dollar value of local parts displaced or the difference between the local content requirement of the program and the local content that the assembler has committed itself to comply; b) said value shall be in NFEE which shall be deducted from the assembler's ledger account; c) the assembler shall still comply with the basic NFEE requirement for the importation of CKDs; and d) NFEE earned the previous year shall be considered as basis for the local content offset in the current year."

Section 7. Section 31.3 is hereby provided in Chapter IV (Other Provisions) to read as follows:

"Section 31.3 New and modernizing existing car, commercial vehicle and motorcycle assembly plants integrated with the production of components and parts, shall be given incentives under the annual Investment Priorities Plan. Pioneering/non-pioneering status shall be determined by the Board based on investments, local employment, technology, pace of implementation, size of assembly facility, and early start-up of the project."

Section 8. Section 27 in Chapter IV of the Guidelines is hereby amended to read as follows: "The Technical Review Committee created under these Guidelines shall be chaired by the BOI Managing Head with appropriate representations from NEDA, DOF, DOTC and concerned private sector groups. The Committee shall regularly review and recommend the amendment to the Guidelines, if any, to ensure its responsiveness to the Program objectives. This shall not only include oversight functions on the Program implementation, but also the conduct of study to determine the possible adoption of an automotive excise taxation scheme for CDP participants based on valuation and the possible grant of exemption for payment of excise taxes for AUV Program.

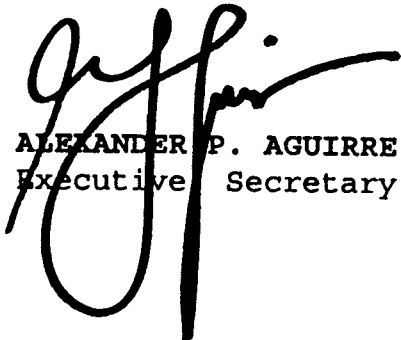
Section 9. Repealing Clause. All other executive orders, administrative orders, rules and regulations, or parts thereof inconsistent with the provisions of this Memorandum Order are hereby repealed or modified accordingly.

Section 10. Effectivity. This Memorandum Order shall take effect immediately.

DONE in the City of Manila, on this 8th day of April in the year of our Lord, Nineteen Hundred and Ninety-Eight.



By the President:



ALEXANDER P. AGUIRRE
Executive Secretary

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Date



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