

# AUTOMOTIVE ADVOCACY PAPER 2022



## ABOUT ECCP

The **European Chamber of Commerce of the Philippines** (ECCP) is a service-oriented organization whose main goal is to foster close economic ties and business relations between the Philippines and Europe. The ECCP does this through offering a wide range of consultancy services and by fostering connections between companies, organizations, and individuals with existing or potential business ties to Europe and the Philippines. It is also at the forefront of pro-business, pro-growth advocacy in the Philippines, representing European business interests for increased market access and trade facilitation, at the highest level of Philippine political discussions.

The ECCP views itself as the stepping stone for Europeans into the Philippine market and for Filipinos into the European market.



# AUTOMOTIVE ADVOCACY PAPER 2022



**EUROPEAN CHAMBER OF COMMERCE OF THE PHILIPPINES**  
19th Floor, Philippine AXA Life Center Bldg.,  
Sen. Gil Puyat Ave. cor. Tindalo Street,  
Makati City, Metro Manila, Philippines, 1200

*Positions expressed in the advocacy papers are the result of the activities of the Sector Committees working under the ECCP.*

## EDITORIAL BOARD

Florian Gottein  
Sophia Mari Antoinette Ordoña  
Katrina Angelica Baligod  
Ma. Elena Tabbu  
Mazel Cathleen Salazar

Chienie Patricia Nethercott  
Aila Jenina Torres  
Angelita Bonsilao  
Sonja Cristi Leigh Duller

## ECCP COMMITTEE CHAIRS

COMMITTEE	COMMITTEE LEADERS
Agriculture	Ruth Novales Dr. Mary Ann Sayoc
Automotive	Willy Tee Ten Paulo Duarte
Aviation	Atty. Marvin Masangkay Lourdes Cariño Angeles
Customs	Atty. Mark Anthony Tamayo
Education	Bai Norma Shareef Dr. Luningning Misuarez Umar Dr. Amor Pandaliday
Environment and Water	Christine Ponce-Garcia
Food and Beverages	Helen Grace Baisa
Healthcare and Pharmaceuticals	Dr. Ma. Teresa Dioko
Human Capital	Atty. Eliseo Zuñiga
ICT-BPM-KPM	Erik Moller Nielsen Karl Bantiling
Infrastructure	Ram Maganti Reinier Dizon
Innovations	Amor Maclang David Almirol Abid Zaidi
Intellectual Property Rights	Atty. Divina Ilas-Panganiban
Open Finance and Financial Inclusion	John Januszczak Eng Teng Wong
Real Estate	Lylah Fronda-Ledonio Paula Queaño Mikko Barranda Ricardo Lagdameo

Renewable Energy and Energy Efficiency	Ruth Yu-Owen Ditmar Gorges
Sustainability	Ram Maganti
Tax and Financial Services	Atty. Kristine Anne Mercado-Tamayo Atty. Maria Concepcion Simundac
Transportation and Logistics	Michael Kurt Raeuber
Tourism	Dottie Wurgler-Cronin Gwendolyn Dela Cruz
Women in Business	Sheila Lobien Lourdes Angeles Jen Alava-Francisco Carmie De Leon
Young Professionals	Patricia Reposo Kenneth Kung

We would also like to acknowledge the support of our committee members.

## METHODOLOGY

The 2022 edition of the ECCP Advocacy Papers features issues and recommendations developed after extensive discussions among members of the ECCP sector committees, consultations and meetings with representatives from the Philippine Government, and other stakeholders. Information gathered from organizing events that cover relevant topics, participating in numerous hearings and committee meetings in both chambers of the Philippine Congress, as well as in private sector consultations held by several government agencies were also taken into consideration upon writing.

Further, the recommendations provided in each paper were primarily based on the discussions during the quarterly sector committee meetings. The ECCP Advocacy Team carefully examined each issue and advocacy recommendation in close collaboration with the sector committee leaders and members to make sure they were in line with European business interests and priorities. Once the Advocacy Team had finalized the first draft of each sector paper, it was then disseminated to the Committee members and other important stakeholders for consultation. This allowed for the collection of input that would later be used to create the final draft of the papers.

The assessment of the status of each recommendation included in 2021 Advocacy Papers were examined under the following criteria:

**Completed/Substantial Progress:** Recommended action has either been completed or there has been significant progress towards the realization of the recommendation.

**Some Progress:** Movement towards realizing the recommendation has been made, but substantial work still needs to be done to fully achieve and complete the proposed measure.

**No Progress/Retrogression:** Minimal progress or no movement towards attaining the recommended reforms were done, or the status of the issue has worsened and has evolved to an even bigger bottleneck for European businesses.

## MESSAGE FROM THE ECCP PRESIDENT

I am pleased to present the latest set of the European Chamber of Commerce of the Philippines' (ECCP) Advocacy Papers. This features an overview of the country's current business landscape and industry-specific challenges identified by the Chamber's sector committees. More importantly, the papers put forward constructive policy recommendations for strengthening European-Philippine economic relations and promoting sustainability.

We have witnessed uncertainties and concerns arising from the Russia-Ukraine crisis, inflationary pressures, and disruptions in the global supply chain, among others. Nevertheless, we have seen significant progress such as the easing of COVID-19 restrictions, increased mobility for businesses and consumers, as well as solid headways in boosting business confidence and the country's position as a competitive destination for trade and investments. We are optimistic that we will see positive outcomes from the passage of game-changing economic reforms such as the amendments to the Public Services Act, the Retail Trade Liberalization Act, and the Foreign Investment Act. These will undoubtedly usher in foreign direct investments and create more jobs for Filipinos. Furthermore, for the year 2022, multilateral agencies have expressed optimism for the Philippines with an estimated 6.0% and 6.5% growth rate by the World Bank and the Asian Development Bank, respectively.

The ECCP seeks to continue to maximize the opportunities brought about by these recent socioeconomic developments. This year's set of ECCP Advocacy Papers is our contribution to addressing some of the remaining challenges to realize the potential of the European-Philippine economic ties as well as advance sustainable development. Lastly, I would like to extend my sincerest thanks to our Committee leaders, member companies, and the ECCP team who supported the completion of this publication. The ECCP is committed to working with the European-Philippine stakeholders in navigating this new era of progress, possibilities, and partnerships.

**Mr. Lars Wittig**  
ECCP President



# WHERE ARE WE NOW?

## THE PHILIPPINES

The Philippines prides itself in its dynamic and robust economy, transforming into one of the region's top economic performers and attracting companies to invest and expand their operations. In the last decade, the country was able to sustain an average annual growth of 6.4% between 2010-2019 from an average of 4.5% between 2000-2009.<sup>1</sup> However, the onset of the unprecedented COVID-19 pandemic has resulted in a drastic decline of economic activity around the world. The Philippines has not been spared from the economic effects of the pandemic. The country's growth collapsed, with a negative growth rate of 9.6% in terms of Growth Domestic Product (GDP), in 2020 (Table 1). Among its neighboring countries in the Association of Southeast Asian Nations (ASEAN), the Philippines was ranked 10th in terms of Gross Domestic Product (GDP) growth rate (Table 1). Ranked last, the Philippines appears to be the Southeast Asian economy most affected by the pandemic in 2020.

**Table 1. ASEAN GDP Year-on-Year Growth Rates, 2020 and 2021 (% per year)**

Country	2020	2020 ranking	2021	2021 ranking
Brunei Darussalam	1.1	3rd	-1.5	9th
Cambodia	-3.1	6th	3	5th
Indonesia	-2.1	5th	3.7	3rd
Lao People's Dem. Rep.	-0.5	4th	2.3	7th
Malaysia	-5.6	8th	3.1	4th
Myanmar	3.3	1st	-18.4	10th
<b>Philippines</b>	<b>-9.6</b>	<b>10th</b>	<b>5.6</b>	<b>2nd</b>
Singapore	-5.4	7th	7.6	1st
Thailand	-6.1	9th	1.6	8th
Vietnam	2.9	2nd	2.6	6th

*Asian Development Bank. Asian Development Outlook 2022<sup>2</sup>*

Nonetheless, in 2021, the Philippines ranked second among the ASEAN countries in terms of growth rates. Growth was buoyed by robust private domestic demand, including a dramatic increase in investment in the second quarter of 2021 and a steady rise in household final consumption expenditure<sup>3</sup>.

Furthermore, for the year 2022, multilateral agencies have expressed optimism for the Philippines with an estimated 6.0% and 6.5% growth rate by the World Bank and the Asian Development Bank, respectively. A strong rebound in domestic demand with the easing of COVID-19 mobility restrictions in the country will support robust growth for the Philippine economy in 2022 amidst the Russia-Ukraine conflict, inflationary pressures and disruptions in global supply chains.

