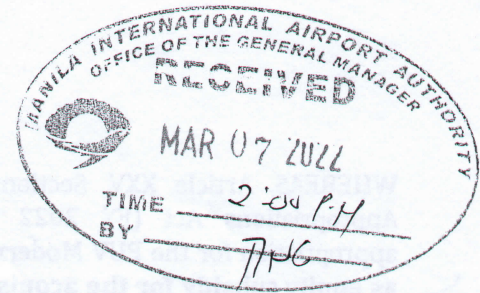




Republic of the Philippines
DEPARTMENT OF TRANSPORTATION



DEPARTMENT ORDER NO. 2022-005

SUBJECT: GUIDELINES ON THE EXPANDED IMPLEMENTATION OF THE EQUITY SUBSIDY FOR THE PUV MODERNIZATION PROGRAM AS PROVIDED UNDER REPUBLIC ACT NO. 11639 OTHERWISE KNOWN AS THE GENERAL APPROPRIATIONS ACT OF FY 2022 (FY 2022 GAA) AND ANY SUBSEQUENT LEGISLATIONS

DATE 03 MARCH 2022

WHEREAS, the Department of Transportation ("DOTr") is mandated to be the primary policy, planning, programming, coordinating, implementing, regulating and administrative entity of the Executive Branch of the government in the promotion, regulation and development of fast, safe, efficient, and coordinated transportation services;

WHEREAS, in an effort to transform and elevate the level of service in public transport in the country, the Department launched in 2017 the Public Utility Vehicle (PUV) Modernization Program through the Department Order No. 2017-011 or the *Omnibus Franchising Guidelines (OFG)*;

WHEREAS, among the ten (10) components of the program is the Financing component which aims to provide financing facilities with attractive loan terms and conditions in collaboration with Government Financing Institutions ("GFIs") and the granting of an equity subsidy to eligible Transport Service Entities ("TSEs") for the acquisition of modern and environmental-friendly PUVs compliant with the Philippines National Standards ("PNS") which shall be adopted into technical regulations by the Land Transportation Franchising and Regulatory Board (LTFRB);

WHEREAS, a Memorandum of Understanding (MOU) was executed by this Department with the Landbank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) on 30 April 2017 and 11 September 2017, respectively, for the implementation of two special financing facilities namely the *Special Package for Environment-Friendly and Efficiently-Driven Public Utility Vehicles (SPEED PUV)* and the *Program Assistance to Support Alternative Driving Approaches (PASADA)*;

WHEREAS, in 2018, this Department issued Department Order No. 2018-016 to govern the rules and procedures in the availment of the Equity Subsidy as provided under the Republic Act No. 10964 otherwise known as the FY 2018 General Appropriations Act (GAA 2018) for the acquisition of Modern Public Utility Jeeps (MPUJ);

WHEREAS, a Memorandum of Agreement (MOA) was executed by this Department with the Landbank of the Philippines (LBP) on 2020 to renew the commitment for the SPEED PUV lending program, and to introduce the *Interim Rehabilitation Support to Cushion Unfavorably-Affected Enterprises by COVID-19 for Better Urban Services Transport (IRESCUE Bus)* which is a lending program for buses;

WHEREAS, Article XXV, Section 8 of the Republic Act No. 11639 or the FY 2022 General Appropriations Act (FY 2022 GAA) provides an amount of PhP 1,800,721,000.00 as an appropriation for the PUV Modernization Program by which **PhP 1,050,721,000.00 shall be used as equity subsidy for the acquisition of modern PUVs** and the remaining P750,000,000.00 shall be appropriated for the social support component of the Program;

WHEREAS, to ensure a just and equitable transition of the public transport industry, there is a need to expand the guidelines of the availment of the equity subsidy to cover all modes and enable its access to private banks and other legitimate financing institutions;

NOW THEREFORE, I, ARTHUR P. TUGADE, Secretary of the Department of Transportation, by virtue of the powers vested in me by law, hereby order that the following rules and procedures on the granting and release of the equity subsidy to eligible transport operators acquiring modern PUVs for the PUV Modernization Program with funding appropriation under the Republic Act No. 11639 and any subsequent legislations.

I. GENERAL PRINCIPLE AND POLICY

1. This Department Order ("DO") shall provide the guidelines for the expanded implementation of the equity subsidy for the purchasing of new PUV units under the financing programs of the DBP, LBP, and qualified private financing institutions as well as the eligibility criteria and the terms and conditions in the availment of the equity subsidy.
2. This DO 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 DO shall be consistent with the conditions set forth under Republic Act No. 11639 and subsequent legislations.
4. This DO shall guide all concerned agencies in the implementation of the PUV Modernization Program, 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 Funding Institutions ("GFIs"), particularly DBP and LBP, insofar as activities, processes, and functions related to the PUVMP's Financing Component are concerned.

II. SCOPE AND COVERAGE

The subsidy shall cover the following public transport modes compliant with the PNS which are adopted into technical regulations by the LTFRB.

- A. **Modern Public Utility Jeepneys (MPUJ).** The equity subsidy shall cover the acquisition of MPUJs to eligible Transport Service Entities with routes certified by the LTFRB.

The units must conform with the technical regulations issued by the LTFRB pursuant to the specifications set forth under Philippine National Standards (PNS) 2131:2018 for Class 1, PNS 2126:2017 for Class 2 and 3, and PNS 2157:2021 for Class 4, and succeeding issuances and revisions if any. All succeeding PNS issuance and revisions, if any, must be adopted into regulation by the LTFRB.

