REVISIONS ON THE GTEB RULES ON QUOTA ALLOCATION

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This year 2004 being the last year of the quota and considering the lower levels of available free quotas for critical categories, the following revisions on the rules of quota allocation were approved by the Board effective immediately:

> I. Allocation of 2004 quotas of critical categories shall be done in accordance with the following order of priorities and guidelines:
>
> 1. EQ restoration
> 2. Restoration of quota incentives granted in prior years under the Productivity Enhancement Program.
>
> a. Restoration in 2004 of Quota Incentives granted or restored to firms in 2003 under the Productivity Enhancement Program (PEP) shall be equivalent to the quota incentive award less 150% of the unperformed quantity of such incentive (performance based on AWBs/BLs) subject to the following conditions:
>
> i. Firm is compliant with the Re-accreditation Program.
>
> ii. The investment for which the quota incentives were granted still exists. This will be ascertained thru random inspection conducted by GTEB.

If the investment no longer exists, the equivalent quota incentive previously granted shall not be restored, or if already restored, the same shall be forfeited. If the quota to be forfeited has been used, the equivalent quantity shall be deducted from any future allocation of the firm in the same category.

3. Quota incentives under the Productivity Enhancement Program that remain unsatisfied as of January 16, 2004.

a. Firms with unsatisfied entitlements under the Productivity Enhancement Program and/or under the guarantee allocation may be allowed to swap their entitlements with any related category that has an allocable free quota provided the choice is made within a given period so as not to delay the allocation of quota incentives. (The mechanics and timing of this swapping are subject to further consultation with the Advisory Council and will be published and circularized once finalized)

4. Restoration of quantities surrendered in categories that were in danger of embargo as per Memorandum Circulars No. 13 & 15.

5. Advance EA allocation as previously published in the newspapers (except for categories 338/9 and 635 as per Memo Circular No. 004-04 dated January 26, 2004)

6. Restoration of Guarantee Allocation for non-critical categories that migrated to critical status in 2003 and for critical categories that were performing like non-critical.

a. Restoration in 2004 of Guarantee Allocation for categories that were non-critical in 2002 that became critical in 2003 and for critical categories that were performing like non-critical shall be equivalent to the guarantee award less 150% of unperformed quantity of such guarantee (performance based on AWBs/BLs) subject to the following conditions:

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i. Firm is compliant with the Re-accreditation Program.

ii. The quota under this guarantee shall be utilized only for shipment to specific buyer(s) as declared by the firm in its application for guarantee approved by GTEB. Any change in the buyer shall have to be pre-approved by GTEB before the guarantee could be used for other buyers.

iii. The firm shall not be allowed to transfer any quantity under the category with the guarantee allocation except to sister companies as defined under the GTEB rules.

7. Allocation of minimal quantities under the Minimal Quantity Scheme.

a. Considering the small quantity of remaining quotas, the quantity to be allocated for this scheme shall be limited to 10,000 dozens or actual utilization in 2003 whichever is lower.

b. The maximum allocation per firm per category per year is 100 dozens until the allocable balance is exhausted.

8. Compensation for embargoed category equivalent to unshipped quota in category 347/8 or a total of 54,230 dozens. (The final disposition of the compensation is subject to further consultation with the Advisory Council)

9. Quantities remaining after satisfying the priorities from 1 to 8 above shall be allocated 100% under the Incentives Basket. In other words, no allocation for critical categories shall be made under the Cap and Rank Scheme for 2004.

II. If the Adjusted Level of Restraint is not sufficient, the allocation shall follow the above prioritization with the condition that any allocable quantities in the future shall be used first to satisfy any unsatisfied priority in the same order. Quota awards shall be pro-rated based on restorable quantities/entitlements of each firm.

III. All restrictions on quota transfers are lifted to provide more flexibility to garment exporters considering the limited quotas during this last quota year. Any quota whether EQ or REA may be transferred up to 100%. However, approval of quota transfers of closed firms or non-operational firms as part of their exit plan shall still be subject to the submission of a DOLE clearance certifying that the firm does not have any pending labor case.

The specific quantities of allocated and available quotas of critical categories will be published in circulars, newspapers, and the GTEB web site by February 18, 2004.

For your information and guidance.

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