



Technical Report

***Land Transport Franchising: #4 of 6 reports for an
Integrated System of Motor Vehicle Registration, Land
Public Transport Franchising, Insurance, and Taxation***

**by The Asian Institute of Management RVR Center for Corporate Responsibility:
Felipe Alfonso, Francisco Roman, Jr., John Paul Vergara, Dennis Beng Hui,
and Romulo Miral, Jr.**

**Prepared for
Land Transport Office (LTO)
Land Transportation Franchising & Regulatory Board
Bureau of Internal Revenue, and
Insurance Commission
Republic of the Philippines**

**Submitted for review to
USAID/Philippines OEDG**

March 2007



Preface

This report is the result of technical assistance provided by the Economic Modernization through Efficient Reforms and Governance Enhancement (EMERGE) Activity, under contract with the CARANA Corporation, Nathan Associates Inc. and The Peoples Group (TRG) to the United States Agency for International Development, Manila, Philippines (USAID/Philippines) (Contract No. AFP-I-00-00-03-00020-00 Delivery Order 800). The EMERGE Activity is intended to contribute towards the Government of the Republic of the Philippines (GRP) Medium Term Philippine Development Plan (MTPDP) and USAID/Philippines' Strategic Objective 2, "Investment Climate Less Constrained by Corruption and Poor Governance." The purpose of the activity is to provide technical assistance to support economic policy reforms that will cause sustainable economic growth and enhance the competitiveness of the Philippine economy by augmenting the efforts of Philippine pro-reform partners and stakeholders.

EMERGE received an unsolicited grant proposal from the Asian Institute of Management (AIM) Ramon V. del Rosario, Sr., (RVR) Center for Corporate Responsibility dated August 1, 2005, entitled "Improved Coordination among Regulatory and Tax Administration Agencies: Towards Improved Tax Collection." As the design of the activity was refined, it was endorsed on January 20, 2006, by the heads of four counterpart agencies: Chairperson Maria Elena Bautista, Land Transportation Franchising and Regulatory Board (LTFRB), Commissioner Jose Mario C. Buñag, Bureau of Internal Revenue (BIR), Commissioner Evangeline Escobillo, Insurance Commission (IC), and Assistant Secretary and Chief, Anneli Lontoc, Land Transport Office (LTO). The counterparts called for technical assistance through the proposed grant to help them develop an **"Integrated System of Motor Vehicle Registration, Land Public Transport Franchising, Insurance and Taxation"** program, in order to 1) reduce transaction costs and business risks in the registration and insurance of motor vehicles, and in franchising and insurance of land transportation, and 2) improve the collection of taxes and fees from land transportation franchising, motor vehicle registration and insurance through third party information.

The specific objectives of the activity were:

1. To review and analyze the business processes and their accompanying organizational structures and level of ICT support, which are pertinent to motor vehicle registration, land public transport franchising, and transport sector taxation;
2. To identify possible areas of interface and harmonization of requirements in the processes undertaken by the LTO, LTFRB, BIR, and IC, which include but are not limited to data generation, processing, and analysis;
3. To design an improved and integrated system for motor vehicle registration, land public transport franchising, and transport sector taxation; and
4. To design a change plan for the introduction and adoption of the integrated system in objective 3.

The EMERGE grant was approved by USAID on March 20, 2006. The AIM team consisted of Felipe Alfonso & Francisco Roman, Jr., Project Leaders, John Paul Vergara, Team Leader 1, Dennis Beng Hui, Team Leader 2, Romulo Miral, Jr., Task Manager, and others. Upon completion of its work the AIM/RVR Center submitted the following reports detailing the results of their work with the counterpart agencies:

I. **“Integrative Report,”** describing the project background and the major findings and recommendations of the study. Also included as appendices are:

- Draft MOA for Linkage on Compulsory Third Party Liability Insurance Reporting, among IC, LTO and BIR
- Draft MOA for Linkage on Colorum Vehicle Reporting, between LTO and LTFRB
- Draft MOA for Linkage on Tax-Related Information on Transport Operators, between LTFRB and BIR
- LTO Office Order No. 151-2006 dated May 17,2006 on the Creation of Study Group to Update LTO Operations Manual
- LTO Memorandum dated October 30,2006 on Monitoring and Reporting of Transaction Inefficiencies

II. **“Motor Vehicle Registration Report,”** containing the motor vehicle registration process documentation, diagnostics of the process, and proposed systems and process improvements;

III. **“Draft of Updated Land Transportation Office (LTO) Operations Manual,”** which was prepared by an LTO study group with the facilitation and guidance of the AIM project team;

IV. **“Land Transport Franchising Report,”** containing the land transportation franchising process documentation, diagnostics of the process, and proposed systems and process improvements;

V. **“Draft Land Transportation Franchising and Regulatory Board (LTFRB) Guidebook,”** which is a step-by-step guide in operationalizing the proposed process improvements in the Application/Extension of Validity of Franchise and Confirmation of Franchise, which represent the bulk of the transactions at the LTFRB; and

VI. **“Risk Assessment of Taxation in Motor Vehicle Registration and Land Transport Franchising,”** which looks at the problems and proposed systems improvements in motor vehicle registration and transport franchising within a tax revenue risk assessment framework.

The views expressed and opinions contained in these reports are those of the authors and are not necessarily those of USAID, the GRP, EMERGE or its parent organizations.

**INTEGRATED SYSTEM OF MOTOR VEHICLE REGISTRATION,
LAND TRANSPORT FRANCHISING,
TAXATION, AND INSURANCE**

**LAND TRANSPORT FRANCHISING:
PROCESS DOCUMENTATION AND DIAGNOSTICS
PROPOSED SYSTEMS**

**HILLS PROGRAM ON GOVERNANCE-
RVR CENTER FOR CORPORATE RESPONSIBILITY
ASIAN INSTITUTE OF MANAGEMENT**

MARCH 2007

TABLE OF CONTENTS

		PAGE
A	PROCESS DOCUMENTATION AND DIAGNOSTICS OF THE LAND TRANSPORT FRANCHISING SYSTEM	
1	Narrative Description of the Process Flow of Application of Franchise and Confirmation	4
1.1	Current process flow of application of franchise	4
1.2	Financial assessment	4
1.3	Hearings	5
1.4	Route measure capacity	6
1.5	Board resolution	7
1.6	Current process flow of application of confirmation	19
2	Documentary Requirements	23
	Types of applications	23
3	Process Diagnostics	27
3.1	Matrix of process description and diagnosis: application of franchise – assessment and payment of application (TED)	27
3.2	Diagnosis of current flow of application of franchise – pre-docketing/ docketing of the application	28
3.3	Diagnosis of current flow of application of franchise – evaluation of application through hearing (legal)	29
3.4	Diagnosis of current flow of application of franchise – evaluation of application (without hearing) (TED unit)	31
3.5	Diagnosis of current flow of application of franchise – evaluation of application by the Evaluation Unit of the Board	32
3.6	Diagnosis of current process flow of application of franchise – encoding of information (MID)	33
3.7	Diagnosis of current process flow of application of confirmation	34
4	State of the Management Information System of LTFRB	36
4.1	MIS for front end	36
4.2	MIS for back end	37
5	Stakeholder Analysis	41
6	Linkages of LTFRB with LTO and BIR	44
6.1	LTFRB and LTO	44
6.2	LTFRB and BIR	49
6.3	Tax Leakages	53

	PAGE
B	
PROPOSED SYSTEMS FOR THE LAND TRANSPORT FRANCHISING SYSTEM	55
1	Overview of the LTFRB Central Office Processes 55
2	Proposed Improvements for LTFRB Central Office Processes 58
2.1	Proposed process for extension of validity 58
2.2	Detailed description of the proposed process for extension of validity 59
2.3	Proposed process for confirmation 66
2.4	Detailed description of the proposed process for the confirmation of franchise 67
3	Proposed Changes in the Physical Layout for the Technical Evaluation Division (TED) 70
3.1	Frontline personnel arrangement for each window 71
3.2	Back office personnel in the TED 72
3.3	Improvements in the compliance of the proposed LTFRB processes 73
4	Proposed Information Sharing Among LTFRB, LTO, and BIR 78
4.1	Estimated financial opportunity loss due to the existence of registered public motor vehicles without LTFRB franchise 78
4.2	Proposed enhancements on the current integration of LTFRB and LTO 79
4.3	Estimated financial opportunity loss due to the existence of non- BIR registered operators with valid LTFRB franchise 86
4.4	Proposed enhancements on the current integration of LTFRB and BIR 86
4.5	Systems Specifications and Database Design for LTFRB 93
5	Implementation Plan 96
5.1	General activities for the implementation plan 96
5.2	Specific activities 96
5.3	Possible implementation problems for LTFRB 98

<p style="text-align: center;">A. PROCESS DOCUMENTATION AND DIAGNOSTICS OF THE LAND TRANSPORT FRANCHISING SYSTEM</p>

**1. NARRATIVE DESCRIPTION OF THE PROCESS FLOW
OF APPLICATION OF FRANCHISE AND CONFIRMATION**

1.1 Current process flow of application of franchise

The current process flow for applying/extension of a franchise can be summarized in the following general steps. These are:

- 1.1.1 Assessment and payment of application fees
- 1.1.2 Updating of docket books (pre-docketing)
- 1.1.3 Evaluation of application/ extension
- 1.1.4 Signing of decision orders
- 1.1.5 Encoding of information details in database

Generally speaking, applications for new franchises and renewal of franchise validity require applicants to submit pre-determined a set of documents that will be used to review the financial capability of the applicant. This financial capability is being evaluated at the Technical Evaluation Division (TED) before any applications are forwarded to the Legal Division for the scheduling of hearing.

1.2 Financial assessment

1.2.1 Required financial information

In order to assess the financial capability, a financial analyst under the TED, fills up a financial assessment form. The following information is completed and analyzed:

- a. Number of Units Applied – the number of units for application and evaluation, based on LTO OR/CR
- b. Number of Ready Units – indicated the number of units ready for operation
- c. Mode of Acquisition – indicates whether the units are registered
- d. Authorized capital stock and paid in capital – total amount of equity or capital stock will be the
- e. Cash in bank – deposits should be Php30,000/unit for trucks and buses, and Php10,000/unit for taxi and jeeps. A bank certificate is preferred rather than a passbook. The
- f. Amount of Loan and Corresponding Bank – indicates the debt of the owner to sustain the operation.
- g. Other Assets Aside from Cash in Bank – pertains to fixed assets such as land and buildings

- h. Other Business Aside from Transportation - pertains to the applicant's other sources of income
- i. Per Audited Financial Statement: Total Assets, Total Liabilities, Stockholder's Equity and Income
 - Computes the ratio of Return on Equity = $\text{Income} / \text{Total Stockholder's Equity}$ or $\text{Income} / \text{Net Worth}$. The ratio should be around 2.0.
 - If the Equity amount has a negative value, additional proof of financial capacity is requested through issuance of an Order. This could pertain to bank statements such as bank certificate, which can be easily verified. The requested documents together with the Order will be submitted in Window 5.

1.2.2 Financial criteria

The main financial values being looked at in the financial assessment are a positive net income and good ratio of return on equity. Typically, if the applicant is only applying for less than 3 units for a given franchise, the financial assessment is not strictly performed. The application is automatically forwarded to the Legal Division for the creation of a Notice of Hearing.

Currently, a proposed Memorandum Circular on Financial Assessment is in the works to enhance the financial assessment process. A ranking of Draft PUB Point System using the following criteria are being proposed as part of the financial assessment:

- a. Financial capacity – 30%
 - Capital expenditure / Total assets (0.1 to 0.5) – 10%
 - Liabilities / Total assets (reciprocal of 0 to 1) – 10%
 - Fiscal efficiency / cash flow trend: 0-100%. If negative, no points will be credited – 10%
- b. Quality of Service – 20%
- c. PUB units (readiness) – 20%
- d. Terminal – 10%
- e. Garage – 10%

1.3 Hearings

Typically, new applications and extensions will require hearings, while dropping or cancellation of franchise does not require any hearing.

The purpose of the hearing is to validate and assess the submitted documents and the original documents to be submitted during the hearing. Before a hearing can occur, a notice of hearing is given to the applicant and will be required to publish the notice of hearing in a newspaper with a nationwide circulation. The notice of hearing serves as the

initial document of the applicant. This informs the applicant of the date of hearing and the minimum number of days that the notice should have been published in a newspaper before the actual hearing date.

The main players during a hearing are the Hearing officer (lawyer), applicant, and an opposition. The hearing is conducted in LTFRB's court room. There is a list of applicant's names for each day of hearing. All the listed names will be called and finished within the day even if it is beyond 5pm. The names are on the basis of first come first serve basis. The procedure is as follows:

- 1.3.1 The applicant name is called.
- 1.3.2 The applicant approaches the hearing officer.
- 1.3.3 The applicant presents original documents for screening and validation.
- 1.3.4 The opposition party should be present during the hearing once the applicant's name is called. If the opposition is able to raise a valid issue regarding the applicant, then another hearing will be conducted. This is called an en-banc hearing where 2 members of the Board will be presented to hear the case.

During the hearing proper, the hearing officer will then decide whether to recommend a decision or dismissal of the application. If the applicant was not able to provide legal evidence based on the route measure capacity (route measure capacity is issued by DOTC which is equal to the number of allowed vehicles to travel in a specific route), Filipino citizenship and financial capability, the applicant is deemed dismissed. The applicant can file an appeal for reconsideration by submitting another application starting from the Technical Evaluation Division (TED). If there is no opposition, a hearing usually takes around 5 to 10 minutes per applicant.

1.4 Route measure capacity

1.4.1 The Route Measure Capacity (RMC) is being prepared by the Planning Department. There are two types of planning being conducted by the department:

- a. Strategic Planning – overall reform program (rationalizing the transport sector), provides guidelines
- b. Operational Planning – formulation of policies through Memorandum Circulars (MCs) for route based and non-route based transportation. Route based transport has distinct destinations while non-route based has several destinations or general circulation.

1.4.2 The planning department conducts surveys on the DOTC route measure capacity (RMC):

- a. To verify how many public transport units are needed
- b. Passenger count / Passenger demand

- c. Terminal location such as the terminal in SM North Edsa for public vehicles going to NLEX and soon in SM Mall of Asia for public vehicles traveling in Coastal City.
- d. Critical loading areas
- e. Count and write down vehicles' plate number – as part of GIS program to minimize colorum operations. A summary report shows the case number (on file or not on file), the specific route or line (in line or out of line) and expiry of the franchise (valid or expired).
- f. Considers the methodology being used by the University of the Philippines National Center Transport Services (UP-NCTS). They collaborate with UP-NCTS in surveys and research regarding routes / road capacity researches.

1.4.3 Route Measure Capacity based on the following information and formula:

- a. The formula: $\text{Passenger Demand} / (\text{Utilization Ratio} \times \text{Viable Load Factor} \times \text{Average Seating Capacity} \times \text{Number of Round Trips})$
- b. The utilization ratio and viable load factor is taken from the DOTC / DPWH computation which considers the carrying capacity of the road.
- c. The data is then given to LTFRB (validate if there is opposition- passenger pattern, trend, scale, characteristics)

1.4.4 The Planning Department is currently looking at two projects that would help enhance the utilization of the existing route capacities. These are:

- a. Geographical Information System (GIS) Project under the Rationalization-PUJ route program to be funded by JICA that would help monitor the level of usage in each route.
- b. Coordinated Odd-Even Scheduling with MMDA to increase the utilization of bus traveling between 10am to 3pm from 50% to 90%. This project also aims to solve the air pollution, to address traffic congestion and the public vehicles demand.

1.5 Board resolution

After the hearing, a draft of the decision or order is made by the hearing officer. This decision or order will be endorsed to the Board for review and approval. The Board takes at least 2 weeks to review and approve the decision or order.

The Board is the approving body for all applications, composed of 2 persons. They review and check the submitted requirements for each application and review the process of evaluation before they sign. They are also the body who resolves issues or oppositions for all applications nationwide. Board member Gerardo Pinili is the board in-charge for applications without hearing or more on the technical side. Board member Maria Ellen Dirige-Cabatu is the board in-charge for application with hearing or more on the legal side.

All applications for bus franchise will have to pass through the office of the Chairperson for final approval. For the other denominations, such as taxi, it will only require any two persons (Chair and Board Members) to give their approval signature for the application to be approved.

An approved franchise is valid for 5 years before another application for extension will be required.

The general process flow is shown in Figure 1a below. A detailed process flow follows in Figure 1b.

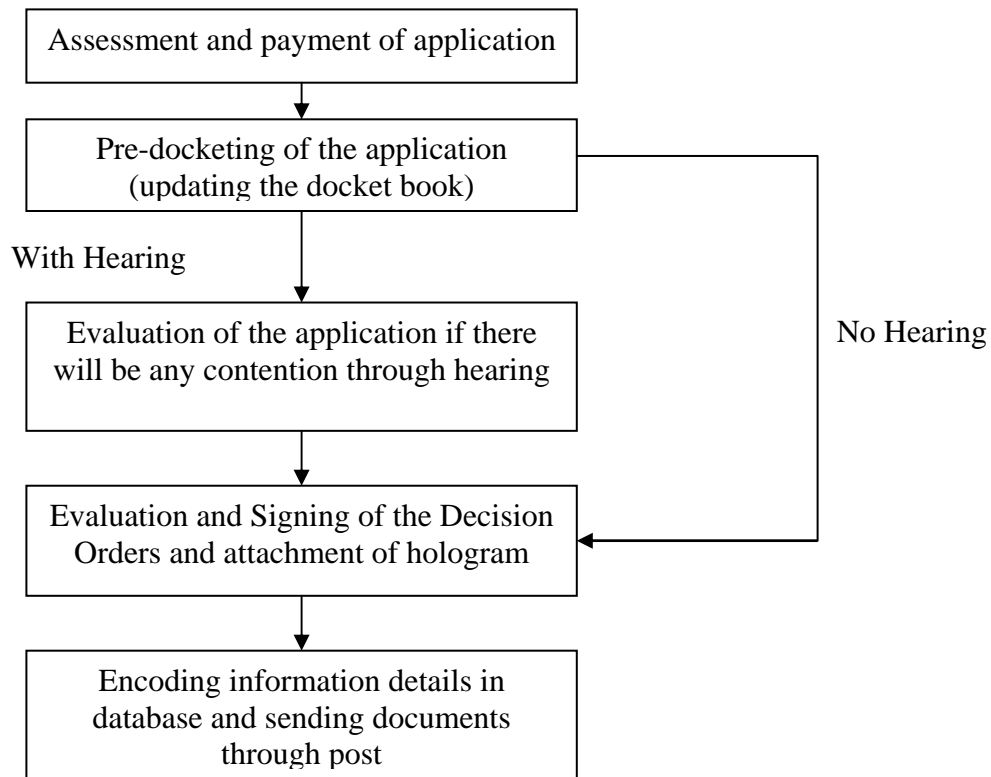
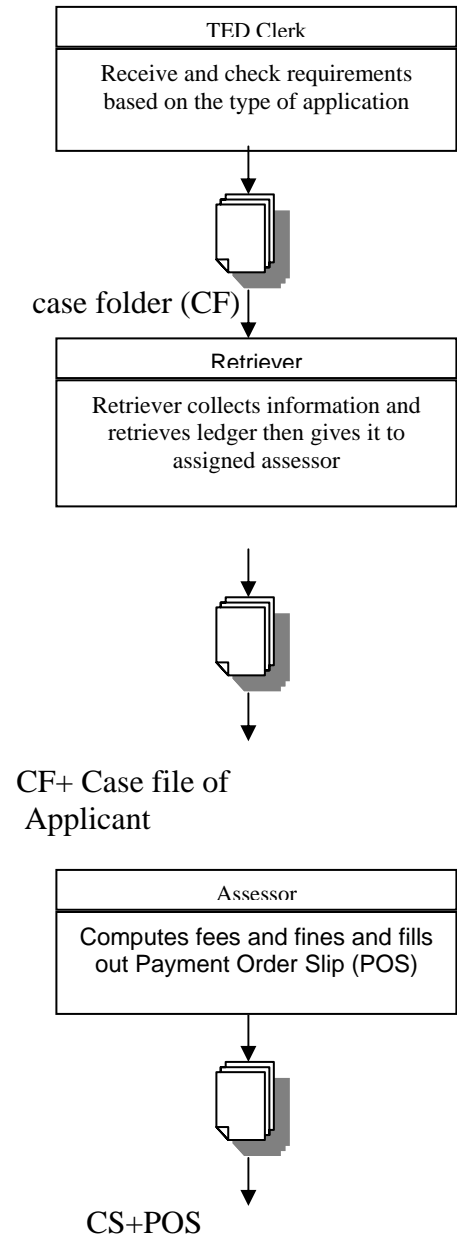
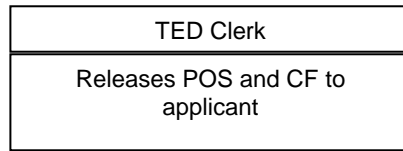