- B. **Modern Mini-bus.** The equity subsidy shall cover the acquisition of Modern Mini-Bus to eligible TSEs with routes certified by the LTFRB.

The units must conform with the technical regulations to be issued by the LTFRB pursuant to the technical specifications set forth under PNS 2160:2021, and succeeding issuances and revisions if any. All succeeding PNS issuance and revisions, if any, must be adopted into regulation by the LTFRB.

- C. **Modern Public Utility Bus.** The equity subsidy shall cover the acquisition of MPUBs to eligible TSEs with routes certified by the LTFRB and meet the prioritization criteria. The following hierarchy in terms of prioritization shall be observed:

1. TSEs acquiring modern PUB units as a result of mode upgrade as approved by the LTFRB; and
2. Bus routes previously operated by individual franchise holders.

The units must conform with the technical regulations to be issued by the LTFRB pursuant to the specifications promulgated by the BPS.

III. GENERAL GUIDELINES

- A. The equity subsidy appropriated under FY 2022 GAA and succeeding appropriation for this purpose shall be an incentive support for eligible TSEs in modernizing their PUV fleet.
- B. Pursuant to the Special Provisions of FY 2022 GAA, access to the equity subsidy shall be expanded to include financing programs and schemes of private banks and legitimate financing institutions. Existing financing programs and schemes of the LBP and DBP shall still be the priority financing facilities.
- C. For financing availed through private commercial banks, rural banks, and other legitimate financing institutions, the said financing entities must meet the following requirements:

- a. Accredited or Authorized by the Philippine Guarantee Corporation (commercial bank, rural bank, etc.);
- b. Accredited or Supervised by the Banko Sentral ng Pilipinas (BSP); and
- c. Accredited or Authorized by the Cooperative Development Authority.

Financing availed from in-house financing schemes and other schemes shall be subject to a separate eligibility criteria and terms and conditions to be set forth in the implementing guidelines of the LTFRB.

- D. Implementation of the Special Provision under the FY 2022 GAA, as well as the release of funds allocated for this purpose shall be guided by this DO and other issuances and/or guidelines that may be issued by the LTFRB, in coordination with other concerned agencies and Government Financing Institutions.
- E. The equity subsidy can only be accessed upon the approval of loan applications by TSEs with its chosen financing entity and upon compliance with the eligibility, and terms and conditions written in this DO and the implementing guidelines to be issued by LTFRB.

IV. ELIGIBILITY AND TERMS AND CONDITIONS IN AVAILING THE EQUITY SUBSIDY

A. Eligibility Criteria

The eligibility criteria of Transport Service Entities to avail the equity subsidy shall be part of the implementing guidelines to be issued by the LTFRB.

B. Terms and Conditions

- a. **Equity Subsidy Rate.** The equity subsidy rate shall be determined in the implementing guidelines to be issued by the LTFRB based on the principle of fairness and equity. The rate shall take into account the prevailing market prices of the units and may be tiered based on specific conditions agreed by the Department.
- b. **Equity Subsidy Allocation.** The equitable subsidy allocation per mode shall be determined and monitored by the LTFRB, in consultation with the Department, based on its target PUVs to be modernized and consistent with other relevant components of the program.

Further, the allocation shall be reviewed quarterly and may be subject to change based on the approval rates and feedback received from the multi-sectoral governance committee. The final allocation shall be reflected in the implementing guidelines to be issued by LTFRB.

- c. **Equity Subsidy Application.** The release of the equity subsidy shall also apply to financing for Modern Public Utility Jeepney (MPUJ) availed from eligible financing entities as identified in Article III, Section C from July 2018 until the issuance of this DO.

- d. **Non-conversion and non-transfer.** The 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 issuance.

V. COMPLIANCE WITH THE SPECIAL PROVISIONS OF R.A. 11639 AND ANY SUBSEQUENT LEGISLATION

To ensure transparency and accountability in the use of this fund, the DOTr, through the LTFRB as the primary implementing agency of the PUVMP, undertakes to comply with the provisions of R.A. 11639, the President's veto message, and any subsequent legislations that may be enacted or issued extending the program. To this end, the DOTr, through the LTFRB, in collaboration and coordination with other government agencies and stakeholders shall create new and/or additional bodies/groups/committees and promulgate additional guidelines and issuances necessary to carry out the effective implementation of this program.

VI. FUND APPROPRIATION

Funds for the equity subsidy under these expanded guidelines shall be taken from the appropriation under FY 2022 GAA and any subsequent legislations, and shall be subject to the usual government accounting and auditing rules and regulations.

VII. IMPLEMENTING GUIDELINES

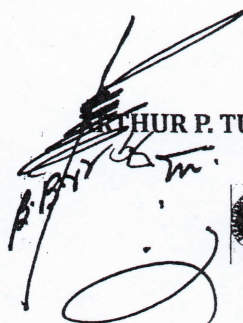
The LTFRB, in coordination with concerned stakeholders and partners, shall formulate a Memorandum Circular for the implementation of this policy within thirty (30) days from the issuance of this Department Order.

VIII. SEPARABILITY CLAUSE

If any part of the provision of this Department Order is held unconstitutional or invalid, other parts of provisions that are not affected shall continue to remain in full force and effect.

IX. EFFECTIVITY

This Department Order shall take effect thirty (30) days following completion of its publication in the Official Gazette and/or in a newspaper of general circulation and/or the filing of three (3) copies hereof with the UP Law Center pursuant to Memorandum Circular 11 dated 09 October 1992 of the Office of the President.


ARTHUR P. TUGADE
DOT-SEC