The growth projection for 2023 is at 5.8% and 6.3% by the World Bank and ADB, respectively. This is attributed to monetary policy tightening and accelerating inflation affecting domestic demand.

Additionally, the annual preliminary figures show that the country's employment rate rose from 89.7% in 2020 to 92.2% in 2021, with the services sector accounting for 58.1% share, followed by the agriculture sector with 22%, and the industry sector with 19.9%<sup>4</sup>. As of writing, the country's unemployment rate decreased to 5.2 percent in July 2022 from 7.2 percent in the same period last year.<sup>5</sup>

On the other hand, inflationary pressures have been widely felt. As of writing, inflation in the Philippines heated up to 6.9 percent in September 2022 from 6.3 percent in July, according to the Philippine Statistics Authority. This was mainly driven by faster rate of increases in prices of foodstuff as well as electricity and housing.<sup>6</sup>

In terms of the country's Foreign Direct Investments (FDI), the BSP officially recorded USD 10.518 billion net inflows for 2021. Majority of the equity capital placement came from Singapore (USD 526.69 million), Japan (USD 257 million), USA (USD 73.60 million), Germany (USD 29.20 million), and Hong Kong (USD 23.45 million)<sup>7</sup>. In the same year, top European FDI sources are include Germany (USD 32.94 million), United Kingdom (USD 15.77 million), Sweden (USD 6.24 million), France (USD 4.43 million) and Spain (USD 4.34 million). More recently, total FDI net inflows from January to June 2022 reached USD 4.64 billion, an increase of 3% over the same period last year. Specifically, the top source country is **Singapore** with USD 526.69, followed by **Japan** (USD 257), **USA** (USD 73.60), **Germany** (USD 29.20), and **Hong Kong** (USD 23.45).



	Jan-June 2022	Jan-June 2021	2021	2020
<b>Globally</b>	USD 4.64 billion (+3.07% year-on-year increase)	USD 4.50 billion	USD 12.41 billion	USD 6.82 billion
<b>Europe (both EU and non-EU states)</b>	USD 62.54 million (+53% year-on-year increase)	USD 40.87 million	USD 48.08 million	USD 326.47 million

<sup>1</sup> World Bank. (07 April 2021). Philippines: Overview. Retrieved from <https://www.worldbank.org/en/country/philippines/overview>

<sup>2</sup> Asian Development Bank (April 2022). Asian Development Outlook 2022. Retrieved from <https://data.adb.org/dataset/asian-development-outlook-ado-2022-statistical-appendix-tables>

<sup>3</sup> World Bank (June 2022). Philippines economic update 2022 edition. Retrieved from <https://documents1.worldbank.org/curated/en/099325006072264961/pdf/P177408091735101c0b25405cf39f312c86.pdf>.

<sup>4</sup>

<sup>4</sup> Philippines Statistics Authority. Percent distribution of employed persons by major industry group July 2020 and July 2021. Retrieved from <https://psa.gov.ph/statistics/survey/labor-and-employment/labor-force-survey/tab1>

<sup>5</sup> National Economic and Development Authority (September 2022). Ph Records Lowest Unemployment Rate Since Covid-19 Onset—Neda. Retrieved from <https://neda.gov.ph/ph-records-lowest-unemployment-rate-since-covid-19-onset-neda/#:~:text=As%20reported%20by%20the%20Philippine,Labor%20Force%20Survey%20since%202005.>

<sup>6</sup> <https://psa.gov.ph/press-releases/id/168188>

<sup>7</sup> Bangko Sentral ng Pilipinas. Net foreign direct investment flows (BPM6), by country. Retrieved from [https://www.bsp.gov.ph/Statistics/External/tab10\\_fdc.aspx](https://www.bsp.gov.ph/Statistics/External/tab10_fdc.aspx).

The total external trade of the country in terms of goods was recorded at USD 192.532 billion in the year 2021, representing a growth of 24.2% compared to the USD 155.02 billion recorded during 2020, but most importantly an augmentation of 10 billion compared to the 2019, pre-pandemic data. Among the major trading partners are the People's Republic of China, Japan, and the USA<sup>8</sup>. The European Union (EU) followed as the fourth largest trading partner, accounting for 7.9% of the country's total trade in 2021<sup>9</sup>. Meanwhile, as for the Philippines' bilateral trade with the EU member countries, Germany ranked as the top trading partner, with a total of trade of USD 4.985 billion. Likewise, in 2020, Germany ranked as the highest trading partner with a total trade of USD 4.343 billion.<sup>10</sup>

Furthermore, in the 2022 World Competitiveness Ranking compiled by the Institute for Management Development (IMD), the Philippines ranked 48th out of 63 countries, climbing four spots from the previous ranking. Specifically, the report notes that the country moved up in two of the factors: Economic Performance rose 4 places to 53rd; Infrastructure climbed 2 spots to 57th. Meanwhile, the Philippines' ranking for government Efficiency slipped three more spots to 48th, and public finance fell six places to 51st.

Nevertheless, we have seen significant progress such as the easing of COVID-19 restrictions, increased mobility for businesses and consumers, as well as solid headways in boosting business confidence and the country's position as a competitive destination for trade and investments. We are optimistic that we will see positive outcomes from the passage of game-changing economic reforms such as the amendments to the Public Services Act, the Retail Trade Liberalization Act, and the Foreign Investment Act. These will undoubtedly usher in foreign direct investments and create more jobs for Filipinos.



8 Philippines Statistics Authority. Highlights of the 2021 annual final international merchandise trade statistics of the philippines . Retrieved from <https://psa.gov.ph/content/highlights-2021-annual-final-international-merchandise-trade-statistics-philippines>, table 1 and 5.

9 European commission. Countries and Regions: The Philippines. Retrieved from [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/philippines\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/philippines_en).

10 Department of trade and Industry of the Philippines. Philippines merchandise total trade, historical trend. Retrieved from <http://www.tradelinephilippines.dti.gov.ph:8080/total-trade>.

# AUTOMOTIVE ADVOCACY PAPER 2022

## INTRODUCTION

The international automotive market was expected to have a 4-6% growth earlier in 2022, according to data gathered by ING, a Dutch multinational banking and financial services corporation. However, the conflict between Russia and Ukraine has led to increasing inflation rates, disruption in supply chains, and change in consumer purchasing behavior, which then resulted in reduced demand, leading to a 0.5% decline in the global automotive market. Despite the fact that international vehicle sales are set to slow down this year, the automotive industry in the Philippines is predicted to go against this trend and sell more units this 2022, as a result of the economy's reopening. If the country continues to grow its economy at this rate and remains open, the Philippines is expected to have an 11% growth in local automotive sales by the end of the year.<sup>1</sup>

In 2021, 268,488 units of motor vehicles were sold in the Philippines, warranting a 20% increase compared to the 223,793 units sold in 2020. Only behind Indonesia at 67% growth in sales in the ASEAN region, the Philippines proves to have a continuously growing and flourishing automotive industry. The country also leads in motorcycles and scooters sales, garnering a 19% growth from the previous year as compared to other nations that have below 10% growth.<sup>2</sup>

### SALES : 2021

#### 1. MOTOR VEHICLES

COUNTRY	PASSENGER VEHICLES	COMMERCIAL VEHICLES	2021	2020	VARIANCE (%)
Indonesia	659,806	227,396	887,202	532,027	67%
Malaysia	452,663	56,248	508,911	529,514	-4%
Myanmar	7,381	1,969	9,350	17,707	-47%
Philippines	85,260	183,228	268,488	223,793	20%
Singapore	48,011	10,942	58,953	56,423	4%
Thailand	317,874	436,380	754,254	792,146	-5%
Vietnam	214,384	89,765	304,149	296,634	3%
<b>TOTAL</b>	<b>1,785,379</b>	<b>1,005,928</b>	<b>2,791,307</b>	<b>2,448,244</b>	<b>14%</b>

#### 2. MOTORCYCLES & SCOOTERS

COUNTRY	2021	2020	VARIANCE (%)
Malaysia	497,262	498,327	-0.2%
Philippines	1,435,677	1,206,374	19%
Singapore	11,428	10,544	8%
Thailand	1,606,481	1,516,096	6%
<b>TOTAL</b>	<b>3,550,848</b>	<b>3,231,341</b>	<b>10%</b>