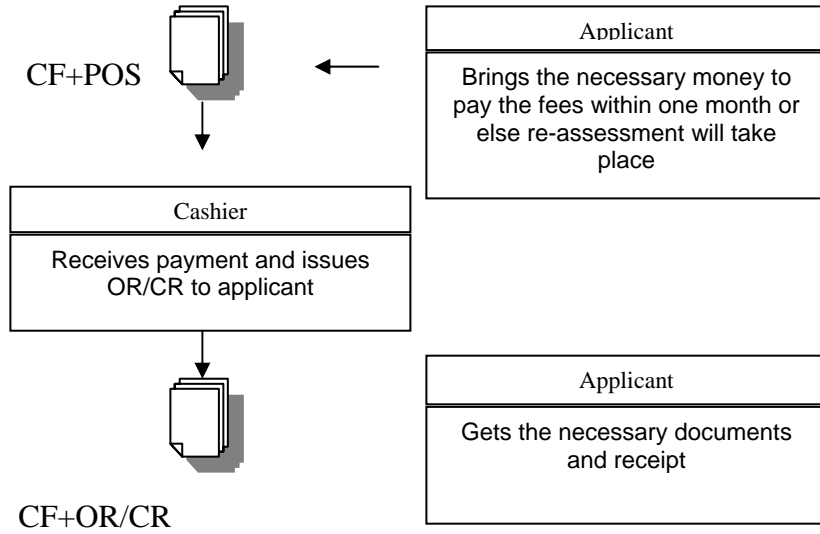
Figure 1a: Process flow for franchise application/ extension or renewal/ dropping/ cancellation

Figure 1b. Detailed process flow of application of franchise-assessment and payment of application

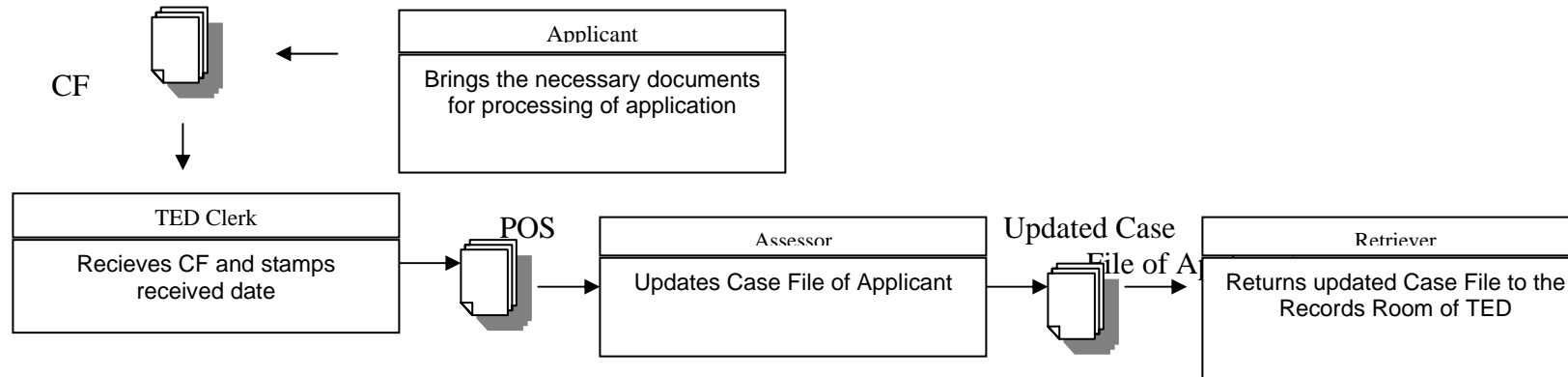


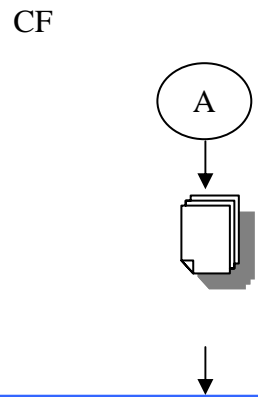
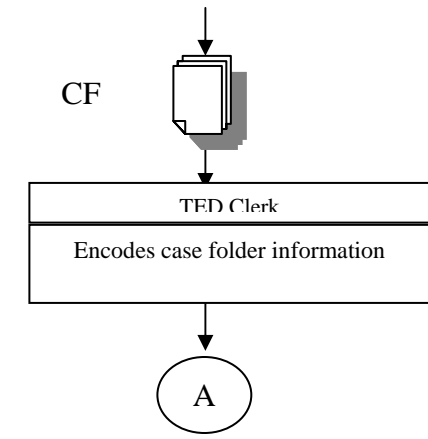


Technical Evaluation Division (TED)



Cashier





TED

Docket Receiving Clerk
Receives CFs and places folders on the assigned shelf

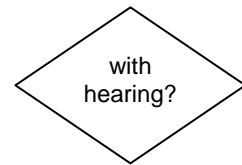


CF

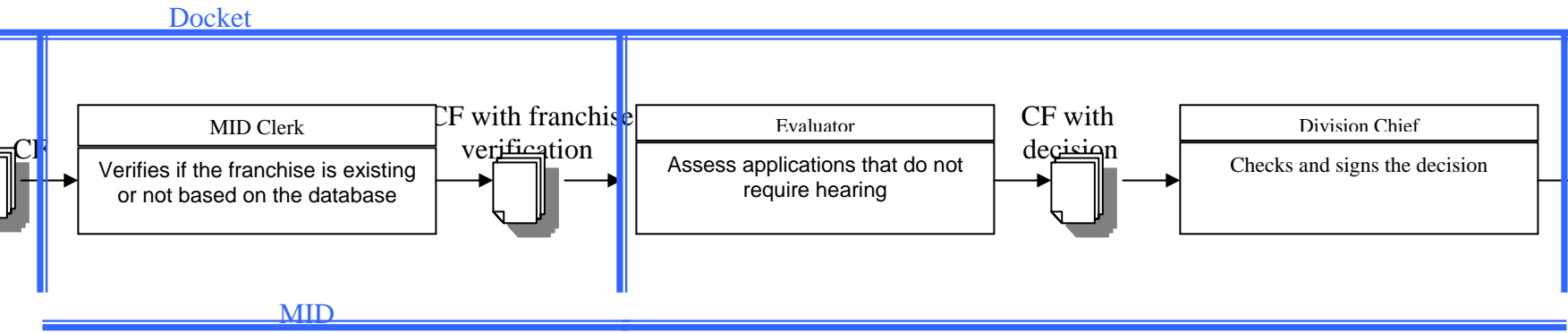
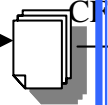
Docket Officer
Retrieves CF and docket book from designated shelves and updates the file of the applicant



CF



No

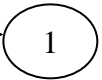
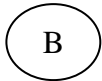


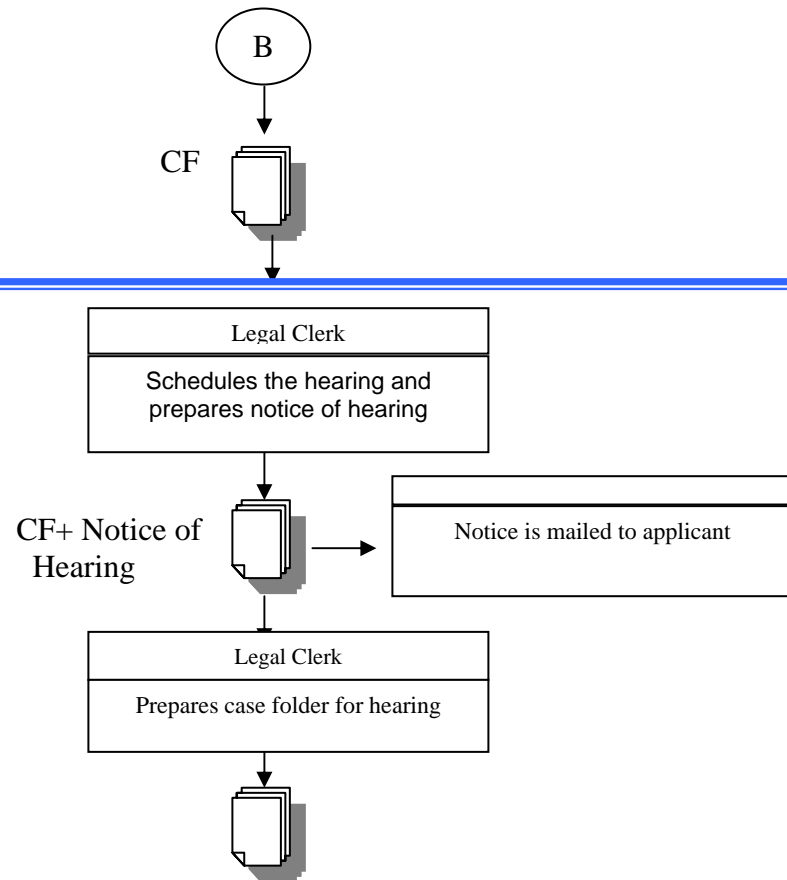
Docket

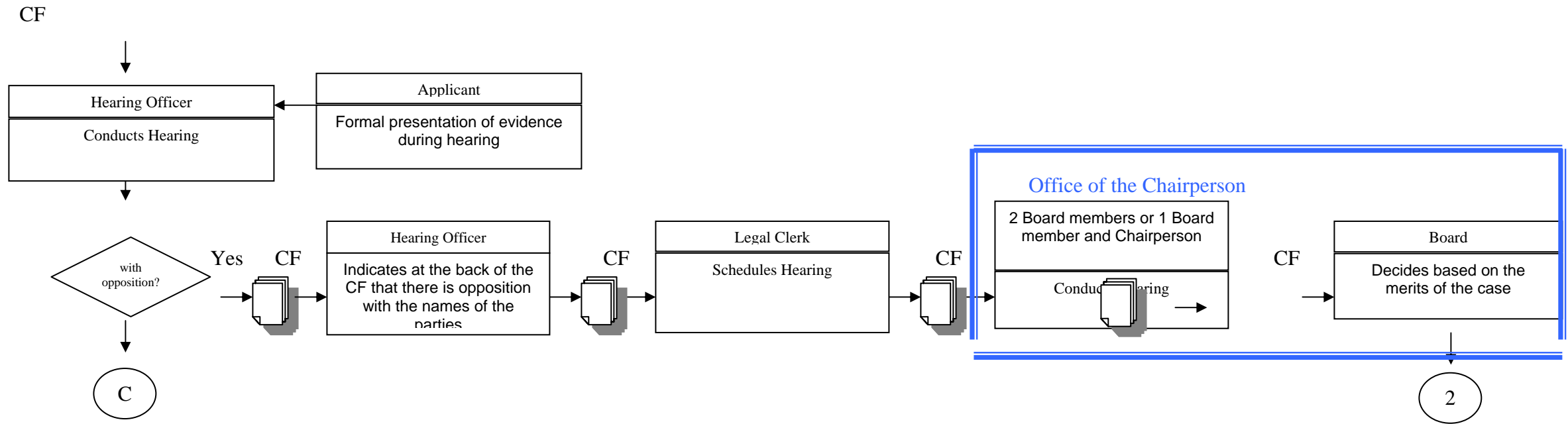
MID

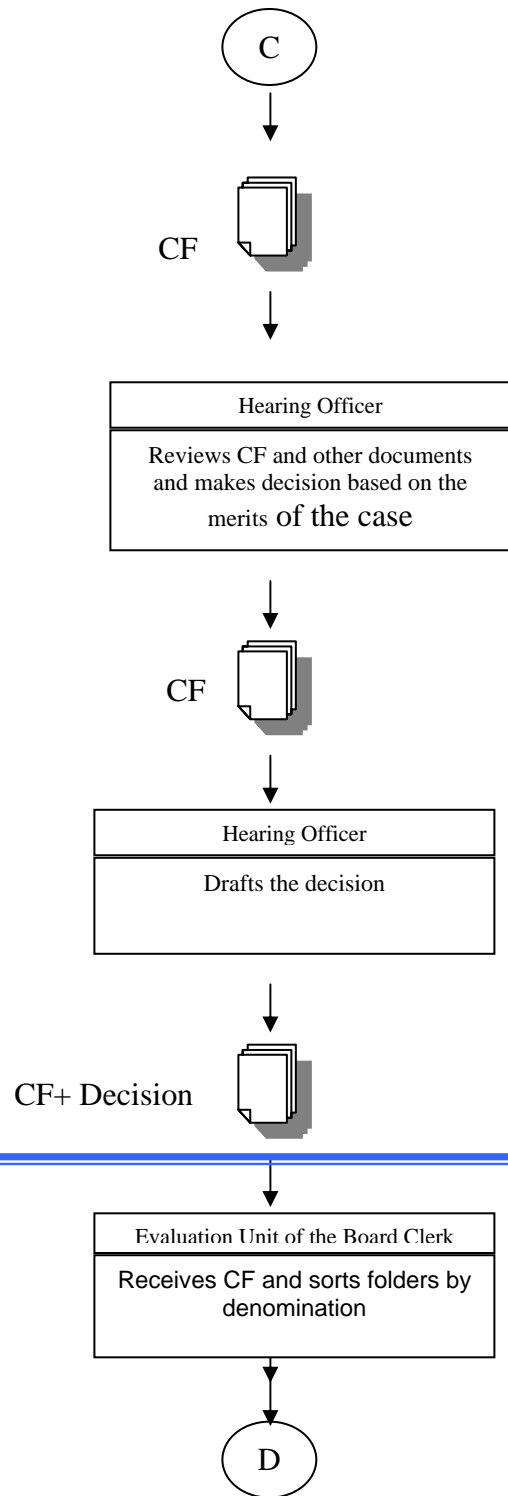
TED

yes

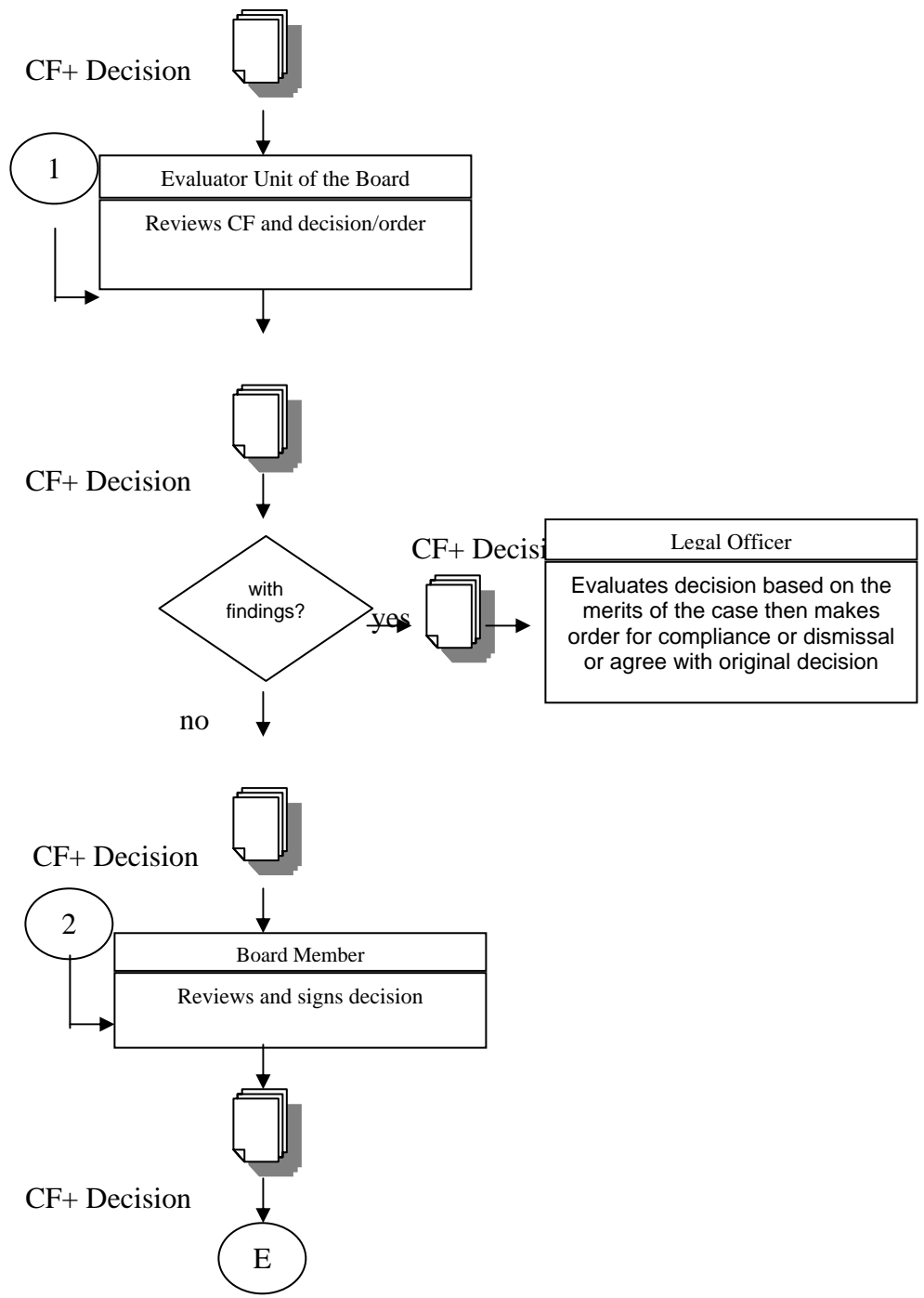


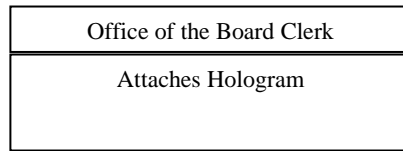






Legal

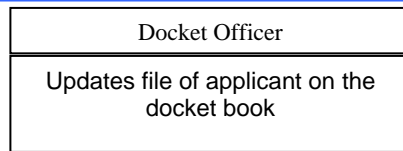




CF+ Decision with Hologram

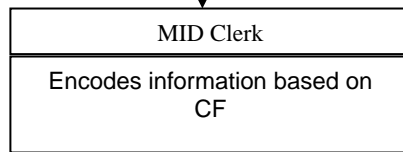


Office of the Chairperson



CF+ Decision with Hologram

Docket

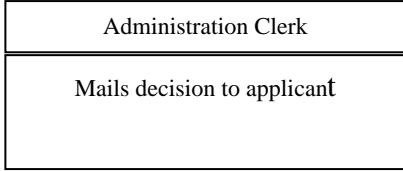


CF+ Decision with Hologram

MID



F



Administration

1.6 Current process flow of application of confirmation

The purpose for confirmation application is for LTO registration. This is to validate that their existing franchise is still valid. The current process flow for confirmation can be summarized in these general steps:

- 1.6.1 Assessment and payment of confirmation fees
- 1.6.2 Printing of confirmation certificates
- 1.6.3 Evaluation of submitted documents and signing of confirmation certificates
- 1.6.4 Releasing of confirmation certificates to LTO

The general process flow is shown in Figure 1c below. The detailed process flow is found in Figure 1d.

