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GUIDELINES ON THE AVAILMENT OF THE EQUITY SUBSIDY UNDER THE PUBLIC UTILITY VEHICLE MODERNIZATION PROGRAM

DEPARTMENT ORDER NO. 2018-016, August 06, 2018

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I. BACKGROUND

The Public Utility Vehicle Modernization Program ("PUVMP") is a transformational large-scale initiative and flagship project of the Duterte Administration. It envisions a restructured, modern, well-managed, and environmentally sustainable transport sector where drivers and operators have stable, sufficient, and dignified livelihoods while commuters get to their destinations quickly, safely, and comfortably.

The PUVMP involves replacing old units of Public Utility Vehicles ("PUVs") nationwide. An estimated number of 179,000 Public Utility Jeepneys ("PUJs") nationwide are to be covered by this program. Thus, the PUVMP requires significant financing programs that are appropriate and sufficient to the financial needs of the PUV operators.

These Guidelines on the Availment of the Equity Subsidy under the Public Utility Vehicle Modernization Program are issued pursuant to the following:

- Department Order No. 11, Series of 2017, dated 19 June 2017, otherwise known as the Omnibus Guidelines on the Planning and Identification of Public Road Transportation Services and Franchise Issuance or Omnibus Franchising Guidelines ("OFG");

- Executive Order (EO) No. 058, Series of 2017 of the Land Bank of the Philippines ("Land Bank"), dated 26 April 2017 and the Memorandum of Understanding between LandBank and the Department of Transportation ("DOTr"), signed on 30 April 2017;

- Memorandum of Understanding between the Development Bank of the Philippines ("DBP") and the DOTr, signed on 11 September 2017; and

- Special Provisions for Budgetary Support for Government Corporations ("BSGC"), for Land Bank and DBP, under Republic Act No. 10964 or the F.Y. 2018 General Appropriations Act ("GAA").

- Land Transportation Franchising and Regulatory Board ("LTFRB") Memorandum Circular (MC) No. 2018-006 or the Guidelines for the PUV Modernization Program's Initial Implementation; LTFRB MC No. 2018-008 or the Consolidation of Franchise Holders in Compliance with DOTr Department Order No. 2017-11; and LTFRB MC No. 2018-13, the Implementing Guidelines for the Acceptance of new Certificate of Public Convenience (CPC) under the Initial Implementation of the PUVMP.

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II. PRINCIPLES AND GENERAL APPROACH

1. This Department Order ("D.O.") shall provide the guidelines for the availment of the national government subsidy to cover the equity required in purchasing new PUV units under the financing programs of the DBP and Land Bank, as well as the eligibility criteria and the terms and conditions in the availment of the equity subsidy.

2. This D.O. shall be guided by the principles set forth under the OFG, namely: inclusivity, transparency, and fairness. Inclusivity refers to the preference of absorbing existing PUV operators in the PUVMP, providing the needed support for the existing operators' smooth transition to the new system of public transportation service. Transparency refers to the open and transparent manner of processing and awarding applications for subsidy. Fairness refers to the use of an objective criteria that will guide the implementing agencies in determining the eligibility of the subsidy.

3. This D.O. shall guide all concerned agencies in the implementation of the PUVMP, primarily the DOTr, LTFRB, Land Transportation Office ("LTO"), and Office of Transportation Cooperatives ("OTC"). This D.O. shall also guide the Department of Finance ("DOF"), Department of Budget and Management ("DBM"), and Government Financial Institutions ("GFIs"), particularly the DBP and Land Bank, insofar as activities, processes, and functions related to the PUVMP's Financing Component are concerned.

4. This D.O. shall provide the general guidelines for the implementation of Financing Programs related to the PUVMP set by DBP and Land Bank, including the execution of the Equity Subsidy, considering the individual financing programs formulated and approved by DBP and LandBank upon consultation with DOTr and LTFRB.

III. IDENTIFICATION OF TERMS

1. Equity Subsidy – refers to the amount provided by the national government to PUV Operators, which shall be used for the required equity by the PUV operators in applying for their loans under DBP or Land Bank. It shall be deemed as incentive support for the operators in modernizing their PUV fleet.