Source: ASEAN Automotive Federation

Per a monthly industry report, there was a recorded increase in sales for the automotive industry by 5.3% in December 2021—27,846 units sold versus 26,456 units in November based on a report released by the Chamber of Automotive Manufacturers of the Philippines, Inc. (CAMPI) and Truck Manufacturers

<sup>1</sup> Piad, T.J.C. (22 July 2022). As world holds off car purchases, sales in PH set for a boom. Retrieved from: <https://business.inquirer.net/353758/car-purchases-sales-in-ph-set-for-a-boom>

<sup>2</sup> Asean Automotive Federation. (2021). Asean Automotive Federation 2021 Statistics. Retrieved from: [http://www.asean-autofed.com/files/AAF\\_Statistics\\_2021.pdf](http://www.asean-autofed.com/files/AAF_Statistics_2021.pdf)

Association (TMA).<sup>3</sup> By June 2022, there was a further rise in the units sold per month, at 28,601 units from 26,370 units in May, proving the steady growth and profitability of the industry. On a year-on-year basis, the industry also experienced a 26.8% growth in June 2022, from a recorded 22,550 units sold in the same month of the previous year. Majority of the industry's share is from commercial vehicle sales which has also recorded a growth of 39.4% compared to its numbers from the year prior.<sup>4</sup> While there remain to be challenges that the automotive industry continues to face such as rising inflation and supply chain disruptions, its increasing sales have proven that the sector is bound for sustainable recovery.

In a European context, 13.8 million Europeans have direct or indirect occupations in the automotive sector, which accounts for 6.1% of all employment in the European Union (EU). The direct manufacturing of motor vehicles in the EU keeps 2.6 million people employed which equates to 8.5% of all manufacturing jobs in the market. Vehicle production in the trade bloc is among the highest in the world, and the industry is home to the largest private investment in research and development.<sup>5</sup> In the Philippines, there are currently 1.68 million Filipinos employed in the auto industry.<sup>6</sup> As the industry continues to recover, employment in the sector is also expected to see growth in the coming years.

On electric vehicles (EVs), figures from the Land Transportation Office (LTO) shows 13,943 EV units were registered in 2021, with the e-trike segment accounting for 220 units, followed by e-motorcycles with 5,520, and utility vehicles with 815 units.<sup>7</sup> With the recent enactment of the Republic Act No. 11697, otherwise known as the Electric Vehicle Industry Development Act (EVIDA), last 15 April 2022, the Department of Trade and Industry (DTI) expressed that Philippines is now in a stronger position to expand the electric vehicle industry, attract more high-tech investments, and generate high-value employment by leveraging on the current global shift to EVs through strong national policy support.<sup>8</sup> This also lessens the country's dependency on imported gasoline.

The new law requires the establishment of a Comprehensive Roadmap for the Electric Vehicle Industry (CREVI) to stimulate the development, marketing, and use of EVs in the country, which includes the construction or installation of charging stations in designated parking slots and spaces. It also provides tax incentives to EV manufacturers and assemblers, charging station operators, and other EV-related businesses.<sup>9</sup> Under EVIDA, there is a 5% mandatory share of EVs in corporate and government fleets within key sectors, the time frame of which will be defined in the CREVI. As reported by the Electric Vehicle Association of the Philippines (EVAP), this mandatory stock share of EVs is expected to be attained for public transport and government vehicle fleets by 2026. This scenario can come a year later for the corporate, logistics, and tourism sectors. For market-driven households, more than 5% of vehicle fleets will be electrified by 2031, which is later than other segments, unless a highly comprehensive support program from the government is established.<sup>10</sup>

3 Aguila, K.M. (17 January 2022). CAMPI, TMA report 20% vehicle sales growth in 2021. Retrieved from: <https://www.bworldonline.com/velocity/2022/01/17/423845/campi-tma-report-20-vehicle-sales-growth-in-2021/>  
 4 Ochave, R.M.D. (15 July 2022). PHL vehicle sales accelerate in June. Retrieved from: <https://www.bworldonline.com/top-stories/2022/07/15/461480/phl-vehicle-sales-accelerate-in-june/>  
 5 European Commission. (2022). Automotive Industry. Retrieved from: [https://ec.europa.eu/growth/sectors/automotive-industry\\_en](https://ec.europa.eu/growth/sectors/automotive-industry_en)  
 6 The Philippine Automotive Industry. Presentation of Board of Investments Governor Napoleon Concepcion at the ECCP Automotive Committee Meeting last 12 March 2019.  
 7 Malaya Business Insight. (2022, May 2). Electric vehicles law attracts 10 new players. Retrieved from [https://malaya.com.ph/news\\_business/electric-vehicles-law-attracts-10-new-players/](https://malaya.com.ph/news_business/electric-vehicles-law-attracts-10-new-players/)  
 8 Department of Trade and Industry. (2022). Passage of EVIDA to make PH more attractive for hi-tech investments. Retrieved from <https://www.dti.gov.ph/archives/news-archives/passage-evida-make-ph-more-attractive-hitech-investments/>  
 9 Torregosa, H. (2022, April 28). Gatchalian: Electric vehicles now a more viable option with EVIDA law. Manila Bulletin. Retrieved from <https://mb.com.ph/2022/04/28/gatchalian-electric-vehicles-now-a-more-viable-option-with-evida-law/>  
 10 Electric Vehicle Association of the Philippines. Presentation of EVAP on the CREVI Industry Consultation during the ECCP Automotive Committee Meeting on EVIDA last 9 June 2022.

		EV Stock Share																		
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
<b>Household</b>																				
Cars		0.1%	0.3%	0.4%	0.7%	1.0%	1.3%	1.6%	2.2%	2.7%	3.3%	3.8%	4.3%	4.7%	7.9%	10.9%	13.8%	16.5%	19.0%	
UV		0.2%	0.3%	0.4%	0.8%	1.1%	1.5%	1.8%	2.4%	3.1%	3.7%	4.2%	4.8%	5.3%	8.8%	12.2%	15.4%	18.4%	21.2%	
SUV		0.2%	0.3%	0.5%	0.9%	1.2%	1.6%	1.9%	2.6%	3.3%	4.0%	4.6%	5.2%	5.7%	9.5%	13.2%	16.6%	19.9%	22.9%	
MC		0.3%	0.4%	0.8%	1.5%	2.2%	2.8%	3.4%	4.7%	5.9%	7.1%	8.2%	9.2%	10.2%	17.1%	23.5%	29.7%	35.5%	41.0%	
TC		0.3%	0.5%	0.8%	1.4%	2.1%	2.6%	3.2%	4.4%	5.6%	6.7%	7.7%	8.7%	9.6%	16.1%	22.2%	28.0%	33.5%	38.7%	
<b>Corporate, Logistics and Tourism</b>																				
Cars		0.3%	0.7%	1.0%	2.3%	3.5%	4.7%	5.8%	6.9%	10.0%	12.8%	15.6%	18.2%	20.7%	26.4%	31.9%	37.0%	41.9%	46.6%	
UV		0.4%	0.7%	1.1%	2.6%	3.9%	5.3%	6.5%	7.7%	11.1%	14.4%	17.4%	20.3%	23.1%	29.5%	35.6%	41.4%	46.9%	52.1%	
SUV		0.4%	0.8%	1.2%	2.8%	4.3%	5.7%	7.0%	8.3%	12.0%	15.3%	18.8%	22.0%	24.9%	31.9%	38.4%	44.7%	50.6%	56.2%	
MC		0.7%	1.4%	2.1%	4.9%	7.5%	10.1%	12.4%	14.7%	21.2%	27.4%	33.2%	38.8%	44.0%	56.3%	67.9%	79.0%	89.4%	99.3%	
TC		0.7%	1.4%	2.0%	4.7%	7.2%	9.6%	11.9%	14.0%	20.3%	26.1%	31.7%	37.0%	42.0%	53.7%	64.8%	75.3%	85.3%	94.7%	
Trucks		0.2%	0.3%	0.4%	1.0%	1.6%	2.1%	2.6%	3.1%	4.5%	5.8%	7.1%	8.2%	9.4%	12.0%	14.4%	16.8%	19.0%	21.3%	
<b>Public Transport</b>																				
Cars		1.0%	1.9%	2.6%	5.2%	8.0%	10.1%	12.3%	13.8%	18.7%	23.5%	27.5%	30.9%	37.8%	53.9%	69.9%	81.9%	92.9%	100.0%	
UV		0.6%	1.3%	2.2%	7.5%	9.8%	11.6%	13.0%	14.1%	17.5%	20.0%	22.2%	24.0%	26.6%	36.7%	43.4%	58.2%	72.3%	79.9%	
Jeepneys		0.9%	1.8%	2.6%	6.2%	9.4%	12.2%	12.7%	13.1%	15.6%	17.8%	19.5%	21.9%	23.7%	28.6%	35.3%	47.0%	58.0%	68.0%	
MC		0.7%	1.4%	2.1%	5.0%	7.7%	10.3%	12.7%	15.0%	21.7%	28.0%	34.0%	39.5%	45.0%	57.5%	69.4%	80.6%	91.3%	100.0%	
TC		0.6%	1.1%	1.3%	3.2%	5.0%	6.3%	7.3%	8.0%	10.5%	12.6%	14.3%	15.6%	17.0%	21.5%	26.0%	33.0%	40.0%	47.0%	
Bus		0.1%	0.1%	0.2%	0.4%	0.6%	0.8%	1.0%	1.2%	1.7%	2.1%	2.4%	2.7%	2.9%	4.3%	6.0%	9.7%	13.3%	15.2%	
Minibus		0.4%	0.7%	1.0%	1.6%	2.2%	2.7%	3.2%	3.7%	5.1%	6.4%	7.6%	8.8%	10.0%	10.9%	20.4%	23.4%	22.3%	23.1%	
<b>Government</b>																				
Cars		0.5%	1.5%	4.0%	7.9%	13.3%	20.2%	28.4%	38.0%	47.5%	56.9%	66.2%	75.3%	84.4%	93.3%	100.0%	100.0%	100.0%	100.0%	
UV		0.5%	1.5%	4.0%	7.9%	13.3%	20.2%	28.4%	38.0%	47.5%	56.9%	66.2%	75.3%	84.4%	93.3%	100.0%	100.0%	100.0%	100.0%	
SUV		0.5%	1.5%	4.0%	7.9%	13.3%	20.2%	28.4%	38.0%	47.5%	56.9%	66.2%	75.3%	84.4%	93.3%	100.0%	100.0%	100.0%	100.0%	
MC		0.5%	1.5%	4.0%	7.9%	13.3%	20.2%	28.4%	38.0%	47.5%	56.9%	66.2%	75.3%	84.4%	93.3%	100.0%	100.0%	100.0%	100.0%	
TC		0.5%	1.5%	4.0%	7.9%	13.3%	20.2%	28.4%	38.0%	47.5%	56.9%	66.2%	75.3%	84.4%	93.3%	100.0%	100.0%	100.0%	100.0%	
Trucks		0.1%	0.2%	0.3%	0.5%	0.7%	0.9%	1.1%	1.3%	1.7%	2.2%	2.7%	3.2%	3.6%	6.1%	8.5%	10.9%	13.2%	15.6%	