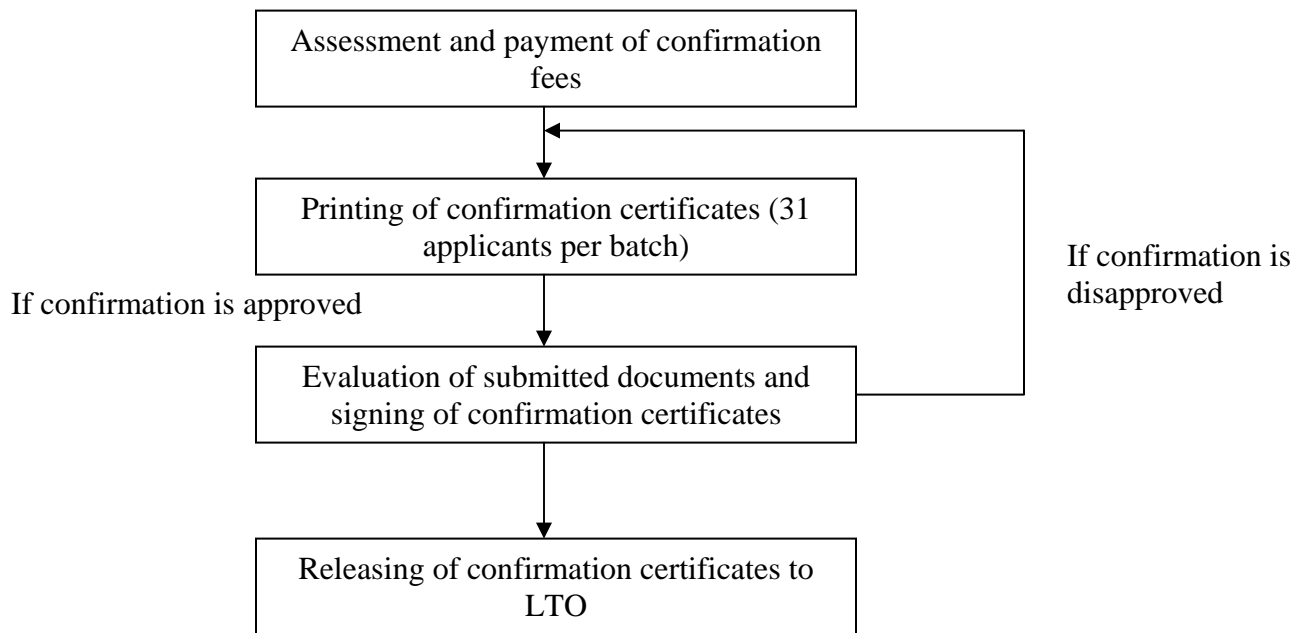
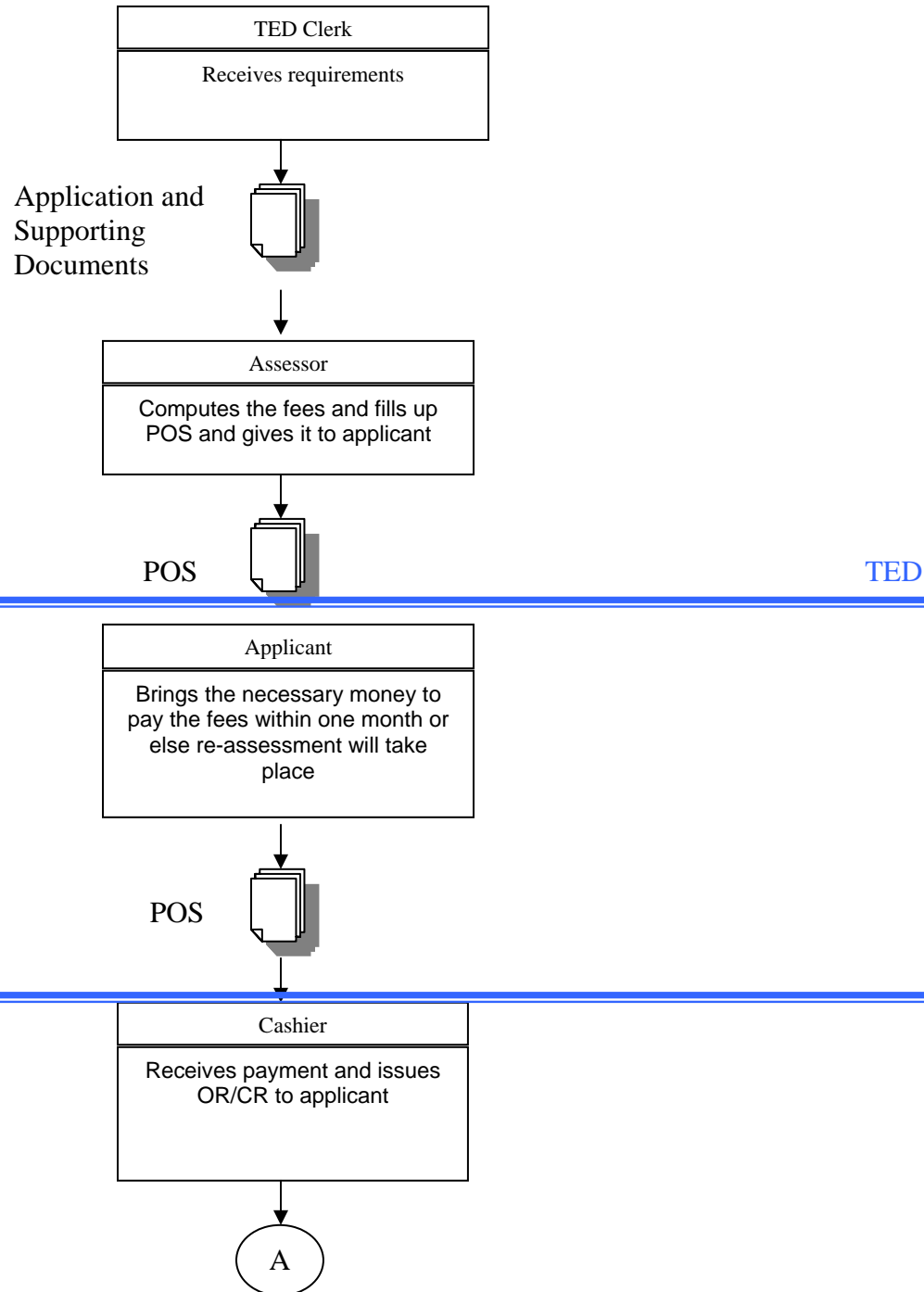
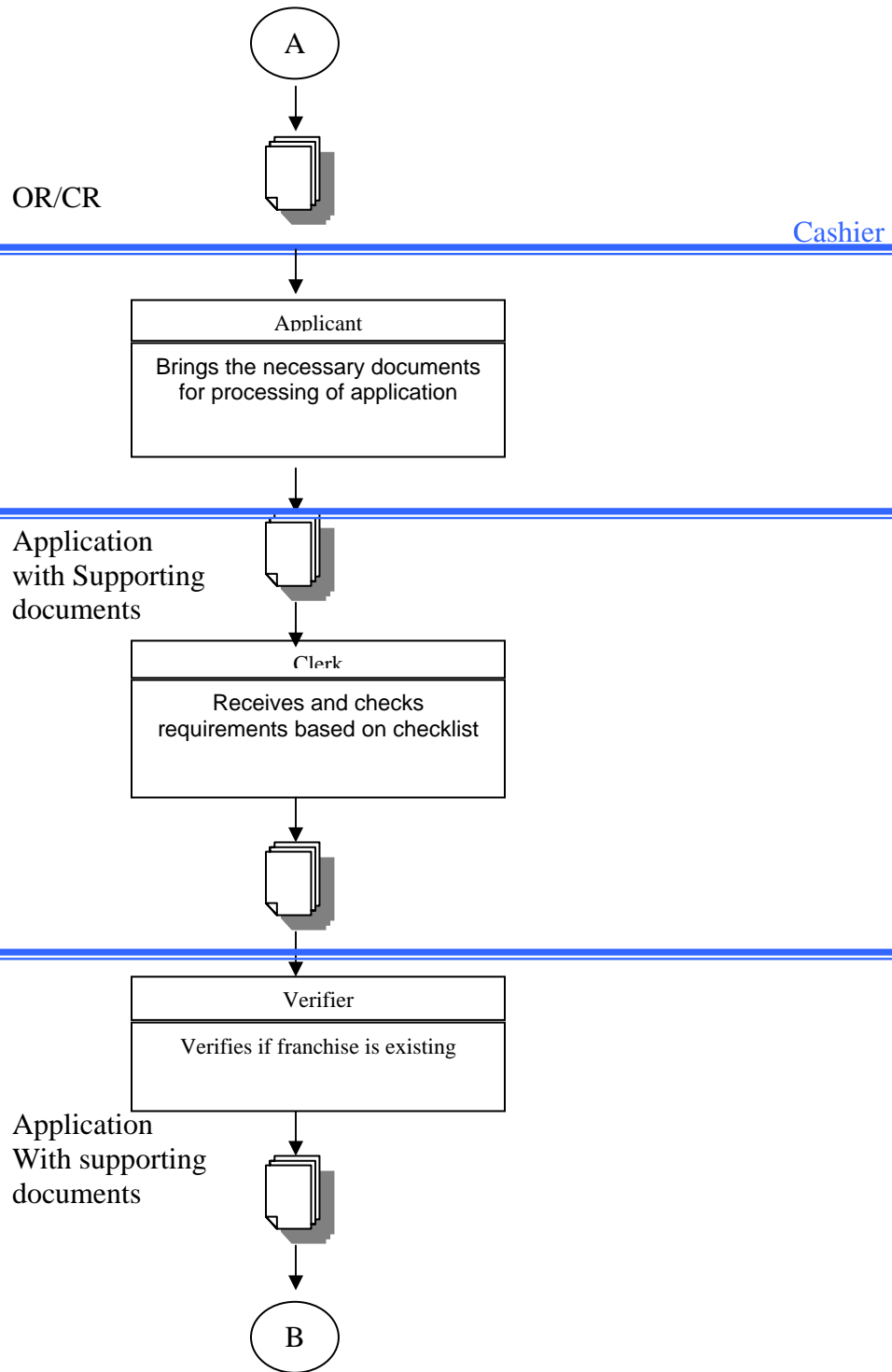
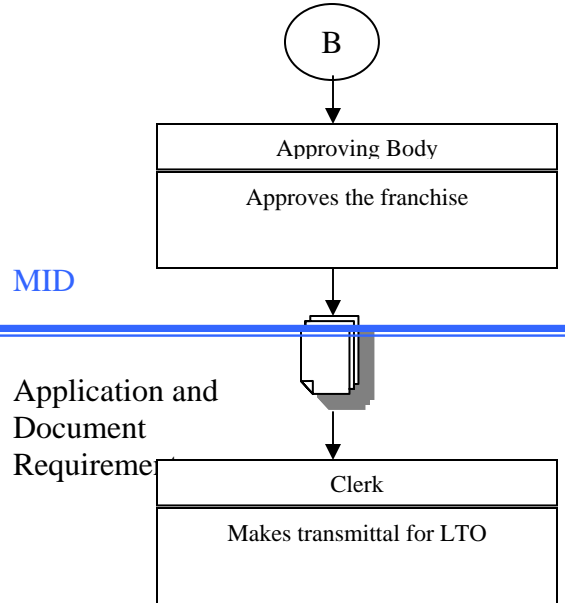


Figure 1c: Process flow for confirmation application

Figure 1d. Detailed process flow of application of confirmation







2. DOCUMENTARY REQUIREMENTS

Land Transport Franchising and Regulatory Board (LTFRB) being a regulatory and franchise granting agency requires a substantial number of documents. These documents would either be internally generated documents or documents coming from other government agencies or private institutions such as banks.

Since LTFRB functions as a franchiser, it also acts as a quasi-judicial body that follows certain legal procedures when dealing with franchise applications and extensions. This resulted to the practice of performing docketing and pre-docketing in order to have physical record of the cases or applications regarding the nature of the franchise and other related information.

Types of applications

The types of applications being studied are limited to application of new franchise, extension of franchises, and the issuance of a franchise confirmation for LTO registration of a vehicle. Various types of vehicle denomination are also considered in these three types of applications. These denominations are public utility jeeps (PUJ), public utility buses (PUB), and taxis (including Megataxis and FXs), and school buses). These 3 types of applications in LTFRB require critical information sharing among LTFRB, LTO, and BIR.

2.1.1 Documents needed for new application of franchise by any vehicle denomination are:

- a. Notarized Application form
- b. Proof of Filipino Citizenship
- c. Valid Certificate of Business Name issued by DTI or Certificate of Business Registration
- d. Certificate of Tax Registration or Income Tax Returns (ITR, as in the case of extensions)
- e. Community Tax Certificate
- f. Proof of garage or lease certificate or Location map and picture with dimensions of garage with TCT/ Tax declaration or Contract of Lease with specific garage area.

2.1.2 Documents needed for extension of franchise by any vehicle denominations are:

- a. Notarized Application form
- b. Proof of Filipino Citizenship
- c. Valid Certificate of Business Name issued by DTI or Certificate of Business Registration
- d. Certificate of Tax Registration or Income Tax Returns (ITR, as in the case of extensions)
- e. Bank Certificates or Passbook
- f. Audited Financial statements for extensions
- g. Proof of garage or lease certificate or Location map and picture with dimensions of garage with TCT/ Tax declaration or Contract of Lease with specific garage area
- h. Certificate of Vehicle registration

- i. Passenger Accident Insurance
- j. Latest Copy of OR
- k. OR/CR of Authorized Units with Year Model
- l. Franchise Verification
- m. Clearance of Accounts including LTFRB OR
- n. Community Tax Certificate

2.1.3 Documents needed from any of these denominations for confirmation are:

- a. LTO Official Receipt and Certificate of Registration
- b. OR of payment of Supervision Fee, Confirmation & Sticker
- c. Xerox copy of decision (CPC) or Copy of Application for Extension of Validity and OR of filing fees and other charges
- d. Annual Report (Xerox of front cover & notarized copy); please present original
- e. Annual Income Tax Return (ITR-Form 1701) / Tax Clearance
- f. Passenger Accident Insurance (PAMI) and Compulsory Third Party Liabilities (CTPL)
- g. Validate DTI Certificate or Business Name (except PUJ)

The annual report contains the detailed financial statements and entries of the franchise. The purpose of the annual report is to use this as a basis for allowing the demand of operators for fare increase. These annual reports are also used to assess the financial viability of the franchise which is an important requirement for granting or giving extensions of franchise. Typically, the important entries in the report are the gross receipts and annual income of the franchise. There are No clear guidelines as to how to assess the financial viability of a franchise. There were statements that return on investment should be around 15%, but there were no official documents to support this.

A summary of required documents can also be seen in Table 1. LTFRB makes use of manual processes to handle, review, validate, and verify all these documents.

There are two main categories of applications in LTFRB: applications with hearing and without hearing. The required document for each category varies across different types of applications. Table 1 contains the applications that require hearings, while Table 2 contains applications without hearings. Also included in the tables are the documents needed from other agencies such as BIR, LTO, and Insurance Commission.

Table 2a: Matrix of requirements for applications with hearing

Note: *BIR, **LTO and *** Insurance Commission

Requirements	Type of Application with Hearing							Total
	New CPC	Extension of Validity	Sale and Transfer	Amendment of Line	Consolidation of Cases	Change of Party	Conversion	
4 Copies of Verified Application	1	1	1	1	1	1	1	7
TIN Card*	1							1
Verified certificate of Business Name issued by DTI (except PUJ)	1	1					1	3
Certificate of Bank Deposit and Passbook (P30,000/unit for PUB and TH P10,000/unit for all other modes cash in bank	1	1	1				1	4
OR/CR of proposed units with year model or delivery receipt	1	1	1					3
Proof of Filipino Citizenship	1	1	1					3
Location map and picture with dimension of garage with TCT/Tax declaration or Contract of Lease with specific garage area	1	1	1					3
Community Tax Certificate	1	1	1				1	4
2 copies of passport size picture of applicant with specimen signature at the back	1	1	1					3
Personal appearance of the petitioner or SPA in favor of father, mother, husband, wife, son, daughter or legal counsel of the petitioner with entry of appearance as such	1		1					2
Latest copy of ITR*		1					1	2
Audited Financial Statements*		1					1	2
Franchise Verification		1		1		1	1	4
Latest copy of decision granting CPC and/or order		1		1		1	1	4
Clearance of Accounts including LTFRB OR		1	1		1		1	4
Passenger Accident Insurance Coverage***		1	1	1			1	4
Deed of Sale of sold franchise unit			1					1
Valid certificate of business name issued by DTI (except PUJ)			1					1
OR/CR of authorized units with year model				1	1	1	1	4
Certification of existence of route				1				1

Table 2b: Matrix of requirements for applications without hearing

Note: *BIR, **LTO and *** Insurance

Requirements	Type of Application (without hearing)											
	Confirmation	Dropping and Substitution	Dropping	Special Permit	Change Engine	Correction	Adoption of Color Scheme or Trade Name	Extension of Time to Register	Installation of Ads	Re-registration of Units	Registration in Lieu of Authorized Unit/s	Interchange of Units
4 copies of verified petition		1	1	1	1	1	1	1	1	1	1	1
LTO Official Receipt and Certificate of Registration**	1											
OR of payment of supervision fee, confirmation and sticker	1											
OR/CR of units to be dropped		1	1									
Xerox copy of CPC	1											
Annual report: xerox of front cover & notarized copy*	1											
OR/CR or delivery receipt of substitute unit under petitioner's name		1										
LTFRB inspection report of substitute units		1										
Surrender of 1 pair of yellow plates for every unit to be dropped		1	1									
Clearance Account		1	1				1					1
ITR / tax clearance*	1	1										
Personal Appearance of the petitioner or SPA in favor of father, motehr, husband, wife, son, daughter or legal counsel of the petitioner with entry of appearance as such		1										
Franchise Verification			1	1	1	1	1	1	1	1		1
Deed of Sale/Certificate of Sale of unit if applicant is vendee			1									
OR/CR fo authorized units with year model					1	1	1	1	1	1		1
Passenger Accident Insurance Coverage***	1				1				1			1
CTPL ***	1											
Latest Copy of decision granting CPC and/or order					1	1	1		1	1		1
Official receipt of the purchase of engine with stencil of the engine number					1							
LTO Stock Report**					1							
PNP Clearance with Macro Etching					1							
LTFRB Inspection Report					1							
Bank Receipt of PNP Clearance					1							
Valid Certificate of Business Name Issued by DTI	1						1					
Picture of design and color specification							1					
LTFRB Inspection Report of Proposed Units								1			1	1
Contract Between Operator and Advertising Agency									1			
LTFRB inspection of unit/s									1			
TIN Card*											1	
Dealer Certification of non-delivery of unit/s											1	

