

# [ DEPARTMENT ORDER NO. 2018-016, August 06, 2018 ]

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

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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.

## **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.