Source: Electric Vehicle Association of the Philippines

Once EVIDA is fully implemented, the local EV sector anticipates new substantial investments and players. According to EVAP, at least ten firms from four countries are interested in the Philippines in anticipation of the law's full implementation and the expanding use of EVs in the country.<sup>11</sup>

## RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- **European Free Trade Association (EFTA)-Philippines Free Trade Agreement (FTA):** A trade agreement between the Philippines and EFTA comes into force in January 2020 for its remaining member, Iceland.<sup>12</sup> Most tariffs will be removed within seven years, and export charges on both parties would be prohibited. While the preferential trade agreement mostly applies to agricultural goods and food products, it also applies to automotive parts and motor vehicles. After Japan, this is the Philippines' second bilateral FTA.
- **European Union (EU) - Philippines Trade Relations:** In December 2020, EU Executive Vice President Valdis Dombrovskis and Philippine Trade Secretary Ramon Lopez met and discussed trade and investment concerns between the EU and the Philippines. In January 2021, the EU-Philippines Partnership and Cooperation Agreement (EUPH PCA) established a Subcommittee on Trade, Investment, and Economic Cooperation. Bilateral conversations on several trade-related matters were also held where market access, EU GSP+ implementation, and the future of the EU-PH FTA were all discussed. More recently, the 4th Monitoring Mission for the EU GSP+ scheme took place from 28 February to 4 March 2022.<sup>13</sup>
- Three years after the blueprint's original adoption, the government issued the Implementing Rules and Regulations (IRR) of the **National Transport Policy** in January 2020, with the goal of creating a "safe, secure, reliable, efficient, integrated, intermodal, affordable, cost-effective, environmentally sustainable, and people-oriented national transport system that ensures improved quality of life for the people." Among other significant aspects, the strategy strives

11 Malaya Business Insight. (2022, May 2). Electric vehicles law attracts 10 new players. Retrieved from [https://malaya.com.ph/news\\_business/electric-vehicles-law-attracts-10-new-players/](https://malaya.com.ph/news_business/electric-vehicles-law-attracts-10-new-players/)

12 The member-states of the European Free Trade Association are Iceland, Liechtenstein, Norway, and Switzerland.

13 Talosig-Bartolome, M. (2022, April 28). EU completes review of PHL's rights profile for GSP+ future. Retrieved from <https://businessmirror.com.ph/2022/04/28/eu-completes-review-of-phlrights-profile-for-gsp-future/>

to prioritize the movement of people rather than automobiles, as well as to build a foundation for delivering other modes of mobility. According to the IRR, a Philippine Transportation Master Plan would be developed to help transportation agencies and local governments in building the transport network through coordinated planning and execution of projects and programs as an integrated network. The IRR also directs and establishes the parameters for the integrated development and regulation of the Philippine transportation industry.<sup>14</sup>

- **Electric Vehicle and Industry Development Act (EVIDA):** The Electric Vehicle Industry Development Act, which lapsed into law last 15 April 2022, promotes the expansion of the electric vehicle industry, which could result in more employment possibilities for local skilled workers and lessen the country's dependency on imported gasoline. The new law requires the establishment of a Comprehensive Roadmap for the Electric Vehicle Industry (CREVI) to stimulate the development, marketing, and use of EVs in the country, which includes the construction or installation of charging stations in designated parking slots and spaces. It also gives tax incentives to EV manufacturers and assemblers, charging station operators, and other EV-related businesses.<sup>15</sup> The ECCP, together with the Joint Foreign Chambers (JFC) of the Philippines, lauds the government for pushing for this measure as it would allow the Philippines to partake in the global transition to electric vehicles.

The Department of Energy (DOE) has begun preliminary work on the Comprehensive Roadmap for the Electric Vehicle (EV) Industry (CREVI), which will set a timetable for the mandated 5% EV share in corporate and government fleets in key sectors. Once completed, CREVI will be offered for public consultation. The compulsory 5% EV fleet share seeks to stimulate demand and develop the industry, and is viewed as the most motivating factor for the EV sector.<sup>16</sup> More recently, the DOE conducted a series of public consultations in August on the development of the law's IRR. This will develop a blueprint that would provide a comprehensive and coordinated policy direction among national agencies to accelerate the development, commercialization, and utilization of EVs. The EVIDA IRR was signed and issued last 2 September 2022 and will be effective on 20 September.<sup>17</sup>

- In March 2021, the DOTr ordered the LTO to temporarily stop the implementation of its memorandum directing all its regional offices to adopt the mandatory Private Motor Vehicle Inspection Centers (PMVICs) until the issue on the Geographic Areas of Responsibility (GAOR) is fully resolved.<sup>18</sup> Starting 26 July 2021, the LTO started reimplementing the **Motor Vehicle Inspection System** provided under Memorandum Circular Number MC-SC-2021-02<sup>19</sup>, which makes vehicle testing procedures on light vehicles and motorcycles mandatory, particularly in areas where PMVICs are already operational. Under the new MVICs, vehicles to be registered must pass a stringent 73-point inspection system to be conducted in three stages with the use of state-of-the-art equipment that sends, automatically and in real-time, the results to the Land Transportation Office's IT (information technology) system.
- Last May 2022, Former President Rodrigo Duterte signed Memorandum Order No. 61, approving the **2022 Strategic Investment Priority Plan (SIPP)**, which will be a companion document to the Corporate Recovery and Tax Incentives for Enterprises (CREATE) law. Electric vehicle assembly, manufacture of EV parts, components, and systems, and the establishment of EV infrastructure

are covered by Tier II of the newly formulated SIPP.<sup>20</sup>

- In 2020, member-states of the Association of Southeast Asian Nations (ASEAN) reached a landmark accord on the **ASEAN Mutual Recognition Arrangement on Type Approval for Automotive Products** that will now allow cars tested and certified by the production country to enter other member-states without having to undergo another round of testing. Automotive industry groups across the region welcomed the agreement that will ease cross-border regulations and streamline compliance requirements for a vital industry.<sup>21</sup>