3. PROCESS DIAGNOSTICS

3.1 Matrix of process description and diagnosis: application of franchise-assessment and payment of application (TED)

Process Number	Process Step Label	Indicate V or NV		Process Step Description	Input		Output	
		Purpose of the Process Step	Value / Non-Value		Input Information	Input Source	Output Information	Output Destination
1	Receive requirements based on type of application	for assessment of fees	V	applicants submit the required documents based on the checklist	documents	LTO reqts, BIR (see forms)	claim stub of customer = application form	TED
2	Check completion of requirement	for processing	NV	matching the submitted documents based on the list	documents + checklist	customer	documents (not sure if with stamped received date)	Retriever
3a	Retriever collects information and retrieves ledger for assessment	for computation of fees and fine	NV	going to the records room to get the ledger of accounts of the clients and attach it with the submitted documents.	documents	window 3 receiver + customer	Ledger + submitted docs	Sorter: retriever / window 6 clerk
3b	Retriever or Window 6 clerk sorts the ledger to be assigned assessor	for assigning of assessors	V	assessors are assigned based on the type of vehicle. One assessor for taxi, one assessor for puje and one for trucks, buses, etc.	ledgers + submitted documents	window 3 receiver + customer	Ledger + submitted docs	Assessor
4	Assessor computes fees and fines	to know the fees and fine	V	checks if there's unpaid fees. (there's no counterchecking of computed fees)	Ledger + submitted docs	retriever	POS + submitted docs	Retriever
4.1	check for validity date		V	to see if the franchise is still valid				
4.2	check for number of units		V	to know how many units will be computed				
4.3	check for latest payment		V	to know how much fees and penalties will be charged				
4.4	see table of rate for computation of fees		V					
5	Retriever collects POS + submitted docs and logs it in a logbook of received applications	to give back to client	NV	gives to clerk at window 6 for customer retrieval: this could be done after payment as well before returning the ledger to the records room	POS + submitted docs	assessor	updated logbook	assessor
6	Clerk at window 6 match the applicants claim stub to release POS and case folder to applicant. Discard the claim stub	for payment of the client	V	to give back all the req'd docs to the client for processing	claim stub from customer = application form for matching	retriever/ window 6 clerk	None: released docs. Discarded claim stub	customer
	after payment							
7	clerk at window 5 receives case folder with docs and stamps received date	for processing	V	the clerk checks the doc inside the case folder if its complete. The received date is the start of the official processing date	case folder	customer	case folder	TED Transmittal clerk - violy
8a	clerk gets POS in the folder to give to assessor for posting	updating information	NV	posting in the ledger = writing the receipt or fees paid	ledger + POS	customer	ledger	Retriever
8b	Retriever files the ledger in the records room	filing	NV	filing is done by names and denomination of PUV	ledger	assessor	ledger	records room
9	TED clerk encodes case folder information	to prepare for transmittal to docket or legal	NV	clerk encodes all information re the case. The clerk uses Excel but do not save a softcopy. Prints 5 copies and keeps one for filing	case folder	customer	transmittal slip	docket / legal / auv/ any dept concern

3.2 Diagnosis of current process flow of application of franchise-pre docketing / docketing of the application (Docket Unit)

			Indicate V or NV	PRE-DOCKET: only for without hearing	Input		Output	
Process Number	Process Step Label	Purpose of the Process Step	Value / Non-Value	Process Step Description	Input Information	Input Source	Output Information	Output Destination
1	receives documents and place it for pre-docketing or docketing shelf	for pre-docketing or docketing	V	receives documents and records in the logbook. Place the docs at the assigned shelf for pre-docket or docket. (Sometimes assign to docket officer - for validation)	req'd docs + application form or completed docs with D.O.	TED / Board of Directors	logged received applications	labelled shelves for pre-docket or docket
2	docket officers get the docs from the shelves for pre-docketing or docketing	for updating the docket	V	retrieves the docket from the shelves or wait until a docket officer finish with the docket to be used. writes the following FOR PRE-DOCKET: type of application, received date, OR number, date of file. Then signs the folder. FOR DOCKET: granted date, validity date, decription of unit, type of application, line and number of units (depends on the docket officer, it varies for each officer) + check and validate information + signs all pages: 3-15 pages + stamped docketed by and date at the application file.	req'd docs + application form or completed docs with D.O.	TED / Board of Directors	pre-docketed or docketed docket book	shelves
3	make necessary corrections if there are typo errors in the documents	for correction	NV	for correcting typo errors: one or two only if more than two then return to TED or Board / Legal? (for validation)	req'd docs + application form or completed docs with D.O.	TED / Board of Directors	pre-docketed or docketed docket book	shelves / TED

3.3 Diagnosis of current process flow of application of franchise-evaluation of application through hearing (legal)

			Indicate V or NV		Input		Output	
Process Number	Process Step Label	Purpose of the Process Step	Value / Non-Value	Process Step Description	Input Information	Input Source	Output Information	Output Destination
1a	Receives documents and enters in the logbook	this is to certify that legal department received the document and holds accountability	NV	writes in the logbook: received date for the case folders	case folder	docket	updated logbook	legal clerk
1b	Schedules the hearing	to schedule and organize new hearings with rescheduled hearings	V	looks for available date and time for the hearing. 30-40 cases are being rescheduled. 70-80 cases undergoes hearing process	case folder		scheduled hearing	typist
2	Prepares notice of hearing	to send out notice of hearing	V	types the notice of hearing	case folder	legal clerk	notice of hearing	legal assistant
3	Reviews notice of hearing	this is to review if accurate information has been	NV	reviews the notice of hearing and puts initials	notice of hearing and CF details	typist	notice of hearing with INITIALS	legal clerk
4a	Prepares notice of hearing for mailing	this is to inform clients of the schedule	V	prepares courier card / mailing for the notice of hearing	notice of hearing	legal assistant	notice of hearing with courier card / ready for mailing	admin department for mailing: Philpost office (courier service)
4b	Prepares transmittal slips for mailing of notice of hearing	this is to account that the notice of hearing has been transferred to admin for mailing	NV	types the list of names with notice of hearing. Allowance for mailing: 5 days	notice of hearing	legal assistant	transmittal slips + notice of hearing	
5*	Client publishes notice of hearing	this is inform anyone of the hearing for any contention	V	the applicant's publishes in a newspaper of her choice under classified section: 5 days for publication	notice of hearing	LTFRB legal department	published notice	newspaper
***	15-20 days - lead time of legal to let the client knows the notice of hearing. This is from the time the legal							

			Indicate V or NV		Input		Output	
Process Number	Process Step Label	Purpose of the Process Step	Value / Non-Value	Process Step Description	Input Information	Input Source	Output Information	Output Destination
DURING HEARING PROPER								
1	Prepares case folder for hearing	for the evaluation of the hearing officer during hearing proper.	NV	gives to hearing officer the case folders	scheduled hearing + CF		scheduled hearing + CF	legal assistant
If applicant didn't show for 1 - 3x								
2a	reschedules the hearing.	to allow the customer / operator another chance to show up	NV	reschedules the hearing	calendar of hearing		scheduled hearing	typist - legal assistant
2b	sends out notice of hearing		NV	prepares courier card / mailing for the notice of hearing	scheduled hearing + CF		notice of hearing w/ courier card	admin department
If applicant didn't show for more than 3x								
3a	prepares dismissal notice due to non-appearance	to inform the client that it exceeds the allowance set	V	drafts the order of dismissal	notice of hearing + CF	hearing officer	order of dismissal	typist
3b	reviews the order of dismissal	to check work of typist	NV	reviews the order of dismissal	order of dismissal	typist	order of dismissal w/ INITIALS	Office of the Board: evaluation unit?
If there is opposition								
4a	writes the following at the back of CF: written opposition with names of parties	to prepare the order of oppositon	V	gives to typist for the preparation of order	CF	hearing officer	order of opposition	hearing officer
4b	reviews the order of opposition: for enbanc hearing	to check work of typist	NV	reviews the order of opposition	order of opposition: enbanc hearing	typist	order of oppostion w/ INITIALS	Office of the Board: evaluation unit?
if there is no opposition								
5a	reviews CF + additional documents: affidavit of published notice of hearing + clippings +	reviews the documents according to jurisdictional requirement	V	hearing proper: reviews the documents and validates with the applicant	CF	legal clerk + client	decision	typist
5b	reviews the decision	to check work of typist	NV	reviews the decision	decision	typist	decision with INITIALS	Office of the Board:

3.4 Diagnosis of current process flow of application of franchise-evaluation of application (without hearing) (TED unit)

Process Number	Process Step Label	Purpose of the Process Step	Indicate V or NV		Input		Output	
			Value / Non-Value	Process Step Description	Input Information	Input Source	Output Information	Output Destination
1	Receiving of Application	Accept documents for processing	NV	TED Receiving clerk receives applications from MID/Docket	file of applicant that includes the documents required by LTFRB depending on the type of application (TIN, application form/petition, proof of financial capacity, etc.)	MID	files of applicant	TED Evaluator
2	Evaluators evaluate petitions and drafts order	Assess applications that do not require hearing	V	Applications that do not require hearing (such as dropping, change of engine, special permits, etc.) are assessed based on the requirements prescribed by the board			files of applicants with decision	Clerk
3	Clerk Types and orders and submits to Sr TDO	Encode decision	NV	Recommendations of the evaluator are typed			files of applicant with typed decision	Sr. TDO
4	Sr. TDO reviews and Initials	Evaluate decision	V	Sr. TDO reviews the decision of the evaluator based on the requirements prescribed by the board. Content of the documents are also checked to see if it is consistent with the records			files of applicant and decision with initial of Sr. TDO	
5	Clerk Transmits to the Office of the Board	Send documents with evaluation to board for signature	NV	TED Clerk makes transmittal sheet and delivers the documents to the office of the Board			files of applicants with evaluation	Board
6	Clerk transmits to MID if there are correction	Send documents to MID for verification and correction	NV				documents with comments (ex. Inconsistency of plate number in records based on copy sent by MID)	MID for correction
7	Clerk transmits to legal if there is a need for proof of financial capacity	Send documents to legal					applications that require proof of financial capacity	legal

3.5 Diagnosis of current process flow of application of franchise-evaluation of application by the Evaluation Unit of the Board

			Indicate V or NV		Input		Output	
Process Number	Process Step Label	Purpose of the Process Step	Value / Non-Value	Process Step Description	Input Information	Input Source	Output Information	Output Destination
1	receives CF + order / decision	to acknowledge that they have the case folders	NV	signs in the transmittal slip from TED or Legal	CF + order/ decision	TED or Legal	CF + order/decision	evaluator
2	sorts according to public utility denomination	for assigning to evaluators	NV	sorts the CF per denomination	CF + order/decision	TED or Legal	CF + order/decision	evaluator
3	Reviews the case folder with the decision / order: Stamps and places initials in the decision/oder	reviews the documents before board member signs the decision / orders	NV	rechecks (matching) the required documents submitted with the decision/order. Franchise verification is considered valid until 6 months from the date of filing. Sometimes if the information is incomplete: they check with the docket.	CF + order/decision	receiving clerk	reviewed CF with Evaluator's INITIAL	releasing clerk for submission to board members
3a	notices some discrepancy in the documents = with findings	for verification and for taking of action	V	for validation under BMC team - if yes, there will be an order release. If none, then it will pass to the Board Members	reviewed CF with findings	evaluators	CF with order for submission of documents or re-	releasing clerk for BMC team: Atty Roxas with hearing. BMP for without hearing
4	encodes the information of CF in database / prepares transmittal slip	for preparation of transmittal and for tracking purposes	NV	encodes the following information in the database: case number, name, denomination, signed by whose board member, type of result (decision/order), findings, date it and date out	CF with Evaluator's Initials or orders for resubmission	evaluators	transmittal slip: Routing slip	board member: BMP - without hearing / BMC - with hearing

3.6 Diagnosis of current process flow of application of franchise-encoding of information (MID)

Process Number	Process Step Label	Purpose of the Process Step	Indicate V or NV		Input		Output	
			Value / Non-Value	Process Step Description	Input Information	Input Source	Output Information	Output Destination
WITHOUT HEARING: FRANCHISE VERIFICATION								
1	verify if the franchise is existing or not	to check if the franchise is valid or not	V	Check in the database. Suppose to appear as a pre-docket information.	case number + name of operator	case folder	print-out franchise verification form	TED
AFTER FINAL DOCKET HAS BEEN PROCESSED								
1	Received docket documents	for encoding and mailing	V	receives and then segregates 2 copies of decision document. One for filing and one for mailing	case folder, decision order with hologram	Docket unit	case folder w/ orig. decision document	encoder
2.1	encoding of information based on case folder	for updating of records	V	encodes information from the case folder + validation of the historical records and with attached documents against decision order	case folder, decision order with hologram	receiving clerk	encoded information	records room
2.2	creates validation slip for any errors found during encoding	for correction and inform chairperson	NV	creates validation slip to note all the errors found in the case folder + decision order	case folder, decision order with hologram	encoder + releasing clerk	validation slip + case folder	chairperson Bautista
3	preparation of transmittal slip for mailing	for mailing	NV	Encodes the document for release. Prepares 1 copy of decision order document for all cc personnel in the case folder. If not enough copies are found, photocopies document	case folder, decision order with hologram	encoder	transmittal slip	Philpost personnel (picks up everyday)

3.7 Diagnosis of current process flow of application of confirmation

Process Number	Process Step Label	Purpose of the Process Step	Indicate V or NV		Input		Output	
			Value / Non-Value	Process Step Description	Input Information	Input Source	Output Information	Output Destination
	For confirmation type of application	(3 working days for completion)						
	TED							
Assessment and payment of confirmation fees								
1	Clerk at window 4 receives requirements: OR/CR + copy of decision	for computation of fees	V	collecting of requirements and checking with the checklist	required documents	customer	completed required doc	clerk
2	compute the required fees	to know the amount to pay	V	computing based on the number of units, supervision fee, weight of the vehicle. Plus penalties if applicable. Due every year: 1st day of March	required documents	customer	POS	customer
3a	payment of fees	to get OR	V	payment	POS	clerk - Window 4	OR	Clerk = need to validate which window
3b	collects OR from the cashier	proof of payment	NV	go to cashier and pay fees. Waits for the OR	OR + req'd docs	cashier	OR	customer
Printing of confirmation certificates								
4a	clerk at window 9 gives a confirmation slip, stamps the due date and writes the control number in the slip.	to function as a claim stub for the applicant and control for MID	V	the applicant fills up the confirmation slip details: make, motor number, chassis number, plate number, date filed, due date, name of operator, case number, complete address. Applicant affixes their signature in the slip. The slip has 2 copies: applicant's copy and MID's copy	OR + req'd docs	cashier + customer	OR + req'd docs + confirmation slip	MID typist clerk
4b	clerk at window 9 receives and checks the application with the checklist requirements	for checking purposes	NV	for checking if the documents submitted are correct and complete	OR + req'd docs + confirmation slip	customer	OR + req'd docs + confirmation slip	MID typist clerk
5	logs in a logsheet all the received application: per denomination	for recording purposes and acknowledgement	NV	records the received applicant's documents	OR + req'd docs + confirmation slip	customer	OR + req'd docs + confirmation slip	MID typist clerk
	MID							
6	types the confirmation application in a logsheet	for recording and control / tracking purposes	V	Types the following in the logsheet: control number, name of operator, denomination. The operator's name will be the basis for searching in the logsheet. One logsheet is considered one batch containing 31 case folders or 31 applicants	OR + req'd docs (with control number) + confirmation slip	clerk - window 10	logsheet printout + OR + req'd doc with confirmation slip	confirmation clerk
7	generates the confirmation certificate	for evaluation and signature of officers	V	prints the confirmation certificate based on the printed logsheet.	logsheet printout + OR + req'd doc with confirmation slip	typist clerk	logsheet printout + OR + req'd doc with confirmation slip + confirmation certificate	verifier

Process Number	Process Step Label	Purpose of the Process Step	Indicate V or NV		Input		Output	
			Value / Non-Value	Process Step Description	Input Information	Input Source	Output Information	Output Destination
Evaluation of submitted documents and signing of confirmation certificates:								
8	verifies the submitted documents with the printed logsheet information	for sorting and checking purposes	NV	verifies if the applicant's name is in the said logsheet batch together with the req'd documents. places a check beside the applicant's name in the printed logsheet if verified. Attaches confirmation sheet to the applicant's documents	logsheet printout + OR + req'd doc with confirmation slip + confirmation certificate	confirmation clerk	logsheet printout + OR + req'd doc with confirmation slip and attached confirmation certificate	approving officers: Joel, Nida, Jun
9	evaluates the documents	for evaluation and verification	V	checks the validity of the documents based on the type of font in the document such as the type of typewriter used and any noticeable erasures. Affixes signature in the confirmation certificate if the documents are okay. Okay means that there is nothing suspicious on the submitted documents (all are xerox copy). If disapproved, returns documents to clerk in TED for claiming of the customers. A list is generated for disapproved confirmation	logsheet printout + OR + req'd doc with confirmation slip and attached confirmation certificate	verifier	logsheet printout + OR + req'd doc with confirmation slip and attached confirmation certificate	releasing clerk
Evaluation of submitted documents and signing of confirmation certificates:								
10	prepares transmittal slip to LTO for approved confirmation	pre-requirement for registration	NV	prepares transmittal slip for the courier service. Photocopies 9 copies after approving officer affixes signature in the transmittal slip. The breakdown of 9 copies: 2-MID, 2-customer service, 5 - courier service (PILOT)	logsheet printout + OR + req'd doc with confirmation slip and attached confirmation certificate	approving officers: Joel, Nida, Jun	logsheet printout + OR + req'd doc with confirmation slip and attached confirmation certificate + transmittal slip	courier service
11	release confirmation certificates to courier service	for sending to LTO	V	gives the transmittal slip to PILOT for delivery of confirmation certificates to LTO	confirmation certificate + attached req'd docs + transmittal slip	releasing clerk	confirmation certificate + attached req'd docs + transmittal slip with received by	LTO

4. STATE OF THE MANAGEMENT INFORMATION SYSTEM OF LTFRB

In 2000, an attempt has been made to manage this information by contracting a private company, called ADMIREED to encode and manage its database. However, by 2004, this arrangement has been terminated due to problems with the hardware and the inability of the contractor to deliver the agency's expectations. All existing data from this database are inaccessible and are currently with Management Information Division (MID). This information cannot be accessed due to an application error resulting from the deletion of files by ADMIREED.

The Land Transport Franchising and Regulatory Board (LTFRB) currently rely on the Management Information Division (MID) that acts as the central repository of all electronic and physical documents of the agency. To allow the MID to function, the current Chairperson of LTFRB decided to go back to their old information system structure dated 1992.

4.1 MIS for front end

ADMIREED was able to automate the assessment activities. The purpose was to help speed up the assessment of the application. The front end database captures the following information:

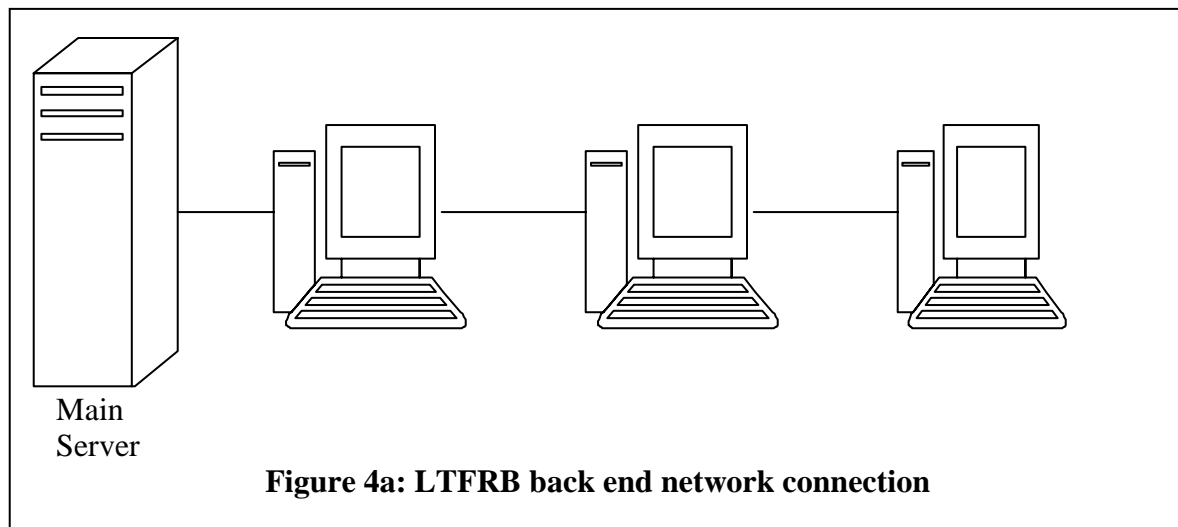
- Operator
- Address
- Case number
- Date granted
- Expiry date
- Number of registered units
- Number of authorized units
- Franchise number
- Type of service
- Year of application
- Particulars – description of the type of application
- Supervision fee
- Surcharges
- Fines and Penalties
- Annual report – year filed and penalties involved
- Increase of rate
- Total amount collectible
- OR number
- OR date
- Remarks

The front-end database under ADMIRE operated from 2000 to 2004 and was subsequently deleted by ADMIRE when their contract was terminated. The front end database was reverted back to manual processing of applications. This led to a 2-year backlog in updating the payment records for assessment under the Technical Evaluation Department (TED).

