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BY THE PRESIDENT OF THE PHILIPPINES

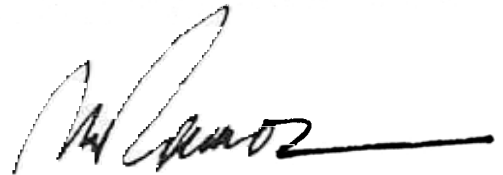
Memorandum Order No. 242

Further Modifying the Guidelines to the Car Development Program (CDP) as approved under Memorandum Order No. 136 (Series of 1987)

Pursuant to the provisions of Executive Order No. 248, dated 24 July 1987, these Further Modifications to the Guidelines to the Car Development Program (CDP), which are contained in Annex "A" hereof, are hereby APPROVED.

This Memorandum Order shall take effect immediately from its publication.

Done in the City of Manila, this 2nd day of December, in the year of our Lord, Nineteen Hundred and Ninety-four.



By the President



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LEONARDO A. QUISUMBING
Acting Executive Secretary



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ANNEX "A"

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Further Modifications to the Guidelines
to the Car Development Program (CDP)

WHEREAS, Memorandum Order No. 134 (Series of 1993) and Memorandum Order No. 238 (Series of 1994) approved the latest modifications to the Guidelines to the Car Development Program (CDP) pursuant to Sec. 2 of Executive Order No. 248, dated 24 July 1987 and Sec. 14 of Memorandum Order No. 136, dated 01 December 1991:

WHEREAS, there is a need to introduce further modifications to the said Guidelines in order to further enhance the development objectives of the Program; and

WHEREAS, additional investments, employment, and exports will be realized with the entry of AIJV projects into the Program;

WHEREFORE, the following Modifications to the Guidelines to the Car Development Program (CDP) are hereby promulgated, to wit:

SECTION 1. COVERAGE

Section 5.3 of M.O. 136 is hereby modified to read as follows:

"Only qualified participants under Section 4.4 of the Program and those which will qualify under the following provisions are allowed to manufacture and assemble passenger cars:

- 5.31 Those participants under Category I of the Car Development Program which will "graduate" to Category II thereof pursuant to the provisions of M.O. 286, Series of 1990;
- 5.32 Those participants that will qualify under M.O. 68, Series of 1992, the supplemental guidelines to the Car Development Program creating Category III thereof; and
- 5.33 AIJV projects endorsed by the government, qualified proponents of which shall, upon application and after approval by the BOI, be considered as participants of the Program. The said AIJV projects shall be subject to the terms and conditions which shall be imposed by the Board of Investments under these modified guidelines.

SECTION 2. PARTICIPANTS

2.1 Section 4.1 of M.O. 136 is hereby modified to read as follows: "After the approval and publication of these Guidelines, applications for registration in the CDF by AIJV project proponents shall be accepted by the HQI, which office shall decide on the accepted applications within 70 working days.

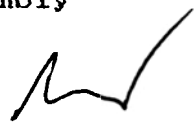
2.2 Section 4.4. of M.O. 136 is hereby modified to include the following sub-section:

"4.43 AIJV projects endorsed by the government, qualified proponents of which shall be considered as participants of the Program and shall be subject to the terms and conditions which shall be imposed by the Board of Investments under these guidelines.

SECTION 3. SKD AND CKD OPERATIONS

3.1 Participants which have been accepted via the AIJV scheme may be issued certificates of authority to import passenger cars in SKD condition for a period of six (6) months from the date of issuance of its certificate of registration under this Modified Guidelines so that AIJV passenger cars can be made available while the CKD assembly facilities are being set-up. The issuance of certificates of authority to import passenger cars in SKD condition may be extended for another six (6) months if conditions so warrant .

3.2 Participants which have been accepted via the AIJV scheme are required to start CKD assembly operations within eighteen (18) months from the start of SKD operations. They may be allowed to initially go into "soft" CKD operations by undertaking Level I (welded and pre-painted shells) and Level II (welded but unpainted shells) during the first stages of CKD assembly operations as the Board may authorize. Participants, however, shall be in full CKD operations after the sixth (6th) month of "soft" CKD assembly operations.



SECTION 4. FOREIGN EXCHANGE REQUIREMENTS

- 4.1 Participants under the AIJV scheme shall earn 100% of their foreign exchange requirements for CKD importations through the generation of export earnings, subject to the rules and regulations implementing the crediting of exports proceeds. However, while waiting for the setting up of their respective automotive parts manufacturing projects, participants under the AIJV scheme may be allowed to initially earn 50% of their foreign exchange requirements during the first six (6) months of SKD/CKD operations provided that the 50% balance will be paid during the succeeding six (6) month period.


SECTION 5 - PARTS MANUFACTURING FACILITY

- 5.1 The project implementation of the participants' major automotive part manufacturing facilities shall start at the same time as their SKD assembly operations and shall be operational twenty-four (24) months later. Major manufacturing processes, such as pressworking, machining and metalcasting shall commence within a reasonable time thereafter, as approved by the Board.

SECTION 6 - INVESTMENTS

- 6.1 Fifty Percent (50%) of the investments allocated for the car assembly plant, excluding the cost of the land, shall be in place during the year that SKD operations are started, and the proportionate amount of investments in the major automotive parts manufacturing facility, the schedule of which shall be approved by the BOI, shall likewise be in place.

SECTION 7 - PERFORMANCE BOND

- 7.1 The Board may require each participant entering the program under the AIJV scheme to post a performance bond or bank guaranty to ensure the fulfillment of the commitments that it shall make on the establishment of a major automotive part manufacturing facility in accordance with its participation in the Program. Such bond or guaranty shall be proportionally reduced upon presentation of proof of investments in plant build-up, excluding land.
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SECTION 8 - OTHER PROVISIONS

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All the provisions of the CDP Guidelines, for as long as they are consistent with the provisions of these modifications, shall likewise apply to any participant that shall be registered herein.

These Modifications to the CDP Guidelines shall take effect immediately after publication.