#### On the 18th Congress legislation related to the automotive industry:

- The **Philippine Motor Vehicle Manufacturing Industry Act** was approved by a House technical working group in May 2021, with the goal of developing a comprehensive policy to accelerate the development of the domestic automotive manufacturing industry in order to contribute to capital formation, technology transfer, technical skill development, and job creation. In addition, the measure includes fiscal and non-fiscal incentives such as income tax holidays, training expense deductions, and among others, the opportunity to carry over net operational losses.<sup>22</sup>
- **Motorcycles-for-Hire Act:** Legislators have presented proposals revising the Land Transportation and Traffic Code to legalize and regulate motorcycles-for-hire and motorcycle ride-sharing services in the nation in response to the developing niche of technology- and app-based transport network vehicle service (TNVS) largely employing two-wheeled vehicles. The bill was approved by the House on 31 January 2022 and received by the Senate on 2 February.
- **Road Safety Education Act:** Several pieces of legislation have also been introduced in Congress, proposing the mandatory inclusion of basic road safety and comprehensive driver's education in the enhanced basic education curriculum, with the goal of developing well-rounded and responsible citizens at a young age. All bills are now pending in their respective House Committees.
- **Alternative Modes of Transportation Act:** Two House proposals have been filed in an attempt to establish a legislative framework to manage the country's growing ridesharing industry. The legislation, among others, intends to clarify the responsibilities of transport network vehicle service (TNVS) support firms with regard to their drivers and passengers. The respective House Committees have yet to act on the measures.
- **Sustainable Transportation System Act:** By developing an integrated and efficient transport system, the proposed legislation aims to alleviate immediate traffic and transport concerns. The legislation's authors stated that they hope to raise the health consciousness of the riding public by encouraging a culture of walking, cycling, and other low-emission modes of transport. The measures in question are now pending before the Committee.
- **National Road Safety Unit Act:** The bill seeks to establish the National Road Safety Unit (NRSU) as an affiliated agency to the transportation department to guarantee the implementation of the Philippine Road Safety Action Plan. The Act, according to its explanatory note, attempts to address the need for a more focused, regulated, and effectively managed road safety unit oriented to the effective implementation of the action plan. The Committees on Public Services and Finance are yet to take significant action on this measure.

<sup>14</sup> National Economic and Development Authority. (n.d). Retrieved from <https://neda.gov.ph/national-transport-policy/>

<sup>15</sup> Torregozo, H. (2022, April 28). Gatchalian: Electric vehicles now a more viable option with EVIDA law. Manila Bulletin. Retrieved from <https://mb.com.ph/2022/04/28/gatchalian-electric-vehicles-now-a-more-viable-option-with-evida-law/>

<sup>16</sup> Malaya Business Insight. (2022, July 1). DOE starts work on roadmap mandating 5% EV in fleet. Retrieved from <https://malaya.com.ph/news-business/doe-starts-work-on-roadmap-mandating-5-ev-in-fleet/>

<sup>17</sup> The issued and published Implementing Rules and Regulations of the Electric Vehicle Industry Development Act can be accessed through <https://bit.ly/3U4cwyE>

<sup>18</sup> Fernandez, D. (2021, August 24). DOTr halts LTO order allowing private MVIS centers to inspect motor vehicles. Inquirer. Retrieved from <https://newsinfo.inquirer.net/1477927/dotr-halts-lto-order-for-motor-vehicles-to-undergo-inspection-at-private-emission-centers>

<sup>19</sup> Department of Transportation. (2021). Implementation of Geographical Area of Responsibility (GAOR) for Renewal of Registration for Light Vehicles and Motorcycles. Retrieved from <https://drive.google.com/file/d/1Q81L0tpz08Wt2amxyOpJGF0IE8ACgpb/view>

<sup>20</sup> Bureau of Investments. (2022). Memorandum Order No. 61. Retrieved from <https://boi.gov.ph/wp-content/uploads/2022/06/Certified-copy-of-Memorandum-Order-No-61-Approved-2022-SIPP.pdf>

<sup>21</sup> ASEAN. (2021). ASEAN Mutual Recognition Arrangement on Type Approval for Automotive Products. Retrieved from <http://agreement.asean.org/media/download/20210205131820.pdf>

<sup>22</sup> Cortez, G. M. (2021, May 24). House committee approves bill creating 3-year development plan for domestic auto industry. Retrieved from <https://www.bworldonline.com/economy/2021/05/24/370714/house-committee-approves-bill-creating-3-year-development-plan-for-domestic-auto-industry/>

- **Dashboard Camera Act:** There are four House bills filed requiring the installation of dashboard cameras and other recording devices to deter traffic violations and promote responsible driving. House Bill (HB) No. 4475 is the most comprehensive in coverage, HB 1595 contains heftier fines, HB 3341 only pertains to public utility vehicles including TNVS, while HB 3411 only covers government-owned cars. All proposals filed in the House are pending at the Committee level, while there is no similar measure tabled in the Senate.
- **Heavy Vehicle Preventive Maintenance Act:** Another lone bill proposed in the Lower House and has been pending at the Committee on Transportation since August 2019 requires buses, trucks, and other heavy vehicles to undergo preventive maintenance with their respective companies as well as monthly inspections with the Land Transportation Office (LTO) to prevent accidents caused by mechanical malfunction and to ensure road safety.
- Following calls from some lawmakers and the riding public for a suspension, Former President Rodrigo Duterte ordered the deferment of the implementation of the recently enacted **Child Safety in Motor Vehicles Act** in February 2021, which no longer allows children aged 12 and below to take the front seat and requires the use of child restraint systems. Cambodia, Lao PDR, and Singapore are the only other Southeast Asian states with national child-restraint law.<sup>23</sup>

## ADVOCACY RECOMMENDATIONS

### 1. Facilitate ease of trade in the automotive sector

#### *Eliminate import tariff duties for European automotive brands in preferential trade arrangements*

The ECCP strongly supports adopting measures in the EU-Philippines Free Trade Agreement (FTA) that eliminate import duties for automotive vehicles and automotive parts from the European Union (EU) with immediate effect upon ratification. While there is a positive trend toward market increase according to industry players, European automobile brands tend to lose out in the Philippine market in terms of price competitiveness because their goods are generally in the high price-tiered segment. Adopting these measures will ensure that the European automobile brands are more competitive in the local market.

Furthermore, European vehicle companies in the Philippines are subject to several taxes and duties, including customs, value-added tax, and excise tax, which raises the cost of the vehicles by nearly 102% of their retail prices; whereas, their Asian counterparts benefit from more competitive and preferential tariff rates as a result of existing bilateral and multilateral trade agreements, particularly the country's FTAs with Japan and South Korea through the Association of Southeast Asian Nations (ASEAN)-South Korea FTA.<sup>24</sup>

According to the DTI, the Philippines, with only 10 FTAs, has one of the lowest numbers of trade agreements among the ASEAN-6 countries: Singapore [27], Malaysia [17], Thailand [15], Indonesia [15], and Vietnam [15].<sup>25</sup> The ECCP and its Automotive Committee believe that an FTA between the EU and the Philippines will level the playing field for European firms to prosper in the country and offer consumers wider options that can compete in terms of high-quality sustainability and safety standards.

### *Promote ease of doing business and streamline customs processes for automotive parts and products*

Congestion of ports has been one of the most pressing issues that the Philippines face over the years. According to a report of the International Monetary Fund (IMF), not all congestion appears to be caused by rising demand. A significant number of ports, notably since mid-2021, have longer wait times despite handling less cargo than pre-pandemic.<sup>26</sup> In the Philippines, particularly in the automotive sector, port congestion can be addressed by streamlining processes for the release of imported vehicle parts and products. For this reason, the ECCP Automotive Committee urges the government to improve the ease of doing business in the automotive industry, particularly in the obtention of the Philippine Standard (PS) Quality and/or Safety Mark and ICC Sticker, as well as the control and inspection of imported goods in order to have a reasonable processing time for their release from the Bureau of Customs.

The Import Commodity Clearance (ICC) does not recognize international certifications which then requires licensed goods including automotive products and parts by approved manufacturers to undergo another round of testing process and additional paperwork thus creating a non-tariff barrier. For instance, aside from the tedious processes for the obtention of the PS Mark and ICC Sticker, automotive manufacturers and distributors still need to wait for an average of 2 to 3 months before their imported goods can be released. On the importation of automotive parts, particularly batteries, an additional process is needed to obtain a certification of exemption from the Dangerous Drugs Board (DDB) because of chemical substance content. Furthermore, a similar concern arises when securing a signed certificate of tax exemption from the Bureau of Internal Revenue (BIR) for the importation of certain automotive products and parts.