This backlog in updating of payment records resulted to numerous complaints from the franchise operators many of whom are applying for a renewal/extension of franchise. A major activity being conducted under the assessment of payments is reviewing the historical records of each franchise unit and to check if all the proper fees have been paid. If there are any missing fees in the payment records, applicants are penalized if they don't have the Official Receipts of previous years. The burden of proof of payment is with the applicant. This activity also slowed down the assessment process because the assessor needs to review all the historical records of payments before actually computing for the fees.

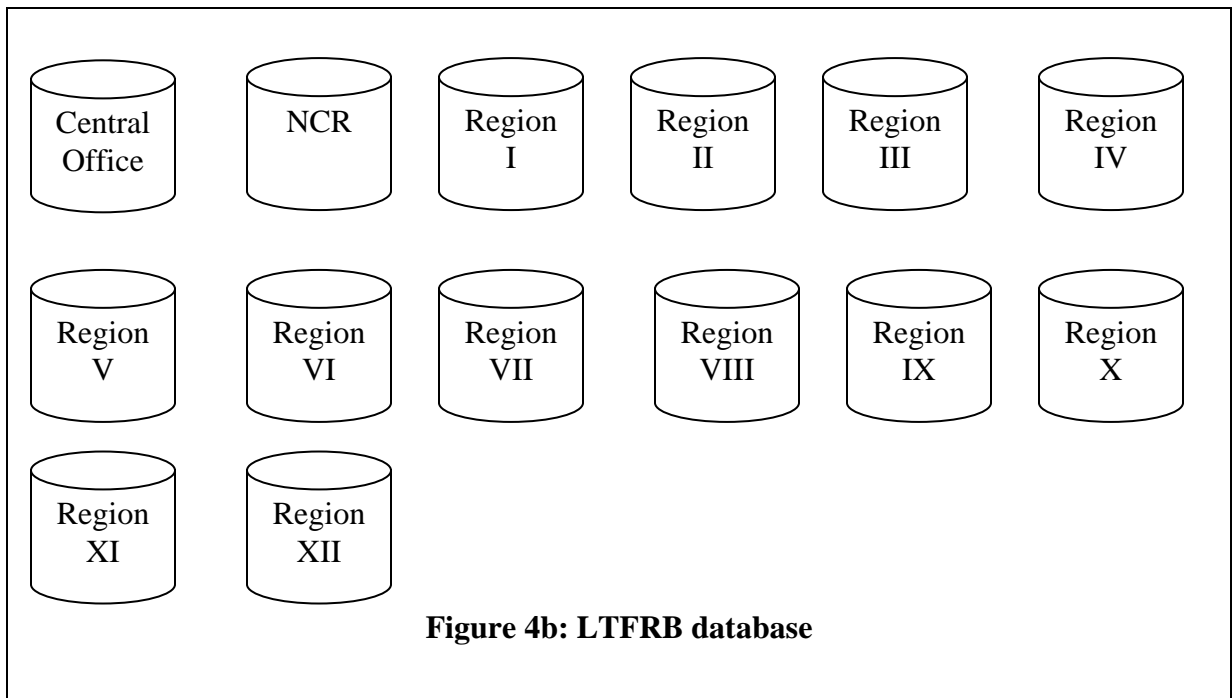
4.2 MIS for back end

The back end database comprise of a main server with 3 computers connected through co-axial local area network (LAN). The main server has the following specifications: 640 GB hard disk space and Novell operating system as presented in Figure G.1.



Currently, the LTFRB databases are set up independently for each regional office as illustrated in Figure G.2. When ADMIRE was contracted in 2000, there was a plan to have a centralized database at the head office but this did not materialized. Cleansing of the old database was started in 2002 where ADMIRE sorted the field names in the database as: surname, first name, middle name, address number, street, city, zip code. The "cleansed"

database is connected to a new server using Oracle. After the contract of ADMIRE ended, the “cleansed” database cannot be accessed due to application error.



Based on this configuration, each regional office has to submit a monthly report regarding the number of applications processed to the central office. The central office created a format for this monthly report for uniformity and ease of consolidation. The monthly report has the following items:

- Type of application
- PUB (Public Utility Bus)
- Minibus
- PUJ (Public Utility Jeeps)
- Taxi
- Vehicle for hire
- Tourist taxi
- Shuttle transport
- FIL CAB
- School bus
- Truck for hire

The current back end database structure is programmed under DBase III++. The database structure for franchise details, identity of units and route code are tabulated in Table G.1.

Table 4a: LTFRB back end database structure

Field	Field Name	Type	Width
Franchise Details			
1	CASE_NO	Character	15
2	NAME	Character	40
3	BA	Character	47
4	COM_NAME	Character	20
5	TYPE_AUTHO	Character	1
6	TYPE_OWN	Character	1
7	NAU	Numeric	3
8	DG	Date	8
9	DE	Date	8
10	TYPE_SERV	Character	2
11	ROUTE_CODE	Character	10
12	DLU	Date	8
13	REMARKS	Character	2
14	SC	Character	3
15	FINDINGS	Character	40
16	BCOLOR	Numeric	2
17	TEL_NO	Character	17
18	CEL_NO	Character	15
19	EMAIL	Character	20
20	TIN	Character	14
21	BD	Date	8
Total			285
Identity of Units			
1	CASE_NO	Character	15
2	MAKE	Character	8
3	YEAR_MODEL	Character	4
4	MOTOR_NO	Character	20
5	CHASSIS_NO	Character	22
6	PLATE_NO	Character	6
7	BODY_NO	Character	8
8	DLR	Date	8
9	YLR	Character	4
10	DLU	Date	8
11	REM	Character	2
12	REM2	Character	2
13	SC	Character	3
Total			111

Field	Field Name	Type	Width
Route Code			
1	TYPE_SERV	Character	2
2	ROUTE_CODE	Character	10
3	ROUTE_NAME	Character	40
4	ROUTE_DESC	Character	90
5	DISTANCE	Numeric	6
6	RMC	Numeric	3
7	NAUTHOUNIT	Numeric	3
8	NAPPLDUNIT	Numeric	3
9	REMARKS	Character	1
Total			159

Based on this database structure, LTFRB can generate any reports based on these fields such as all cases approved and expiring for a certain period of time.

5. STAKEHOLDER ANALYSIS

Stakeholders	Level of Commitment		Reasons		
	Current	Required	Technical	Political	Cultural
LTFRB Board					
Board Member	3	5	he seems to agree with chairperson that there is a need to change the process but he does not know how to use a computer and he does not seem willing to know how	he is afraid to speak his mind out if it concerns the policies of the new chair. He does not answer what's the criteria for evaluation and approval, he tries to change the topic	he is open to changes in the system to make it faster
Dept Heads					
MID Head	4	5	she is equipped with the specific knowledge and very much open to computerization.	she is afraid of chairperson. She has a lot of ideas for improvement but afraid to voice out in front of her	(selective perception) she seems to be against some of the ideas of Chairperson Bautista that we discussed during our meeting with her and Microsoft. She is still affected somehow by the old culture
Legal Head	1	3	he believes that the legal process cannot be computerized and he is against the idea that the clerks at the initial part of the process would be validating documents which could happen if the process is computerized and he seems to be		
Administration Head	3	4	she seems to be open on computerization but she may not have enough knowledge on how to use computers.	she seemed to be afraid of chairperson although she has ideas for improvement it seems they cannot say it to her although she always accomodates the team. Her cooperation is important because she is supposed to be handling the concerns of the people	she still compares at times with the old culture (from the former chair). She is afraid to voice out her suggestions.
TED Head	2	5	political/technical- she seems to be afraid of chairperson and initially she was not cooperative with the team. Also she does not seem that familiar with what is going on with her D51 staff but her cooperation is important because TED is the frontline		she doesn't know what is happening her people. She doesn't talk much to the people about their reactions to the changes being done from time to time with the front-end. Her service dedication is not that high
Supervisors					
TED Supervisor	3	4	she is used to manual system and counter-checking. She is for the advancement of the fee computation	although she sees the benefits of computerizing the system she seems a bit hesitant possibly due to job insecurity that automation brings	if she doesn't know the subject, she will act irritated
TED Evaluator for without hearing	1	4	he is used to checking the documents manually and he is old and may have difficulty learning how to use the new system	he feels that the new way of doing things is a threat on his old way of evaluating an application	he is used to processing things slowly and manually as the old way of doing things
MID Supervisor	3	4	he is open to computerization as long as its studied carefully	he is very familiar with the process but does not seem to agree several of the ideas of chairperson	he is afraid to voice out his concerns because of the culture instilled in the office
Customer Service Supervisor	3	5	she's very open to technology advancement in the customer service. She knows that computerization will help her serve the customers better.	she seems compitent in using a computer and she has several ideas regarding the customer service but feels that chairperson is not doing anything regarding her ideas. Her cooperation is important because customer service will be one of the departments in	she compares the new culture with the old culture every time. Though she has the courage to voice out her opinions to the chair but not of all it are heard.
Task force under BMC	2	4		she seems set in her ways and is very careful about what she will be saying	she is not entertaining questions if she doesn't know you

Stakeholders	Level of Commitment		Reasons		
	Current	Required	Technical	Political	Cultural
Rank and File					
TED Evaluator's Clerk for without hearing	2	3	she seems set on the manual process and it seems that she only knows the basic of the program (during the interview she was telling us how she only knew the basic of excel and that she did not save her files and I think she does not have a...		she is afraid to comment on anything. She only attends on her area of responsibility. She doesn't mind other people's tasks.
TED Receiving Clerk at Window 3	2	3	if she will remain in her current position she would need to be computer literate (not sure if she is) because if she is not then she might have to be reassigned		she only attends to her work and doesn't care much of other people's work
			used to checking requirements manually		
TED Receiving Clerk at Window 5	2	3			he is used to the manual system and may not be willing or may not be capable of learning to use the automated
MID Receiving Clerk at Window 10	3	4	she can adapt to changes as she is part of MID.	has neutral commitment due to possible streamlining and changes in tasks	doesn't seem to have the old culture when she entertained us
TED Retriever	1	3	he has good skills in manual filing from his current maintenance of the records room	he may resist the change of technology as it pose a threat to his job	
TED Receiving Clerk at Window 8	2	4	she is used to the manual system and may not be willing or capable to learn the required skills		
TED Releasing Clerk	2	3	she has the basic skills but she may not have enough the level of competency required for the automated system and also job insecurity because of possible streamlinig (there would be no need for transmittals with the automated system). The function will		she is used to old ways of doing things. She doesn't even keep a soft copy of the transmittal slips - instead keeps a hard copy only
Docketer	1	3			during the interview they kept pointing out the importance of docketing the applications and they seem set in the manner they have been doing things resistance could be because of possible streamlining or removal of the department and inability to learn s
	3	1	he is not open to automation from my perspective	they don't know the standard information to write. If its going to be automated, standard information need to be set	from my perspective, he is open to change. But he may not be open if the department will be dissolved
Assessor for Taxi	3	5		political and cultural- she sees the benefits of computerizing the system based on their experience before but with the computerized systems the number of assessors may be reduced thus leading to job insecurity	
	4	5	technical - she is competent as she was able to devise a table to hasten the fees computation		
Assessor for Bus, Trucks, etc	2	5	she may be able to cope with the change as they are more mathematically skilled or inclined as their job title is financial analyst	have this power distance as she has a higher rank compared to other rank and file employees	if break doesn't want to entertain questions - not service oriented

Stakeholders	Level of Commitment		Reasons		
	Current	Required	Technical	Political	Cultural
Rank and File					
Assessor 2 for Taxi	4	5	she is open to automating the assessment process	she is very emotional and defensive if their hardwork has been criticized wrongly. Like they worked overtime for free in posting the ledgers to make it updated and yet it was badly scrutinized	she is irritated by the deletion of files by Admired.
Receiving Clerk at the Evaluation Unit of the Board	3	3	she has some knowledge in using the computer because we saw her using a database system to track the case folders that have gone through their department but may be afraid that her position might be in danger with the computerization of the	she follows order from the board but there's confusion at times who to follow: the chair or their immediate superior: the board members.	
Board Evaluator for Bus	2	3	political, cultural and technical- I am not sure if she knows how to operate a computer but she does not seem that flexible because there is no evaluator for jeepney but they have not taken over the job of evaluating the cases on jeepneys	she is avoiding us at the start of the inquiries - seems like we pose a threat as we will look into their process.. But softens in the middle of the inquiries	she is so used of doing things manually
Board Evaluator for Taxi	3	3	she has taken over evaluating some of the petitions for jeepneys am not sure on her competency in using a computer there may also be a fear that she may lose her position	the lack one evaluator for jeep: no one wants to accept or take responsibility of the abandoned position	she is used to old way of doing things. But they are very meticulous in evaluation as the board relies on their output before signing
Office of the Board Receiving Clerk	2	3	not sure if she is compitent in using the computer she may also be afraid that she might lose her job with the computerization efforts of chairperson		she's very lax in her work
Receiving Clerk at the Docket Unit	2	3	am not sure about his competency with computers. He may be resistant to computerization because of fear that he might lose his job	he follows orders from the board but still fears the chair	he may not be open on so many changes at the same time. He works very slow. He may not cope with the changes to be done in Docket

6. LINKAGES OF LTFRB WITH LTO AND BIR

The LTFRB requires that applicants to secure documents from two critical agencies. These are the Bureau of Internal Revenue (BIR) and the Land Transportation Office (LTO). The information flow between BIR and LTFRB is shown in Figure H.1 together with the information requirements from the Land Transportation Office (LTO).

6.1 LTFRB and LTO

The information flow between LTFRB and LTO involves two main applications in LTFRB. These are the extension of franchise validity and confirmation.

In the extension of franchise validity, an important requirement for the applicant is to ensure that the vehicles concerned are properly registered with the LTO. Documents such as the official receipt and certificate of registration of the vehicle from LTO have to be secured. In addition, the applicant is required to secure two types of insurances. These are the Passenger Accident Insurance (PAI) and the Compulsory Third Party Liability (CTPL). While the CTPL is automatically required by LTO upon the registration of the vehicle, the PAI has to be bought from any member insurance agent from PAMI or UNITRANS.

PAI and CTPL can easily be secured outside the premises of LTFRB. There are PAMI and UNITRANS offices situated outside LTFRB aside from the individual insurance agents and companies who are not members of the two organizations. Operators who wish to secure these insurances can go to any of insurance company office and get the PAI and CTPL for public vehicles. The applicant simply brings the secured insurance documents to LTFRB as proof of the insurance coverage when they apply for a confirmation or extension of franchise.

6.1.1 CTPL and PAI

There are two groups of insurance organizations that are considered as accredited insurance firms by the Land Transportation Franchise and Regulatory Board (LTFRB). These groups are the Philippine Accident Manager's Incorporated (PAMI) and the Universal Insurance Transport Accident Solutions Inc. (UNITRANS). Each group has around 30 members who have been admitted in these two umbrella organizations of insurance companies.

To ensure that only legal and accredited non-life insurance companies are allowed to issue compulsory third person liability (CTPL) and passenger accident insurance (PAI), DoTC and LTFRB are urging operators and motorists to acquire insurance only from PAMI and UNITRANS.

The companies under the two organizations have agreed to provide additional CTPL coverage. CTPL benefits have now been increased from P10,000 to P60,000. The PAI has the same financial coverage.

Operators with existing franchise, who are applying for extension of franchise validity or the annual confirmation of existing franchise from LTFRB, are required to submit the insurance receipts for CTPL and PAI from any of the two groups of insurance companies.

Currently, LTFRB, based on its agreement with the PAMI and UNITRANS, accept any insurance receipts coming from any member of the two organizations. The official receipts (OR) are automatically received by LTFRB together with the other documents necessary for the application of extension of franchise or confirmation of franchise. There is no other form of validation or authentication except a visual inspection/assessment of the official receipt.

The existence of fake CTPL and PAI is difficult to ascertain considering that there are scrupulous and illegal establishments operating outside LTFRB. However, since PAMI and UNITRANS have also set up their own operations outside LTFRB, it is presumed that they are able to police themselves and any other illegal insurers outside LTFRB.

Any insurance receipt coming from other insurance companies who are not members of the two insurance organizations are still allowed, but these are scrutinized more thoroughly by asking other documents such as the actual insurance agreement including its terms and conditions.

PAMI has actually put up a website where an online inquiry can be done regarding vehicles with registered insurance coming from members of PAMI. The website is <http://www.pami.ph/index.asp>. However, this is not being availed by LTFRB.

Currently, LTFRB is not capable of assessing how much of the existing CTPL and PAI are actually authentic or fake. Since most of the operators are obligated to get their insurance from PAMI or UNITRANS, LTFRB is expecting that all receipts coming from these two organizations are valid and authentic. Getting insurance from these two insurance organizations is one way of minimizing fake insurance since they are accredited and trusted to issue valid and authentic insurance. There is also no way for LTFRB to verify whether more than one unit in a given franchise uses a given insurance policy.

For the confirmation, LTO requires that LTFRB issue a franchise confirmation before the operators are allowed to register their vehicles as public transport which will be issued yellow plates. LTFRB sends the franchise confirmation certificate directly to LTO through PILOT, a courier service.

In this process of sending the confirmation certificate directly to LTO, there still exist a number of public transport vehicles being registered in LTO without a franchise confirmation. These registered public transport vehicles without franchise refer to the “colorum” public transport business, which is not good for LTFRB and for the registered transport public vehicles.