2. Claimant Transport Operator – refers to the transport operator duly registered as a legal entity who underwent the process prescribed by LTFRB for claiming the Equity Subsidy.

3. New or Developmental Route – refers to routes that serve new residential, commercial, and other land use developments pursuant to item 2.4 of the Department Order No. 2017-011 or the OFG.

4. Notice of Selection – a primarily document issued by the LTFRB to the selected applicant after evaluation and/or review of the Qualification Documents submitted for the franchise application.

IV. GUIDELINES FOR THE EQUITY SUBSIDY UNDER THE PUV MODERNIZATION PROGRAM

1. Pursuant to the goal PUVMP and the Special Provisions of Republic Act No. 10964 or the GAA, the equity subsidy shall be deemed as an incentive support for the claimant Transport Operator in modernizing their PUV fleet, and the amount shall be used for the required equity by the PUV operators in applying for their loans under DBP and Landbank.

2. Equity subsidy can be accessed through respective financing programs and schemes from DBP and Land Bank, and should be guided by prevailing issuances, and prescribed process from the LTFRB and DOTr as to the implementation of the PUVMP.

3. The budget allocated for equity subsidy under the GAA shall be housed under BSGC – Others, in the respective accounts of DBP and Land Bank. The allocated budget shall be set up as a separate fund, and the transactions thereon shall be separately recorded and maintained in the books of DBP and Land Bank.

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4. Implementation of the said Special Provisions under the GAA, as well as the release of funds allocated for this purpose shall be guided by this D.O.

5. The equity subsidy can only be charged upon the approval of the loan application of the Claimant Transport Operator with the respective banks, which shall be based on the eligibility, and terms and conditions written in this DO, as well as the existing policies, rules and regulations of DBP and Land Bank.

V. ELIGIBILITY, TERMS, AND CONDITIONS, AND PROCESS IN AVAILING THE EQUITY SUBSIDY

1. Eligibility

i. Existing PUV operator with valid franchise – refers to an operator who has a valid franchise at the time of the application, validated using the Master List of PUV operators who hold valid and current franchises, which shall be prepared by the LTFRB; and

ii. PUV operators applying for new of developmental routes – refers to operators who may be existing or new, whose eligibility is contingent on the approval of the operator's application for new or developmental routes by the LTFRB.

iii. The Claimant Transport Operator shall be deemed eligible for the Equity Subsidy upon presentation of the Notice of Selection issued by LTFRB to the bank. The Notice of Section shall be obtained after due evaluation from the LTFRB, and such shall include at least the following:
a. Name of the operator

b. Approved route

c. Approved number of units and the type of PUV to ply the route.

2. Terms and Conditions

i. Existing PUV operators with valid franchises and PUV operators applying for new or developmental routes are eligible for a fixed amount of Eighty Thousand Pesos (Php 80,000.00) per unit as equity subsidy; Provided, however, that the availment of the stated equity subsidy shall cause the cancellation of the existing franchise and the issuance of a new or consolidated franchise, upon compliance with Department Order No. 2017-011 or the OFG, LTFRB MC Nos. 2018-006, 2018-008, and 2018- 013, and other pertinent laws, rules and regulations, as may be determined by the LTFRB.

ii. Consistent with the immediately preceding paragraph, the availment of the stated equity subsidy shall automatically cause the dropping of old PUJ units, and must be substituted with units compliant with the requirements of the OFG.

iii. PUJ units dropped and substituted by virtue of this DO shall be surrendered for scrapping, as may be further provided under the rules and regulations to be promulgated by the DOTr, LTFRB, and LTO, in coordination with other implementing agencies.

iv. The stated equity subsidy shall not be transferable, convertible to cash, withdrawable, and shall not be used for purposes other than what is prescribed under the PUVMP and this D.O.

v. The stated equity subsidy can only be availed through DBP and Land Bank. The same shall be charged against the prescribed and approved equity requirement for the loan applied to acquire new PUV units, subject to the availability of allotted funds for the budget cycle.

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VI. REPEALING CLAUSE

All other issuances inconsistent herewith are deemed modified or superseded accordingly.

VII. EFFECTIVITY

This D.O. shall take effect immediately following its publication in the UP Law Center.

(SGD) ARTHUR P. TUGADE
Secretary

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