In accordance with the government's push to facilitate ease of doing business, trade restrictions on the importation of automotive products and parts, including those from Europe, must be lifted. The Chamber and its Automotive Committee believe that national standards, conformity assessments, and other technical rules should be streamlined and more closely aligned with international benchmarks to ease trade in the automotive sector and improve the business environment for the industry.

### 2. Strengthen the competitiveness of the automotive industry

#### *Review existing motor vehicle development programs and institute incentives for industry players*

The Comprehensive Automotive Resurgence Strategy (CARS) program, which was implemented in May 2015, is the country's most recent motor vehicle development initiative.<sup>27</sup> The Board of Investments is in charge of putting this program into action. The CARS initiative is intended to encourage foreign investments in the local automobile manufacturing sector by providing time-bound and output- or performance-based subsidy and fiscal support mechanisms to up to three vehicle models. The program's specifications particularly demand each participant to contribute PHP 9 billion in investments to create a volume of no less than 200,000 for six years. Only Toyota Motor Philippines Corp. and Mitsubishi Motor Philippines Corp. are participating in the initiative, with their enrolled models Toyota Vios and Mitsubishi Mirage, respectively.

However, due to the lack of a third qualified player and the absence of any European carmaker, the government was forced to reallocate the budget for the program's third slot to its public utility vehicle (PUV) modernization program, which will fund the proposed shared assembly site of modern jeepneys. More recently, in light of the current COVID-19 pandemic's detrimental effects on several industries, including the automotive sector, the BOI is considering extending the original six-year target production timeline for the two participating assemblers to nine years in order to continue

<sup>23</sup> Anig, J. (February 2021). Duterte suspends child car seat law. Retrieved from <https://newsinfo.inquirer.net/1394924/duterte-suspends-child-car-seat-law>

<sup>24</sup> EU-Philippines Business Network. (2017). EU-Philippines Business Network Advocacy Papers The EU and the Philippines: Partners for Progress and Prosperity.

<sup>25</sup> Department of Trade and Industry. Presentation of DTI Secretary Alfredo E. Pascual on DTI's priority programs during the general meeting of the Management Association of the Philippines (MAP).

<sup>26</sup> Komaromi, A., Cerdeiro, D., & Liu, Y. (2022). Supply Chains and Port Congestion Around the World. International Monetary Fund. Retrieved from <https://www.elibrary.imf.org/view/journals/001/2022/059/article-A001-en.xml>

<sup>27</sup> Official Gazette. (May 2015). Executive Order No. 182 - Providing for a Comprehensive Automotive Resurgence Strategy Program. Retrieved from <https://www.officialgazette.gov.ph/downloads/2015/05may/20150529-E0-182-BSA.pdf>

taking advantage of the fiscal and non-fiscal incentives.<sup>28</sup>

On the legislative front, in the 18th Congress, the House Trade Industry Committee approved last May 2021 an unnumbered substitute bill to House Bill No. 1833, otherwise known as the proposed Philippine Motor Vehicle Manufacturing Industry Act. The measure permits three-year industry planning, culminating in a document called the National Motor Vehicle Manufacturing Development Plan, which will be created by the Board of Investments (BoI).<sup>29</sup> The Chamber appreciates the measures taken by the government to support the sector and stands ready to work with stakeholders to ensure the sector's sustainable growth and development.

#### Develop a comprehensive support program for the domestic market adoption of electric vehicles

With the Electric Vehicles and Charging Stations Act (EVIDA) enactment into law on 15 April 2022, the ECCP Automotive Committee lauds the government in pushing for this measure as it would allow the Philippines to partake in the global transition to EVs. The Committee believes that this law would also provide a national EV policy framework to promote the EV sector in the Philippines, support vital infrastructure to encourage the use of EVs, and incentivize EV adoption and charging stations in the country. The Committee also welcomes the inclusion of EVs in the 2022 Strategic Investment Priority Plan (SIPP), approved last May 2022 under Memorandum Order No. 61.

To help encourage their adoption, the Chamber and its Automotive Committee strongly support the plan to lift the 30% duty on imported electric vehicles (EVs). Since the current move on the removal of the tariff rates on identified EVs and parts or components is only temporary, we urge the government to cement the reduction of EV import duties to a minimal rate of ~5-10%, or preferably even have the importation duty-free. E-vehicles coming from other ASEAN economies are already duty-free, whereas most favored nations face a 30% levy. Adjusting the tariff on e-vehicles will lower the cost of this mode of transportation, encouraging more people to utilize e-vehicles rather than those with combustion engines. With this, based on the insights shared by the industry players of the ECCP Automotive Committee, the scrapping of 30% duty for EVs coming from all countries should last over a span of at least eight (8) years. Accordingly for hybrid vehicles, the tariff duties should be 15% for at least four (4) years since the current excise tax for this category is half of the tax for petrol vehicles.

Aside from the economic benefits of the law, the health and environmental gains of switching to EVs in the Philippines are more crucial than ever. In recent years, there has been a clamor both in the local and international space for sustainable transportation. In the post-pandemic period and in pursuit of building back better, alternative modes of greener transport are much needed for the continued development of the automotive sector in the country. With this in mind, we call for lowering or even the complete removal of the duties on EV imports to accelerate the country's shift to electric vehicles.

Apart from tariff removal, the Committee also urges the new administration to put market segment-based support mechanisms in place, as well as tax exemptions for locally assembled units when adopted in fleet applications. Moreover, there should also be a clear system for the implementation and monitoring of compliance with the 5% mandatory share of EVs. The Committee also emphasizes that the formulation of the Implementing of Rules and Regulations (IRR) of the EVIDA effective on 20 September 2022 will be crucial to energize the sector. Lastly, a comprehensive support program for the establishment of charging infrastructure as well as for ensuring the standards for locally produced EVs should be developed to enhance domestic EV market adoption.

### 3. Further promote and improve emission and roadworthiness testing standards

#### Develop effective and efficient implementation of the motor vehicle inspection system

In March 2021, the DOTr ordered the LTO to temporarily stop the implementation of its memorandum directing all its regional offices to adopt the mandatory Private Motor Vehicle Inspection Centers (PMVICs) until the issue on the Geographic Areas of Responsibility (GAOR) is fully resolved.<sup>30</sup> Starting 26 July 2021, the LTO started reimplementing the **Motor Vehicle Inspection System** provided under Memorandum Circular Number MC-SC-2021-02<sup>31</sup>, which makes vehicle testing procedures on light vehicles and motorcycles mandatory, particularly in areas where PMVICs are already operational. Under the new MVICs, vehicles to be registered must pass a stringent 73-point inspection system to be conducted in three stages with the use of state-of-the-art equipment that sends, automatically and in real-time, the results to the Land Transportation Office's IT (information technology) system.

On this note, the ECCP Automotive Committee recommends bay system independent workshops be appointed as MVICs. This option will enable more MVICs to the country better nationwide coverage and wider options for testing and faster processing by reducing the waiting time to get the inspection done. The Chamber remains committed to public-private sector cooperation that will facilitate the full implementation of the MVIS program and the promotion of global best practices on modern, safe, and sustainable vehicle registration standards.

#### Strengthen implementation and enforcement framework of the Euro 4 emission standards

The present emission system in the Philippines applies to all industries and is based on Euro 4 emission standards, which were introduced in 2016 in accordance with existing environmental legislation such as the Philippine Clean Air Act of 1999. The shift is at par with counterparts in the region and establishes a more stringent set of requirements with current rules from the Departments of Energy and Environment and Natural Resources (DENR) mandating new vehicles sold in the Philippines to have Euro 4-compliant engines to fulfill United Nations (UN) regulations on pollutant emissions of cars based on their engine fuel requirements before the issuance of a certificate of conformity. This certificate is required for initial car registration with the LTO.