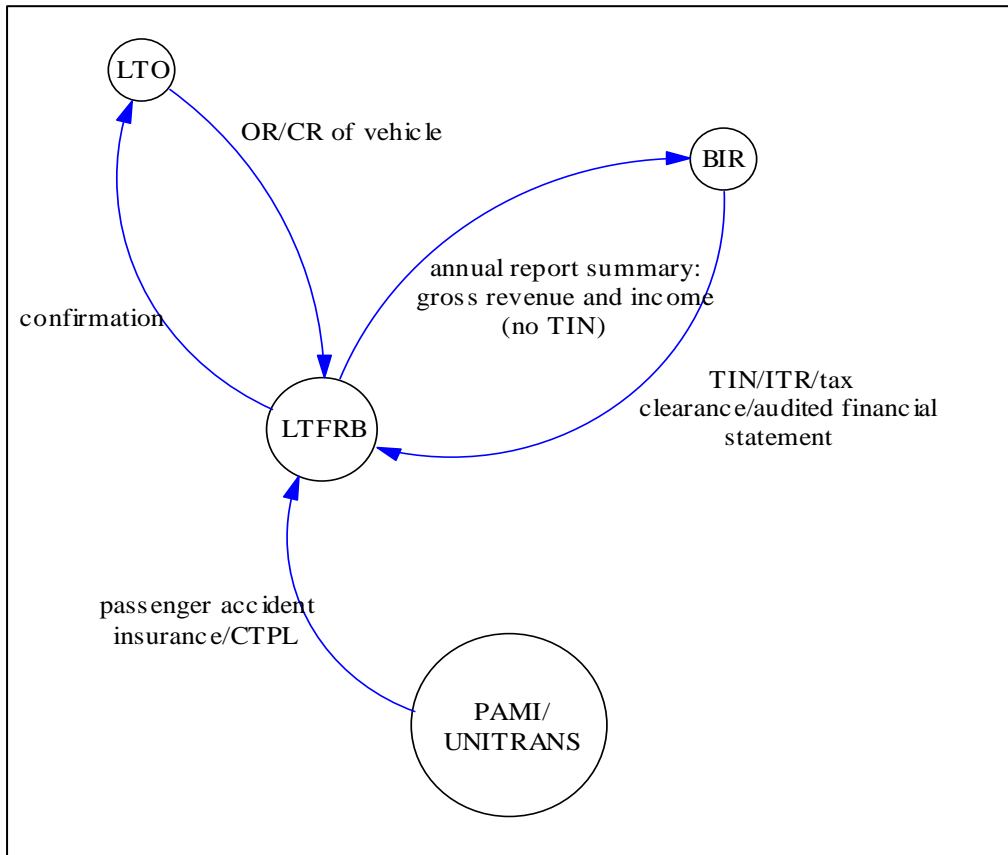


Figure 6a: Illustration of information flow for LTFRB

6.1.2 Existence of colorum vehicles

A Colorum Vehicle is any transport vehicle that does not have a franchise to operate on a specific route as a public transport. Colorum can exist in the following scenarios:

- Motor vehicle is officially registered as public transport in the Land Transportation Office (LTO) but does not have a valid franchise from LTFRB. The franchise used in registering the motor vehicle may have also expired (C1).
- Public transport vehicle has a valid franchise from LTFRB, but is carrying passengers through unauthorized routes which are not part of the franchise (C2).
- The transport vehicle does not have an approve franchise is also not registered in the LTO. This could also be private vehicles illegally picking up and carrying passengers (C3).

The diagram below identifies the points where three scenarios for colorum vehicles can occur.

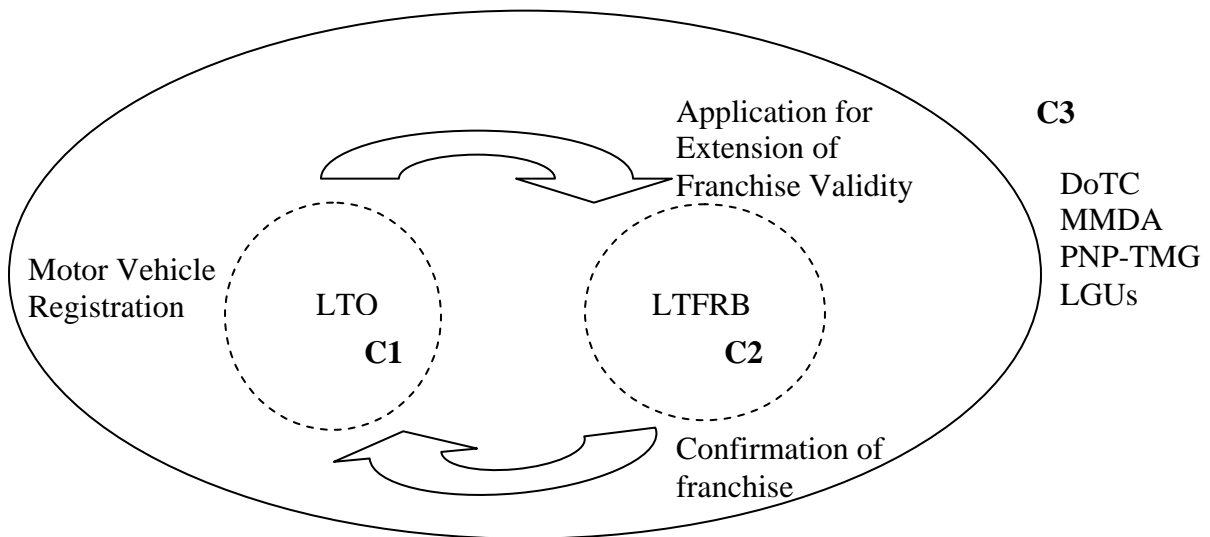


Figure 6b How colorum vehicles come to be

Colorum vehicles can be registered public utility vehicles in the LTO. However, these vehicles do not have any legitimate franchise documents from LTFRB. Public vehicles applying for motor vehicle registration in LTO need to provide a “confirmation document” from LTFRB before any motor vehicle can be registered as public utility carrying yellow plates.

Reports gathered through focus group discussions from operators have indicated that some people who are registering their motor vehicle as public transport are using fake confirmation documents.

These fake confirmation documents have been known to proliferate outside the offices of LTO and LTFRB. However, there is no clear estimate as to how much of these fake confirmation documents have actually been accepted by LTO as authentic. This is the major source for colorum vehicles, which goes through the LTO process.

One common form of colorum is the FX or MEGA Taxi. These FX Taxis may be registered as public or even private vehicles. Their general operation is as follows:

- a) Pick up passenger in unauthorized locations and tend to wait until the vehicle is full of passengers.
- b) Drop-off points are also unauthorized.
- c) Fare price are higher compared to regular transport fares and are unregulated.

The presence of colorum vehicles has the following impact on various stakeholders of the public transport sector:

- Reduction of revenues for the LTFRB in terms of franchise and supervision fees
- Reduction of revenues for the legitimate franchise holders due to the cannibalization of passengers within a given route.
- No protection for the riding public from scrupulous and unfair charging of fares from the colorum operators.
- No guarantee for safety for the riding public due to no passenger insurance coverage.

The LTFRB is mandated to grant and regulate public transportation in the interest of the general riding public. Although, it has the power to penalize and cancel franchises due to violations by the operators, it does not have the manpower or the teeth to actually enforce and apprehend franchise violators at the moment that violations are committed. It can only act on the infractions through the cancellation of the franchise.

Colorum vehicles are being apprehended by the following government agencies:

- Department of Transportation and Communication – Action Center Operations
- Land Transportation Office (LTO)
- Philippine National Police – Traffic Management Group (PNP-TMG)
- Metro Manila Development Authority (MMDA)
- Local Government Units (Traffic Management Unit and Local Police)

Colorum vehicles are impounded by any of the policing agencies and are verified by manually through LTFRB Office. If the vehicle was proven to have an existing franchise from LTFRB, only then is the vehicle allowed to leave the impounding area.

The list of colorum vehicles apprehended by the enforcing authorities, however, is not forwarded to LTFRB. Records of colorum vehicles are most likely at the hands of DoTC, LTO, MMDA, PNP-TMG, and LGUs.

In spite of the many agencies that are enforcing the anti-colorum drive, it is still being claimed by a lot of legitimate operators that the problem of colorum has not gone down. The following are some of the common reasons why colorum operators exist, in spite of the crackdown on colorum vehicles:

- a) Loss of income and return on investment due to extremely long processing times for franchise applications (up to 2 years) within LTFRB. They are unable to wait for the issuance of LTFRB's official decision.
- b) The cost of applying for a franchise is too costly due to the imposition of too many penalties.
- c) The cost of paying penalties for colorum vehicles is cheaper compared to complying with all the requirements from LTFRB, including BIR and LTO.

Just like the proliferation of fake CTPL and PAI, LTFRB is unable to measure the extent of colorum vehicles in various routes within Metro Manila. In most cases, the presence of colorum vehicles are being reported by the legitimate franchisers who are complaining of dwindling revenues due to these colorum operations.

Note that currently, the application of new franchise for all denominations except for special services such as school bus and tourist transport is put on hold. This policy may further aggravate the situation of colorum.

6.2 LTFRB and BIR

There has been a signed memorandum of agreement between the Bureau of Internal Revenue (BIR) and the Land Transport Franchising and Regulatory Board (LTFRB) during the previous administrator of LTFRB. The following aspects have been implemented within LTFRB as a result of this agreement:

- Set up of a BIR Office inside LTFRB
- Requirement of TIN, Tax Clearance, and Filed Income Tax Returns from Operators

LTFRB on the other is sending a summary of the annual reports submitted by the operators. This summarized report is being printed out by LTFRB and passed to the BIR personnel assigned within LTFRB.

The LTFRB claims that it is mandated to secure valid financial documents from the applicants as required by the Public Service Law Act under Section 17. This Act states that:

(g) “To require any public service to keep its books, records and accounts so as to afford an intelligent understanding of the conduct of its business and to that end to require every such public service of the same class to adopt a uniform system of accounting. Such system conforms to any system approved and confirmed by the Auditor General.”

(h) “To require any public service to furnish annual reports of finances and operations. Such reports shall set forth in detail the capital stock issued, the amounts of said capital stock paid up and the form of payment thereof; the dividends paid, the surplus, if any and the number of stockholders, the consolidated and pending obligations and the interest paid thereon; the cost and value of the property of the operator; concessions or franchises and equipment; the number of employees and salaries paid to each class; the accidents to passengers, employees, and other person, and the causes thereof; the annual expenditures on improvements; the manner of their investment and nature of such improvements; the receipts and profits in each of the branches of the business and of whatever source; the operating and other expenses; the balance of profits and losses; and a complete statement of the annual financial operations of the operator, including an annual balance sheet. Such reports shall also contain any information, which the Commission may require concerning freight and passenger rates, or agreements, compromises or contracts affecting the same. Said reports shall cover a period of twelve months, ending on December thirty-first of each year, and shall be sworn to by the

officer or functionary of the public service authorized therefore. The Commission shall also have power to require from time to time special reports containing such information as above provided for or on other matters as the Commission may deem necessary or advisable.”

6.2.1 LTFRB financial documents and BIR documents

Based on LTFRB requirements for confirmation application, comparison was made on the account details in the Annual Report being submitted with BIR Forms, presented in Table 6a.

In the comparison done, there is duplication of information being submitted such as: income statement and balance sheet. These financial statements have already been filled-up in the annual report and re-submitted again in the ITR as attachments. The only items that are being filled up in the Annual Reports are the balance sheet and income statement but the specific details of these items are not filled up. Applicants have a hard time accomplishing the specific details of the transactions since these have been summarized in the balance sheet and income statement, which have been audited by a Certified Public Accountant. The submitted Annual Reports are being summarized in a form with the following items:

- Operator’s Name
- Address
- Case Number
- Denomination
- Number of Units
- Year of Annual Report
- Date Filed
- Total Gross Receipts / Total Operating Revenue
- Net Income / Net Loss

Based on these items, the TIN number is excluded and not being required as a relevant information by the Annual Report. This establishes a problem for BIR since their database is dependent on the TIN number and not on the gross revenue and income. The checking of tax payment is easier through TIN number. If the TIN number is required in the Annual Report, BIR can make verification if the TIN number is valid or not. In addition, the validation of the reported revenue and income is difficult to do.

Table 6a: Comparison of account details in the annual report with BIR forms

Annual Report Accounts Details	Annual Report		BIR Forms	
	Corporate	Single Prop.	ITR Form 1702 for corporate	ITR Form 1701 for single prop.
Income Statement (Audited)	\	\	\	\
Balance Sheet (Audited)	\		\	\
Income Statement with Percentage Increase	\			
Balance Sheet with Percentage Increase	\	\		
Other Details:				
Retained Earnings Account	\			
Loss from Theft, Robbery, Fire, etc.	\			
Changes in Permanent Assets	\			
Equipment in Service During the Year	\	\	\	\
Depreciation Fund Account	\	\	\	\
Prepayments: rents, insurance, taxes, others	\	\	\	\
Deferred Charges	\	\		
Loans and Notes Payable	\	\		
Other Accrued Liabilities	\	\		
Details of Accumulated Depreciation Amount: Property and Equipment in Service	\	\		
Investments	\			
Other Investments	\			
Marketing Securities	\			
Materials and Supplies	\		\	\
Surplus Account	\			
Transportation Statistics	\	\		
General Remarks	\	\		
Independent Accountant's Certificate	\	\		
Oath	\	\		

6.2.2 LTFRB document requirements from LTO and BIR

A summary of the documents interlinking with the different agencies is presented in Table 6b.

Based from the summary, there are no LTO required documents for all applications with hearing. For other applications with hearing, 3 types of applications require BIR related documents and 4 types of applications require Insurance Commission related documents. From these application types with hearing, extension of validity comprise the bulk of transactions, which represent 83% of the transactions received from January to March 2006.

For applications without hearing, 2 types of application require 2 LTO related documents, 2 types of application require 2 BIR related documents and 4 types of application require

Insurance Commission related documents. From these application types without hearing, confirmation is being processed yearly as a requirement for vehicle registration in LTO.

Table 6b: Document summary interlinking LTFRB, LTO, and BIR

LTFRB Applications	LTO	BIR	PAMI or UNITRANS
With Hearing			
New CPC		TIN Card	
<i>Extension of Validity</i>		ITR Audited Financial Statement	Passenger Accident Insurance
Conversion		ITR Audited Financial Statement	Passenger Accident Insurance
Sale and Transfer			Passenger Accident Insurance
Amendment of Line			Passenger Accident Insurance
Without Hearing			
<i>Confirmation</i>	LTO OR and Certificate of Registration	ITR / Tax Clearance Annual Report (photocopy of front cover notarized)	Passenger Accident Insurance
Dropping and Substitution		ITR / Tax Clearance	
Change Engine	LTO Stock Report		Passenger Accident Insurance
Installation of Ads			Passenger Accident Insurance
Interchange of Units			Passenger Accident Insurance

BIR related documents pertain to TIN card, ITR, Audited Financial Statements and Annual Report but there is no way for LTFRB to validate these documents. LTFRB require this information but there are cases where in the franchise verification document the TIN number is absent and LTFRB fines Php 3,000. This fine does not require them to have a registered TIN.

Redundant financial documents containing the same information are being submitted to LTFRB such as ITR and Audited Financial Statements where both have income statement and balance sheet accounts. This redundancy can slow down the process as it adds to the number of documents that need to be evaluated.

6.3 Tax Leakages

Currently, there is already an agreement between the BIR and LTFRB in trying to force the franchise operators to comply with their tax obligations. The agreement was signed by the former Chair of LTFRB, Chairman Dante Lantin. However the details of the cooperation between the two agencies have not yet been finalized.

A “one stop shop” has been put up inside the LTFRB Office to help LTFRB in verifying BIR related documents such as the Tax Identification Number (TIN) and the Annual Income Tax Return (ITR). However, the current infrastructure inside the one stop shop office does not have the capability to validate these documents since they are not hooked up to the BIR central office database. The current activity being performed by the BIR personnel assigned in LTFRB is selling Documentary Stamps (DST).

The following are the possible tax leakages that have not been plugged within LTFRB:

- A lot of the franchise operators do not have TIN. LTFRB simply imposes a fine of Php 3,000.00 each year for these franchise holders and allow them to continue with their LTFRB transactions. It seems that it is cheaper to pay the fine than actually getting a TIN from BIR (T1).
- All franchise operators are required to submit an Annual Report to LTFRB. However, these annual reports generally do not have any clear method to be validated and therefore cannot be ascertain to represent the true financial state of the franchise. However, it should also be noted that the Annual Report is also the basis for asking fare increases. Therefore, the Annual Report may also be understated. (T2).
- The general perception is that operators will tend to understate their true financial state in their Income Tax Return compared to the Annual Report. The annual report does not match that of the Income Tax Return (T3).
- Another form of tax leakage is the result of tax that the insurance companies should remit to the BIR. These tax obligations can be traced to the PAI and CTPL that all operators must acquire in order to continually be granted to the franchise (T4).
- Colorum vehicles such as those not registered in LTO and/or with no valid franchise from LTFRB can be expected not to have any TIN or file their income tax return. (T5)

In addition, the financial values in the Annual Report do not actually match those being filed in the Income Tax Return for the BIR. Although, LTFRB is submitting a summary report on Annual Returns submitted by the operators to BIR, there is no feedback whether this information has actually shown to be useful for BIR.

The diagram below illustrates where the tax leaks occur.

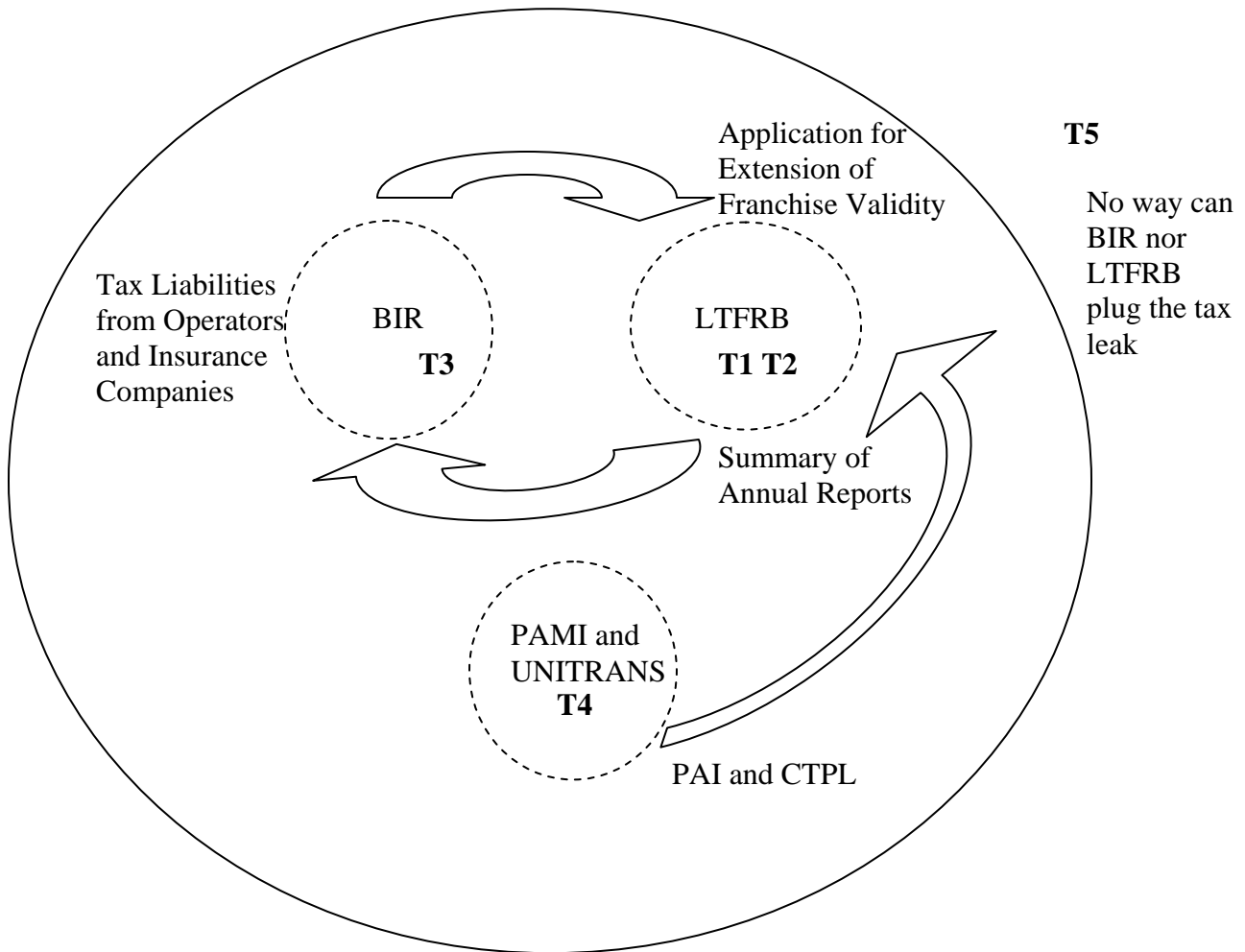


Figure 6c. Tax leakages in land transport franchising

<p style="text-align: center;">B. PROPOSED SYSTEMS FOR THE LAND TRANSPORT FRANCHISING SYSTEM</p>

1. OVERVIEW OF THE LTFRB CENTRAL OFFICE PROCESSES

The LTFRB Central Office is in charge of processing applications for all public transport franchises with routes passing through Metro Manila to and from provincial areas outside Metro Manila. These applications are classified as:

- Application for a New Franchise
- Application for Extension/Renewal of Validity for an Existing Franchise
- Application for Confirmation of Validity of a Franchise

There are other applications being processed by LTFRB Central Office, such as Application for a Change of Engine, Application for Dropping a Motor Vehicle of an Existing Franchise, or Application for Substituting Another Motor Vehicle into an Existing Franchise.