Timeline of current and adoption of Euro emission standards for road vehicles in select countries in Asia-Pacific

Country	2021	2022	2023	2024	2025
Brunei Darussalam			Euro 4		
China			Euro 6		
India			Euro 6		
Indonesia			Euro 4		
Lao PDR			Euro 2		
Japan			Euro 6		
Malaysia			Euro 4		Euro 5

28 Ibañez, J. (2021, August 26). CARS participants reach a third of local production target as of May, says Lopez. Retrieved from <https://www.bworldonline.com/top-stories/2021/08/26/391725/cars-participants-reach-a-third-of-local-production-target-as-of-may-says-lopez/>  
 29 Cortez, G. M. (2021, May 24). House committee approves bill creating 3-year development plan for domestic auto industry. Retrieved from <https://www.bworldonline.com/economy/2021/05/24/370714/house-committee-approves-bill-creating-3-year-development-plan-for-domestic-auto-industry/>

30 Fernandez, D. (2021, August 24). DOTr halts LTO order allowing private MVIS centers to inspect motor vehicles. Inquirer. Retrieved from <https://newsinfo.inquirer.net/1477927/dotr-halts-lto-order-for-motor-vehicles-to-undergo-inspection-at-private-emission-centers>  
 31 Department of Transportation. (2021). Implementation of Geographical Area of Responsibility (GAOR) for Renewal of Registration for Light Vehicles and Motorcycles. Retrieved from <https://drive.google.com/file/d/1Q81L0tpzQ8Wta2mxyv0pJGF0IE8ACgpb/view>

Philippines	Euro 4	
Singapore	Euro 6	
South Korea	Euro 6	
Thailand	Euro 4	Euro 6
Vietnam	Euro 4	Euro 5

Source: Clean Air Asia<sup>32</sup>

While the ECCP welcomes these regulations as a great step toward considerably reducing harmful vehicle emissions, which pose major health and environmental issues, we caution that rigorous compliance remains a key concern. More recently, the DTI has continuously postponed the implementation of a department order that was supposed to take into effect in 2019 and prohibiting the entry of truck engines and auto parts that do not meet Euro 4 emission standards, citing a shortage of skilled technicians and limited training on Euro emission standards. Its most recent postponement claims a public health emergency caused by the COVID-19 pandemic.<sup>33</sup>

The ECCP strongly calls for the strengthened implementation and enforcement of Euro 4 emission standards to encourage better and higher compliance of the industry and the general public with global best practices on vehicle emission control. In particular, we recognize the critical need to align testing facilities, especially privately owned centers, to Euro 4 emission standards, as well as to incentivize the adoption of equipment upgrades such as clean exhaust devices on automobiles. Taking this direction will put the country on the right track should it decide on official preparations for the gradual introduction of higher emission standards.

#### 4. Institutionalize mechanisms to improve vehicle and road safety

##### **Adopt compulsory vehicle safety standards for passenger cars and two-wheelers, including anti-lock braking system (ABS) and electronic stability program (ESP)**

According to the European Commission, human errors cause around 90% of all road accidents; consequently, effective solutions to avoid accidents or reduce their impact should target this risk factor.<sup>34</sup> In 2019, the Land Transportation Office (LTO) has also reported that motorcycle crashes are the 9th leading cause of death among Filipinos.<sup>35</sup> In relation to the foregoing, the employment of more standard driver-assist technologies is vital in reducing the risk of road crashes. Vehicle manufacturers have started to equip their products with electronic aids, the most popular of which is the anti-lock braking system (ABS). ABS is a type of electronic assistance that modulates braking and prevents wheel lock automatically. Regardless of the rider's brake input or the road condition, the mechanism allows the vehicle to stop within the shortest possible distance.<sup>36</sup> More recently, the Thai Department of Land Transport announced in its government gazette that ABS will become a mandatory part of all new two-wheeler vehicle models from 2024. In the Philippines, exploring a similar move of mandating ABS on two-wheeler vehicles may progress vehicle and road safety.

Aside from ABS, electronic stability control (ESC) assists in significantly reducing the number of road

deaths and serious injuries. As a result, a significant number of countries, including Australia and those in Europe, have passed legislation making these features mandatory for four-wheeled and, in certain cases, powered two-wheeled vehicles.<sup>37</sup> In 2018, Malaysia became the first Southeast Asian country to require ESC on all new automobiles. In accordance with this, the United Nations includes both ESC for cars and ABS for motorcycles in its eight priority vehicle safety standards, which serve as an indication to assess the quality of road safety laws globally.

Priority UN vehicle safety standards and associated existing technologies	
UN regulations	Associated technologies
<b>UN regulations 14, 16, and 129:</b> seatbelt, seatbelt anchorages, and child restraints	Occupant restraints
<b>UN regulation 78:</b> motorcycle anti-lock brakes; helps maintain control during emergency braking	Motorcycle anti-lock brakes
<b>UN regulations 94 and 95:</b> frontal impact protection and side impact protection; crashworthiness in crash tests at specific speeds	Occupant restraints, airbags (frontal and side), side structure and padding, and side door beams
<b>UN regulation 127:</b> pedestrian front protection; vehicle frontend modifications to reduce severity of pedestrian injuries	Vehicle front-end design
<b>UN regulation 140:</b> electronic stability control; prevents skidding and loss of control, requires anti-lock brakes	Electronic stability control

Source: United Nations Economic Commission for Europe<sup>38</sup>

The European business community recognizes and applauds the concerted efforts of several automobile manufacturers to include such features in their model lineups. In this context, we urge the government to take another step forward by mandating vehicle safety features such as ESC for passenger cars of vehicle category M1 and ABS for powered two-wheelers over 125 cubic centimeters sold and used in the country in order to promote road safety and facilitate innovation in transportation and mobility solutions.

##### **Require the installation of dashboard cameras (dashcams), restrict car tints on public and private vehicles, and fully implement the Child Seat Law**

Following calls from some lawmakers and the riding public for a suspension, Former President Rodrigo Duterte ordered the deferment of the implementation of the recently enacted Child Safety in Motor Vehicles Act in February 2021, which no longer allows children aged 12 and below to take the front seat and requires the use of child restraint systems. Cambodia, Lao PDR, and Singapore are the only other Southeast Asian states with national child-restraint law.<sup>39</sup> As such, the ECCP Automotive Committee urges the government to initiate dialogues with various stakeholders and address public concerns to fully implement the Child Car Seat Law for private vehicles. This will guarantee the safety and welfare of infants and children, and prevent traffic-related deaths and injuries.

Additionally, the Committee expresses support for the bills filed in the previous Congress, requiring

32 Clean Air Asia. (n.d.). Clean Fuels and Vehicles in Asia. Retrieved from <http://www.airqualityandmobility.org/PCFV/PDF/CleanFuelsVehiclesinAsiaUpdate.pdf>

33 DTI. (2021). DTI defers implementation of specific provision of DAO 18-04. Retrieved from <https://www.dti.gov.ph/archives/specificprovision-of-dao-18-04/>

34 European Commission. (n.d.) Intelligent transport systems: Road. Retrieved from [https://ec.europa.eu/transport/themes/its/road\\_it](https://ec.europa.eu/transport/themes/its/road_it)

35 Diaz, J. (2019, October 6). Motorcycle crashes No. 9 killer in Philippines. Philippine Star. Retrieved from <https://www.philstar.com/nation/2019/10/06/1957784/motorcycle-crashes-no-9-killer-philippines>

36 Universal Technical Institute. (2021, February 4). What Are Anti-Lock Braking Systems (ABS)? Retrieved from <https://www.uti.edu/blog/automotive/abs-braking-system>

37 Bhalla, K. & Gleason, K. (2020). Effects of vehicle safety design on road traffic deaths, injuries, and public health burden in the Latin American region: a modelling study. *Lancet Glob Health* 8(6). DOI: 10.1016/S2214-109X(20)30102-9

38 United Nations Economic Commission for Europe. (2021). UN Vehicle Regulations for road safety Cost-benefit methodology. Retrieved from [https://unece.org/sites/default/files/2021-09/CBA%20publication%20E%20web\\_0.pdf](https://unece.org/sites/default/files/2021-09/CBA%20publication%20E%20web_0.pdf)

39 Aning, J. (February 2021). Duterte suspends child car seat law. Retrieved from <https://newsinfo.inquirer.net/1394924/duterte-suspendschild-car-seat-law>

the installation of dashboard cameras or dashcams. We believe that mandating the use of dashcams will prevent criminal incidents from happening including kidnapping, road rage, and carjacking. In resolving such cases, dashcams can serve as a great addition to closed-circuit televisions (CCTVs) and provide a different angle of incidents for accuracy. The Automotive Committee underlines that the use of such recording devices will be effective for evidence-based recording on the streets and of violations of traffic rules. The ECCP will continue monitoring developments in the Legislative branch and support efforts that will further promote road safety and responsible driving.