However, for the purpose of this study and the documentation involved in this report, only the first three forms of application enumerated above will be covered and documented. These applications consist of more than 95 percent of transactions being handled by LTFRB Central Office.

Because of the existing LTFRB moratorium on Applications for New Franchises, the process was not observed directly; documentation of the process proceeded from staff accounts and review of forms and written guidelines on procedures.

The processes for application of Extension and Confirmation are documented based on actual observations within LTFRB Central Office. High level process maps were used to document the major activities in each of these applications. The current process map for the Application of Extension of Validity is illustrated in Figure 1a, while the current process map for the Application of Confirmation is shown in Figure 1b.

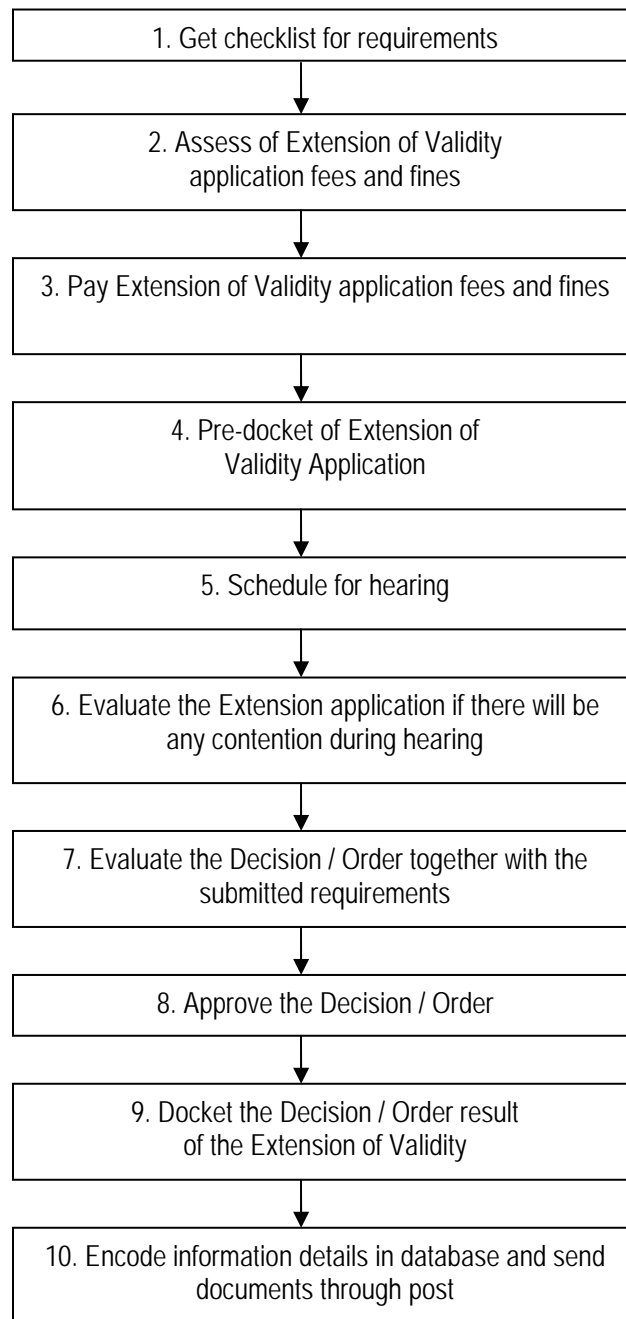


Figure 1a: Process flow for extension of validity

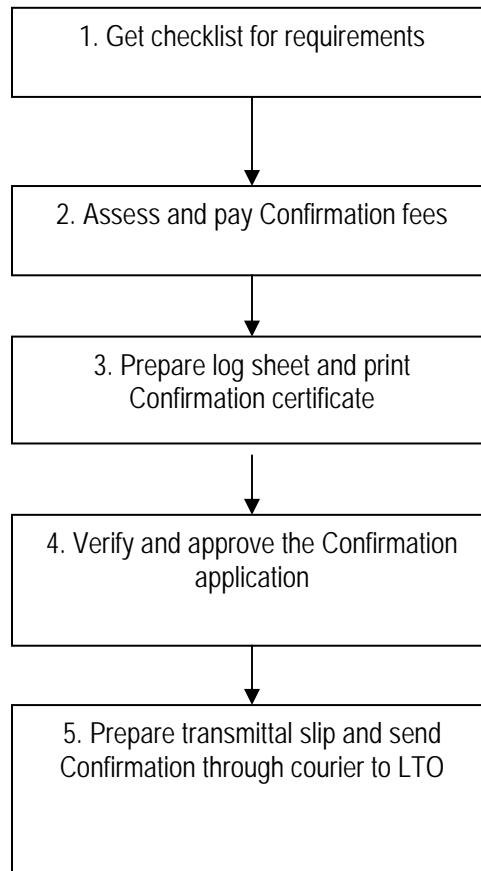


Figure 1b: Process flow for confirmation

2. PROPOSED IMPROVEMENTS FOR LTFRB CENTRAL OFFICE PROCESSES

2.1 Proposed process for extension of validity

The proposed high level process map for the Application of Extension of Validity is shown below.

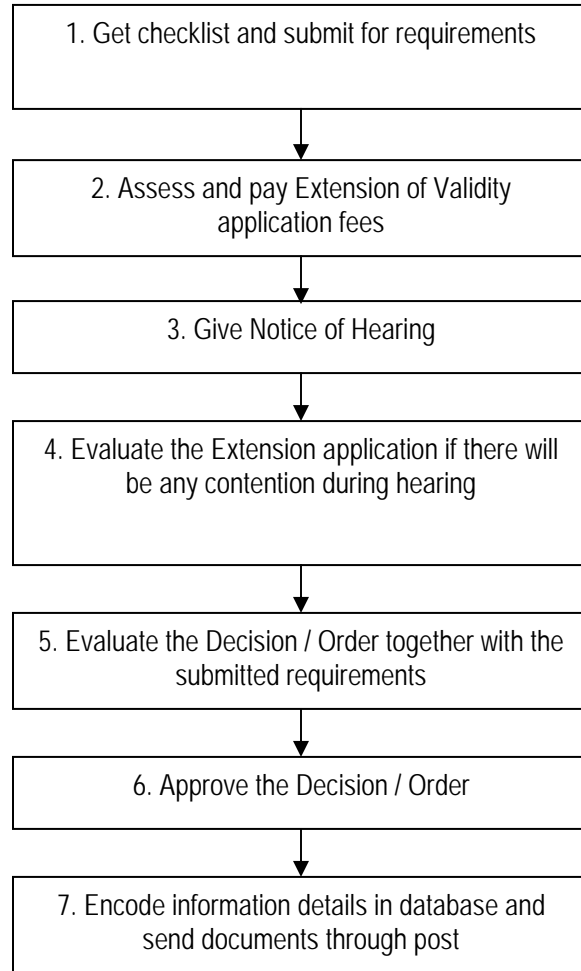


Figure 2a: Proposed process flow for extension of validity

The proposed process flow for the application of extension has been reduced to seven major steps from 10 major steps of the existing process. The major changes in the proposed process are:

- Elimination of the Pre-Docket
- Combine the final docketing of decisions with the encoding done by the Management Information Division (MID)

2.2 Detailed description of the proposed process for the extension of validity

The following is a detailed discussion of each step in the proposed process for the Extension of Validity:

STEP 1A: GET CHECKLIST OF EXTENSION OF VALIDITY REQUIREMENTS

Customer Service Center (CSC)

- **Easy Access to Requirements Checklist**
The requirements checklist for all applicants is made available at the Customer Service Center. The checklist is placed in a sorter box with labels and located outside the Center's area for easy access.
- **Posting of Memorandum Circulars**
All Memorandum Circulars issued by LTFRB are posted at the Customer Service Center's bulletin board. Copies of the Memorandum Circulars are also available at the Customer Service upon request of the operators.
- **List of Operators with Penalties**
The list of operators with penalties is posted at the CSC. The list, prepared by the Technical Evaluation Division (TED) penalty team, is updated daily. Operators whose names are in the list will receive their personal copies through mail or get a copy from the CSC. The operators will have ample time to gather necessary documents or receipts that may be used to reconsider the penalties imposed by LTFRB and pay them before proceeding with transactions at the LTFRB Central Office.

Technical Evaluation Division

- **Grouping of Checklist**
The requirements checklist for Extension of Validity contains documents needed during the initial application and for the hearing proper. Some of these documents are bound by time validity factors, resulting in the frequent need for updating prior to the hearing. As a result, a proposed checklist has been drafted. The basis for the reclassification of requirements is mainly the need to provide the updated documents required by the Legal Division. Thus, required documents need be produced only during the hearing. Only

those documents needed to start the initial processing will be required from the applicant for submission. These time-bound requirements will be listed in the Notice of Hearing provided by the Legal Division be giving to the applicant.

Existing requirements, such as a copy of the franchise verification and latest copy of decision granting CPC, were eliminated because these could be verified by LTFRB through online access from the Management Information Division (MID) database. Thus it is important to allow online access of MID database to all evaluators from the Technical Division.

The requirement on LTFRB clearance of accounts can also be omitted as a requirement for Extension of Franchise Validity. The receiving clerk is provided with a list of case numbers with existing penalties that have not been settled. All unsettled penalties have to be paid for before any further transactions could be entered into by the applicant. The revised list of requirements is shown in Table 2a.

Table 2a: Proposed lists of requirements for extension of validity

Proposed Extension of Validity Requirements	Eliminated Requirements
A. For Submission during Application (in the Requirements Checklist)	
1. Four copies of Verified Application	Franchise verification
2. Location Map and Picture with Dimension of Garage with TCT / Tax Declaration or Contract of Lease with Specific Garage Area	Latest copy of decision granting CPC
3. Two Copies of Passport Size Picture of Applicant with Specimen Signature at the Back	
4. Passenger Accident Insurance	
5. Tax Clearance	
6. OR/CR of proposed units with year model or delivery receipt	
B. For Submission during Hearing (included in the Notice of Hearing)	
1. Latest Verified Certificate of Business Name issued by DTI (Department of Trade & Industry)	
2. Certificate of Bank Deposit and Passbook (P30,000/unit for PUB and TH P10,000/unit for all other modes of cash in bank)	
3. Community Tax Certificate	
4. Authorization Letter if Applicable	
5. Proof of Citizenship	

STEP 1B: SUBMIT EXTENSION OF VALIDITY REQUIREMENTS (TED)

- **Submission of Requirements**

After completing the requirements in the checklist, the applicant submits the requirement at the Technical Evaluation Division, LTRFB Central Office. The Receiving Clerk checks if the submitted requirements are complete. The Receiving Clerk then assigns a control number and stamps it on the applicant’s case folder. The Receiving Clerk generates the control number (CN) daily, which has the following format: MM-DD-YR-CN. The CN is to be filled up in MS Excel format, per day, to account the number of applications received. The MS Excel format is presented in Table 2b.

Table 2b: Control number format in MS Excel

Control Number	Name	Case Number	Denomination	Routing Slip Number
07-07-06-01				

The Receiving Clerk attaches a unified routing slip in the case folder. The uses of the routing slip are:

- For use in control and tracking
- For replacing all duplicated departmental transmittal slips
- For measuring the total processing time of an application from the time it is received to the time the decision / order is released

The routing slip involves only the main process per department. The Extension of Validity Application sample routing slip is tabulated in Table 2c. The pre-docketing activity is eliminated as applications can be traced through the routing slips. The final Docketing activity is replaced by MID. MID is responsible for encoding and storing computerized historical records of operators. MID maintains a backup of historical records in a separate hard disk or zip drive.

Table 2c: Extension for validity routing slip

Department	Date In	Date Out	Processed By	Remarks
TED				
Legal				
Evaluation Unit Of The Board				
Board Member Legal				
Board Member Technical				
Chairperson				
Hologram				
MID				
Admin				

STEP 2. ASSESS AND PAY EXTENSION OF VALIDITY APPLICATION FEES

Technical Evaluation Division

- **Decoupling of Penalty and Application Fees Computation**

A team of six assessors is assigned to compute for the penalties of each operator in advance. This allows those applications without any penalties to be processed immediately and independently of applications with incurred penalties. The process of computing the penalties is made tedious by the retrieval of the case folders and manually reviewing the past payment records of the applicant in order to check whether the applicant has complied with previous annual dues. All applicants must settle their penalties separately.

The assessment of the application is limited to a standard application and filing fee. An assessment slip is forwarded by the evaluator directly to the Cashier. The Cashier calls the applicant's name for the payment of fees on a first come first serve basis. The applicant pays the corresponding fees and waits for the Notice of Hearing.

- **List of Operators with Penalties**

The Technical Evaluated Department needs to form a "penalty team" that will compute all historical and current incurred penalties of the operators. The penalty team generates the list of operators with the corresponding amount of penalties. The penalty list is mailed to the operators and posted in the Customer Service Center. The applicants can easily see through the list should they fail to receive it through mail. In this system, the applicants can gather necessary receipts beforehand for re-computation of penalties.

- **Removal of Posting Activity for Paid Fees**

In the establishment of a penalty team, all past and current penalties are resolved. There is no longer a need to post the ledger for updating payment of fees and fines. For record keeping purposes of TED, the Payment Order Slip (POS) can be filled since the information posted in the ledger is copied from POS.

- **Internal Transfer of Documents**

The applicant submits the application form with the corresponding document requirements to the TED Receiving Clerk and waits to be called by the cashier. The case folder of the applicant is transferred internally to the TED clerk who assigns it to an assessor. The assessor gives the accomplished POS directly to the cashier through the “in slot”. The cashier calls the name of the applicant and after the applicant pays the fees, the payment order slip (POS) is given to the TED Clerk through the “out slot”. The TED Clerk then compiles the POS in the case file of the applicant rather than posting it in the ledger since the information contained is similar. The TED Clerk also attaches the OR/CR to the case folder of the applicant (please refer to proposed layout for more details.)

STEP 3. GIVE NOTICE OF HEARING

Legal Division located in TED

- **MSWord Document Template for Generation of Notice of Hearing / Decision / Order. Signature of Signatory Persons for Notice of Hearing will be made electronically available.**

A template in MS Word for the generation and printing of Notice of Hearing / Decision / Order will minimize / eliminate causes of typing error. The template consists of important fields that prompt the typist to fill-up the fields. An electronic signature of the Legal Division Head will be attached in the template for immediate printing.

- **Time-Bound Documents in Notice of Hearing**

The Notice of Hearing contains the list of required documents to be submitted during hearing to ensure the applicant will deliver it during hearing proper. This will minimize re-setting of hearing due to inadequacy of presented documents.

- **Printing of List of Affected Operators after payment has been made**

MID personnel prints the needed Route Capacity for the Notice of Hearing. The MID personnel is situated near the person generating the Notice of Hearing (please see proposed layout).

- **Printing of Notice of Hearing after List of Affected Operators has been generated.**
The Releasing clerk prints the Notice of Hearing after the payment of fees. The hearing dates and time for the First to Third Notices of Hearing are separated for ease of scheduling. The Notice of Hearing, together with the Route Capacity, is given to the applicant within the day of payment.

STEP 4. EVALUATE THE EXTENSION APPLICATION IF THERE WILL BE ANY CONTENTION DURING HEARING

MID to Provide Legal Division an Access

- **Provide Online Access to Franchise Verification**
Provide online access to MID database on franchise verification so that LTFRB evaluators can access real-time franchise verification information. The online access for franchise verification could be charged to the applicant as computer access fees.

STEP 5. EVALUATE THE DECISION / ORDER TOGETHER WITH THE SUBMITTED REQUIREMENTS

Evaluation Unit of the Board

- **Evaluation should not be on per Denomination**
The Evaluation Unit of the Board assignment should not be on a per denomination basis. The evaluators evaluate cases on a first come first serve basis regardless of the denomination. This allows flexibility in assessment.

STEP 6. APPROVE THE DECISION / ORDER

Board and Chair

- **Review of Board Member and Chair Responsibilities in the Approval of Applications**
With the volume increase in with and without hearing applications, it poses a need for the review of the board and chair responsibilities. The simultaneous activity on the approval of each application together with administrative functions of the board and chair need to be reviewed to balance the organization's needs. The proposed improvements from TED to Legal will speed up the process of evaluating applications, which might cause delay in the approval of applications.

STEP 7. ENCODE INFORMATION DETAILS IN DATABASE AND SEND DOCUMENTS THROUGH POST

Docket

- **Removal of Docket activity**

MID performs the final encoding of case folder details in the database. A separate database will be established to record all historical transactions. This will serve as the computerized docket of LTFRB to replace the manual docket. A printout of the encoded details for each case or application is accomplished to serve as backup. There can be a transition to an electronic backup copy. Separate copies of decision / order for encoding in MID and for sending through post will be generated. This eliminates waiting time in encoding before the decision / order is mailed to the customer / operator.

2.3 Proposed process for confirmation

The proposed high level process map for the Application of Confirmation is shown in Figure 2b.

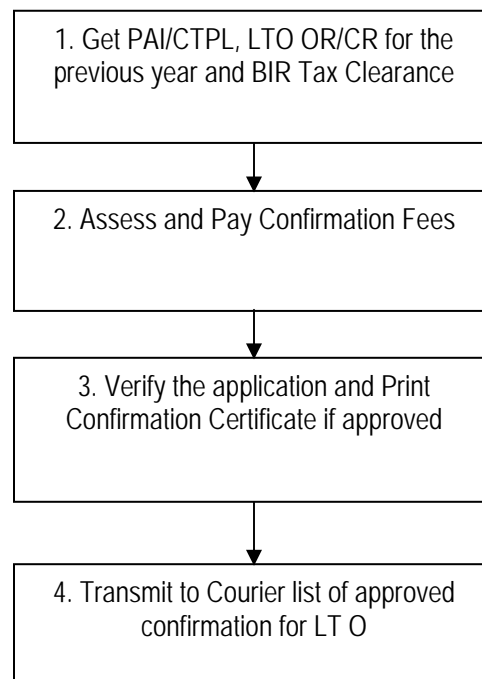


Figure 2b: Proposed process flow for confirmation

The proposed process does not consider eliminating the activities necessary for processing the application for confirmation. However, the key improvement focuses on the connectivity between the evaluator in-charge of the confirmation and the Management Information Division (MID). By allowing online access to the MID database, confirmations can be printed immediately and forwarded to the Land Transportation Office for public motor vehicle registration.