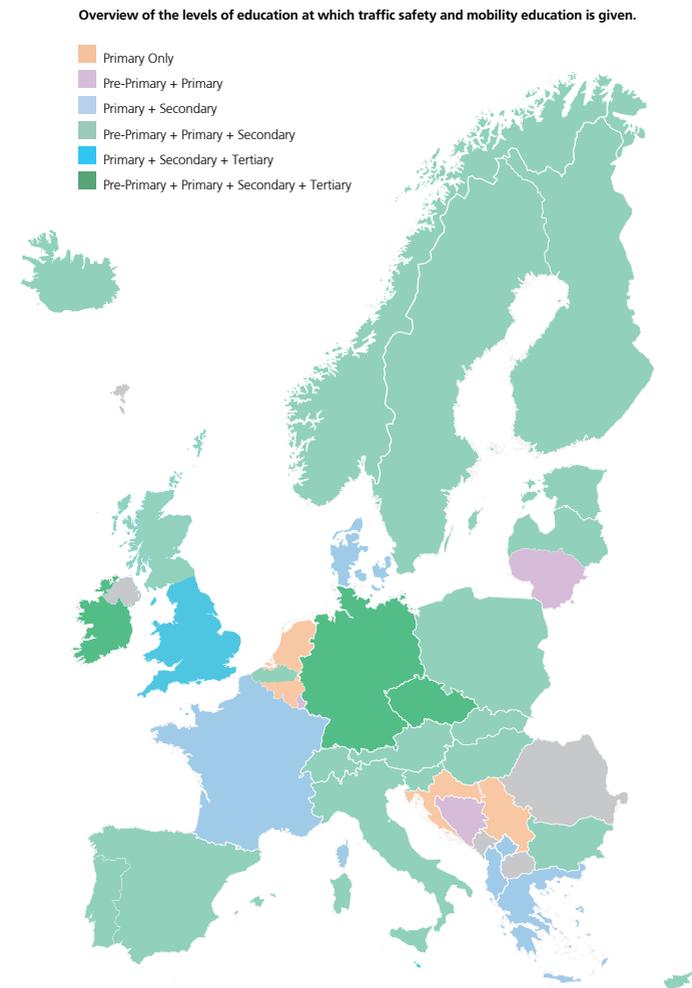
Lastly, the ECCP Automotive Committee supports the move of mandating the front windshield and first row windows of private vehicles to be clear and not dark. Since 2018, the Land Transportation Office (LTO) has been consulting with relevant sectors regarding the government's proposal on restricting car tints on public and private vehicles. The measure seeks to ban window tints for public transportation vehicles and regulate those of private vehicles for anti-crime purposes.<sup>40</sup> Dark tinted windows are more susceptible to causing road accidents, especially at night due to low visibility of roads resulting in a much slower reaction time among drivers. This recommendation will not significantly affect the privacy concerns of passengers as VIPs usually sit in the second row where the tint of the windows can be dark. The Committee maintains its position that safety and security should be the primordial concern for this matter.

### **Incorporate road safety education in the basic education curriculum**

As more cars use the country's thoroughfares, the likelihood of traffic accidents rises, placing motorists, passengers, and pedestrians at greater risk of serious injury or, worse, death. Despite being in compliance with World Health Organization (WHO) best practices in terms of having numerous national legislation associated with road safety in place, the Philippines was classified as having the 4th highest road death rate in Southeast Asia by the same health authority.<sup>41</sup> Meanwhile, vehicular accidents cause an estimated 2.6% loss in the Philippines' gross domestic product per year.<sup>42</sup> The dire scenario only emphasizes the necessity for officials to properly establish adequate road safety education for its younger population.

Road safety education is included in formal education systems at varying levels in numerous countries around the world, including European economies, as part of their respective national traffic safety programs and policies.<sup>43</sup> Whereas these countries have made road safety education an integral component of compulsory schooling, the Philippines lacks similar mandatory modules in its national education system and often relies on short and voluntary trainings and courses provided by the private sector and advocacy groups. In the lack of a national direction, regional LTO offices promoted road safety education initiatives exclusively in their areas of operation.

**Figure 1. Levels of education at which traffic safety and mobility education is given in Europe**



16 | The status of traffic safety and mobility education in Europe

Source: European Transport Safety Council

LTO and the Department of Education established a pilot program in Quezon City in July 2019 to integrate road safety into the country's K to 12 basic education curriculum (K-12). However, there have been no substantial improvements in terms of its formal adoption on a nationwide scale since then. Meanwhile, politicians introduced measures in Congress on the matter, but there has been no significant movement as they are still pending at the Committee level.

For this reason, the ECCP calls for the inclusion of road safety education in K-12 as a proactive policy toolset to guarantee the dissemination of practical knowledge on road and traffic safety, as well as other pertinent information to youth. This knowledge transfer will assist the next generation of drivers, commuters, and pedestrians, reducing road fatalities and enhancing the mobility environment. To that end, we are ready to collaborate with policymakers, civil society organizations, and other stakeholders to achieve this shared commitment to instilling traffic standards and road safety regulations.

<sup>40</sup> Cabato, R. (2018, January 2). Gov't proposal restricts car tint on public, private vehicles. CNN. Retrieved from <https://www.cnnphilippines.com/news/2018/01/02/government-proposal-restricts-car-tint.html>

<sup>41</sup> World Health Organization. (2021, February 9). The Global Health Observatory: Road traffic deaths. Retrieved from <https://www.who.int/data/gho/data/indicators/indicator-details/GHO/estimated-number-of-road-traffic-deaths>

<sup>42</sup> Global Road Safety Partnership. (n.d.). Philippines. Retrieved from <https://www.grsproadsafety.org/programmes/countries/philippines/>

<sup>43</sup> Mütze, F. & De Dobbeleer, W. (2019). The Status of Traffic Safety and Mobility Education in Europe. Retrieved from <https://etsec.eu/wp-content/uploads/ETSC-LEARN-Report-on-the-Status-of-Traffic-Safety-and-Mobility-Education-in-Europe.pdf>

# ASSESSMENT OF 2021 RECOMMENDATIONS

ISSUE	RECOMMENDATIONS	COMPLETED / SUBSTANTIAL PROGRESS	SOME PROGRESS	NO PROGRESS / RETROGRESSION
<b>Facilitate ease of trade in the automotive sector</b>	Eliminate import tariff duties for European automotive brands in preferential trade arrangements		The EFTA-Philippines FTA entered into force for its remaining party-state, Iceland, last January 2020.	While trade officials between Brussels and Manila have virtually met in 2020, there are not yet any clear details as to the next round of negotiations for the EU-Philippines FTA.
	Align domestic import regulations with international benchmarks		ASEAN countries including the Philippines signed the ASEAN MRA on Type Approval for Automotive Products significantly removing an NTB in automotive trade.	
<b>Review existing motor vehicle development programs and institute incentives for players in the sector</b>	Strengthen the competitiveness of the automotive industry	<p>The EVIDA lapsed into law last 15 April 2022, which promotes the expansion of the electric vehicle industry.</p> <p>Last May 2022, Former President Rodrigo Duterte signed Memorandum Order No. 61, approving the 2022 SIPP. Electric vehicles are covered by Tier II of the newly formulated SIPP.</p>	A House TWG approved a motor vehicle manufacturing industry bill last May 2021. However, there is no Senate counterpart filed.	
<b>Further promote and improve emission and roadworthiness testing standards</b>	Develop effective and efficient implementation of the motor vehicle inspection system		Starting 26 July 2021, the LTO started reimplementing the MVIS provided under Memorandum Circular Number MC-SC-2021-02, which makes vehicle testing procedures on light vehicles and motorcycles mandatory.	
	Strengthen implementation and enforcement framework of the Euro 4 emission standards			DTI deferred for the second time the implementation of DAO No. 18-04 banning the importation of non-Euro 4 standard parts and components for rebuilding purposes due to the subsistence of the national health emergency brought about by the COVID-19 pandemic.
<b>Institutionalize mechanisms to improve vehicle and road safety</b>	Adopt compulsory vehicle safety standards for passenger cars and two-wheelers			There are currently no implemented policies from the government requiring the mandatory installation of vehicle safety features in motor vehicles sold and used in the Philippines.
	Incorporate road safety education in basic education curriculum			Several pieces of legislation have been introduced in the previous Congress, proposing the mandatory inclusion of basic road safety and comprehensive driver's education in the enhanced basic education curriculum.







**EUROPEAN CHAMBER OF COMMERCE OF THE PHILIPPINES**



19<sup>th</sup> Floor, Philippine AXA Life Center Bldg.,  
Sen. Gil Puyat Ave. cor. Tindalo Street,  
Makati City, Metro Manila, Philippines, 1200



8845-1324



[info@eccp.com](mailto:info@eccp.com)



[www.eccp.com](http://www.eccp.com)