2.4 Detailed description of the proposed process for the confirmation of franchise

The following is the detailed discussion of each step in the proposed process for the Confirmation of Franchise:

STEP 1. GET PAI/CTPL, LTO OR/CR FOR THE PREVIOUS YEAR AND BIR TAX CLEARANCE

Confirmation Requirements

- **Submission of Requirements**

The purpose of Confirmation is to certify that the franchise is legal and is still allowed to operate by LTFRB. The requirements for Confirmation have been reduced to PAI/CTPL, LTO OR/CR and PAI/CTPL (See Table 2d for complete meaning of the acronyms).

The applicant submits these requirements with the application form to the MID Confirmation window. Franchise confirmation certifies that the franchise is legally registered and has not expired. In this light, the requirements for Confirmation are reduced to three important documents that are necessary for the issuance of franchise confirmation which are:

- The LTO OR/CR authenticates the plate number and owner of the public vehicle. This information will be used to validate the information in the franchise confirmation.
- Passenger Accident Insurance / CTPL Insurance assures the safety of the passengers or any person in case of accidents.
- Tax Clearance ensures that the operator has duly paid his taxes.

The other requirements such as photocopied copies of CPC, notarized annual report front cover, and verified DTI business name were removed because these requirements are not essential in the issuance of franchise confirmation. These photocopied documents cannot be validated in the process of evaluation as well.

Table 2d: Proposed list of requirements

Confirmation Requirements	Eliminated Requirements
Passenger Accident Insurance (PAI) and Comprehensive Third Party Liability Insurance (CTPL)	Xerox copy of Certificate of Public Conveyance (CPC)
LTO Official Receipt (OR) /Certificate of Registration (CR)	Xerox copy of notarized annual report front cover
Tax Clearance (TCL)	Verified Department of Trade and Industry (DTI) Business name Official Receipt of payment of supervision fee, confirmation and sticker

- Pay Penalty Fees before Confirmation Application**
 All penalty fees are cleared before an applicant is allowed to have the confirmation application processed. This assures that all dues of the operator have been settled.

STEP 2. ASSESS AND PAY CONFIRMATION FEES

Evaluator

- Assessment of Fees**

MID personnel assesses the fees and the applicant pays for the corresponding fee at the Cashier. The Cashier gives the POS to the MID Approving Officer located in TED (please refer to proposed layout).

The assessment of applications then involves current application and filing fees. The assessment slips are internally transferred to the Cashier. The Cashier calls the applicant's name for payment of fees on a first come first serve basis. The applicant immediately pays the corresponding fees. The applicant settles the penalties separately which will be based on the notice / list of penalties.

STEP 3. VERIFY THE APPLICATION AND PRINT CONFIRMATION CERTIFICATE IF APPROVED

MID Approving Officer

- Approval of Printed Certificate**

The MID Approving Officer verifies the documents with the online franchise verification information. If the information is not complete, e.g., the TIN is lacking, the confirmation is disapproved. If the information is complete and valid, the Approving Officer then prints the confirmation certificate.

STEP 4. TRANSMIT TO COURIER LIST OF APPROVED CONFIRMATION FOR LTO

Courier

- **Transmittal of Confirmation Certificate**

After the verification and approval, the Confirmation Certificate is given to the MID personnel for preparation of transmittal to PILOT (Courier service to LTO).

2.5 Additional Recommendations

CUSTOMER SERVICE

- **Officer of the Day to be Stationed in the Customer Service Center**

The Customer Service Center current area is limited to 5 persons: 2 mailing persons, 2 customer service personnel and 1 supervisor. In order to accommodate the Officer of the Day in the Customer Service Center, the mailing personnel should be relocated. The Officer of the Day should be part of the Customer Service Center because this is the place where customers seek assistance. The Officer of the Day can properly entertain the applicants' inquiries and other needs. The room temperature of the center should be kept at 25°C to maintain appropriate working conditions.

MANAGEMENT INFORMATION DIVISION

- **Upgrade on the Hardware Equipment**

Upgrade on the MID hardware equipment is needed to service the needs of the organization as the current equipment are already obsolete. The need to upgrade will allow fast network connections and online access to the MID franchise verification database.

3. PROPOSED CHANGES IN THE PHYSICAL LAYOUT FOR THE TECHNICAL EVALUATION DIVISION (TED)

In order to maximize the efficiency of the proposed processes, it is important to consider the re-layout of the existing functions in the Technical Evaluation Division (TED). The re-layout aims to locate activities in proximity of the succeeding steps in order to reduce the transmittal time and lessen the possibility of batching the applications before they are transferred to the next step. Figure 3a shows the proposed layout for the Technical Evaluation Division.

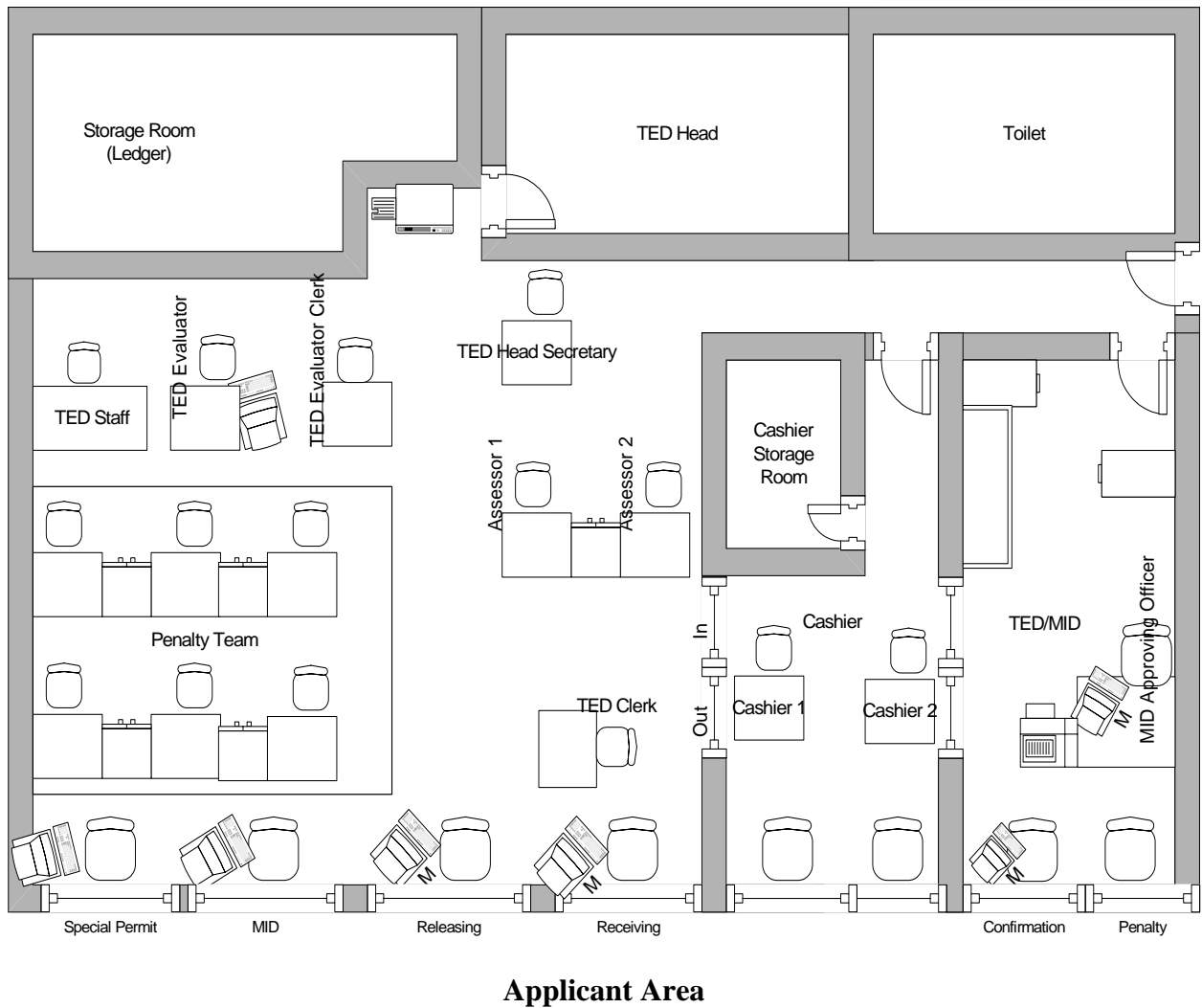


Figure 3a: Proposed layout for the Technical Evaluation Division

The proposed layout has seven special windows (from left to right from the perspective of the applicant). These are the:

- Special Permit Window
- Franchise Verification with hologram and Request for true copies Window
- Releasing Window
- Receiving Window
- Cashier Window
- Confirmation Window
- Penalty Window

3.1 Frontline personnel arrangement for each window

The details for each window and the personnel involved are as follows:

THE SPECIAL PERMIT WINDOW

The special permit window remains the same since it is separated from the other types of applications.

FRANCHISE VERIFICATION WITH HOLOGRAM AND REQUEST FOR TRUE COPIES WINDOW

The MID Clerk processes all the requests for MID such franchise verification with hologram and request for certified true copies (CTC) of documents.

RELEASING WINDOW

The Releasing Clerk gives the notice of hearing to the applicant and other documents to be released to the applicant such as the franchise verification with hologram. The Releasing Clerk is positioned close to the TED Clerk so that the schedules of the hearing can easily be given to the Clerk who compiles and forwards such to the Legal Department. He is also positioned near the MID clerk to get the Route Capacity needed for the Notice of Hearing.

RECEIVING WINDOW

The Receiving Clerk accepts the application of the operator and matches the documents submitted with the checklist of LTFRB, then passes the case folder of the applicant to the TED Clerk. The Receiving Clerk is near the TED clerk and distributes the case folders to the Assessors.

The TED Clerk is positioned behind the receiving clerk, near the assessors and the cashier since he will be responsible of moving the files from the different LTFRB staff. The TED Clerk distributes the case folder from the Receiving Clerk to the Assessors. After the applicant pays at the cashier the cashier will give the POS to the TED Clerk, which the clerk files. The Clerk also forwards the schedule of the hearings to the Legal division.

Two assessors compute the fees and write them on the POS and forward them to the Cashier through the in slot. Only two assessors are needed since the penalties are computed by the Penalty Team separately and posting does not have to be done.

CASHIER WINDOW

The Cashier Office is moved to the old stockroom area so that it is in the middle of the different processes where the applicant submits the application. This means that the applicant does not have to be the one to transfer the document from one LTFRB personnel to another since the LTFRB personnel could easily transfer the documents through the in/out slots internally. The applicant pays at the cashiers at the window while the cashiers at the back help to compute fees and transfer POS to the TED Clerk.

CONFIRMATION WINDOW

The Confirmation Clerk accepts and processes the application for confirmation that is passed on to the MID Approving Officer.

The MID Approving Officer is responsible for printing the certificate of confirmation and evaluating the application based on the requirements of LTFRB.

PENALTY WINDOW

The Penalty Assessor is responsible for re-computing the fees the applicant has to pay if the applicant shows proof (such as LTFRB official receipts) previous payments have been made. The penalty assessor is placed beside the Confirmation Clerk because the Confirmation Clerk should be updated regularly regarding the operators who have paid their penalties otherwise the operator cannot get the confirmation certificate.

3.2 Back office personnel in the TED

PENALTY TEAM

The penalty team is placed in front of the storage room since this where the records are stored. There should be six evaluators to compute the penalty fees in order to catch up with the backlog of penalties. They are responsible for computing and generating the penalty list which will be forwarded to the Customer Service Center for posting. In addition, individual letters are printed and mailed to the operators for settlement of these penalties.

TED STAFF

The TED Staff is responsible for computing the financial capability of the operator based on the annual reports for hearings. They are positioned near the stock room where the annual reports can be stored.

TED EVALUATOR

The TED Evaluator is responsible for evaluating applications that do not require hearing. The Evaluator is positioned beside the TED Evaluator Clerk so that it is easier to transfer case folders.

TED EVALUATOR CLERK

The TED Evaluator Clerk is responsible for bringing the case folders with the decision order from the TED Evaluator to the TED Head, and is thus positioned near the office of the TED Head.

TED HEAD SECRETARY

The TED Head Secretary is placed outside the office of the TED Head for easier communication with the Head.

TED HEAD

The TED Head remains in his original place.

3.3 Improvements in the compliance of the proposed LTFRB processes

There are three major processes in LTFRB Central Office, namely, New Application, Extension of Franchise, and Confirmation of Franchise. However, since both the New Application and Extension of Franchise follow a very similar process, they can actually be considered as having the same basic processes and estimated times.

The estimated process times of the current processes were based from random observations of the actual processing of documents. The estimated process times of the proposed processes were calculated simulation times based on the reduction, simplification, or elimination of process steps based on the current process.

NEW APPLICATION AND EXTENSION OF FRANCHISE

A summary of the estimated process times for both current and proposed is shown in Table 5. Based from interviews and observation, the average processing time of an extension of franchise takes between 168 days (5 and half months) to 453 days (1 year 3 months). This reflects the very high variability in the turn around time of this particular transaction within LTFRB. Majority of the causes of this high variability are as follows:

- Batching of transactions before transferring from one process step to another
- Long waiting time due to creation of transmittal slips among the major divisions
- Retrieval of ledgers and docketing of documents.

By eliminating some tasks and minimizing the batching of jobs between processes, total turn around time of processing these documents could be reduced. Based on the proposed changes and reductions of steps in this type of application, the estimated average cycle time is 90.5 days (3 months).

Thus, the estimated savings in the processing time is at least almost half of the current processing time. Table 3a shows the comparison between the current and proposed extension of franchise

Table 3a: Comparison of estimated times between current and proposed process for extension of franchise

Process: New Application / Extension of Franchise					
No.	Processes	Estimated Time of Current Process (days)		Estimated Time of Proposed Process (days)	Remarks
		Min	Max		
1	Receive requirements for new application/extension of franchise	1	1	0.5	
2	Check completion of requirement				
3	Retriever collects information and retrieves ledger for assessment	1	1		eliminated
4	Assessor computes fees and fines. (validity: one month)	3	5		no fine computation
5	Clerk at window 6 match the applicants claim stub to release POS and case folder to applicant. Discard the claim stub	1	1		eliminated
6	Customer pays the amount (depend if the customer has the money)				only registration / filing / fixed fees
After payment					
7	clerk at window 5 receives case folder with docs and stamps received date	1	1	0.5	eliminated
8	clerk gets POS in the folder to give to assessor for posting				eliminated
9	TED clerk prepares transmittal slip				
Docket					
10	receives documents and place it for pre-docketing	1	5		eliminated
11	docket officers get the docs from the shelves for pre-docketing				eliminated
Legal					
12	Receives documents and enters in the logbook	1	1	0.5	merged with TED, notice of hearing will be given after the application has been filed.
13	Schedules the hearing				
14	Prepares notice of hearing	1	1		
15	Prepares transmittal slips for mailing of notice of hearing				
16	Mailing lead time				
17	Client publishes notice of hearing	10	10	10	

Table 3a: Comparison of estimated times between current and proposed process for both new application and extension of franchise (continuation)

	Legal: Hearing Proper				
If applicant didn't show for 1 - 3x					
18	reschedules the hearing and sends out notice of hearing	14	15	15	
If applicant didn't show for more than 3x					
19	prepares dismissal notice due to non-appearance	1	1	1	
If there is opposition					
20	Prepares and schedules for enbanc hearing	3	5	5	
if there is no opposition					
21	Gives the decision	1	1	1	
Evaluation Unit of the Board					
22	Reviews the case folder with the decision / order: Stamps and places initials in the decision/oder	5	7	7	
23	encodes the information of CF in database / prepares transmittal slip				
Board					
24	Review the decision and signs the decision / order	30	180	30	Implemented Routing slip for control
Docket					
25	receives documents and place it for pre-docketing or docketing shelf	1	30		eliminated
26	docket officers get the docs from the shelves for pre-docketing or docketing				
27	make necessary corrections if there are typo errors in the documents				
MID					
28	encoding of information based on case folder	90	180	14	simultaneous with Admin
29	preparation of transmittal slip for mailing				
ADMIN					
30	Mail the decision / order	1	1	6	
31	Receive the decision / order	1	5		
TOTAL		168	453	90.5	

CONFIRMATION OF FRANCHISE

A summary of the estimated current and proposed process times for the application for Confirmation of Franchise is shown in Table 3b. Based on interviews and observation, the average processing time for an application for confirmation of franchise can take between 3 days to 39 days. This reflects the very high variability in the turn around time of this particular transaction within LTFRB. Majority of the causes of this high variability are similar to those cited in the extension of franchise. By reducing the requirements an eliminating unnecessary (or non value added tasks), the entire confirmation process can be completed in 1 day.

Table 3b: Comparison of estimated times between current and proposed processes for confirmation of franchise

No.	Process: Confirmation Current Proces	Estimated Time of Current Process (days)		Estimated Time of Proposed Process (days)	Remarks
		Min	Max		
1	Clerk at window 4 receives requirements: OR/CR + copy of decision + required documents	1	1	0.5	less requirement to be reviewed
2	Check completion of requirement				
3	Clerk computes fees and fines (assessment: valid for one month)				
4	Customer pays the amount (depend if the customer has the money after payment		30		
5	collects OR from the cashier	1	1		eliminated
6	clerk at window 9 gives a confirmation slip, stamps the due date and writes the control number in the slip.				
7	clerk at window 9 receives and checks the application with the checklist requirements				
8	logs in a logsheet all the received application: per denomination				
	MID				
9	types the confirmation application in a logsheet	1	1	0.5	eliminated
10	generates the confirmation certificate		3		
11	verifies the submitted documents with the printed logsheet information		1		eliminated
12	evaluates the documents		1		
13	prepares transmittal slip to LTO for approved confirmation		1		
14	release confirmation certificates to courier service				
	TOTAL	3	39	1	

4. PROPOSED INFORMATION SHARING BETWEEN LTFRB, LTO, AND BIR

The Land Transportation Franchise and Regulatory Board contends with two critical issues. These issues are the proliferation of colorum vehicles and legal franchise operators of public vehicles who are non-compliant with the Bureau of Internal Revenue.

Although another critical issue is on the Comprehensive Third Party Liability Insurance (CTPL), this is more relevant to the Land Transportation Office rather than. This is because the CTPL requirement is part of the Motor Vehicle Registration requirement and it is only a secondary requirement for LTFRB.

4.1 Estimated financial opportunity loss due to the existence of registered public motor vehicles without LTFRB franchise

One manifestation of colorum vehicles is the non-matching of LTFRB franchise to the actual number of public motor vehicles registered in LTO. Based from data gathered by LTO and LTFRB, there is a discrepancy between the actual confirmations issued by LTFRB compared to the actual number of registrations in LTO. This is shown in the table below.

Table 4a: Comparative Data between LTFRB and LTO

Year	Actual LTFRB Confirmations	Actual LTO Registered for Hire Vehicles
2000	263,162	303,281
2001	255,796	313,334
2002	259,840	277,219
2003	259,882	303,386
2004	255,015	329,667

Source: Executive Director R. Salunga, LTFRB, September 2006

The latest data reveals that the difference between LTFRB and LTO registration is 74,652 units. Using the confirmation fee alone of Php 115.00 per vehicle, the Office of the Executive Director of LTFRB has estimated that there was an opportunity loss of Php 8,584,980.00.

This estimated opportunity loss by the Government does not include other charges that legal franchise operators have to pay such as penalties for late filing of annual reports (Php 500/vehicle), supervision fees (Php 727.50/vehicle), and application of fare increase (Php 560/vehicle). This can amount to an opportunity loss of around Php 142,025,430.00 for 2004 alone.

The LTFRB is currently not accepting applications for new franchise except for special purpose vehicles such as tourist and school buses. Thus, the estimated income is hinged on the assumption that all of these illegally registered public motor vehicles will be given a franchise by LTFRB. Nevertheless, it is still within the legal bounds of LTFRB open the application for new franchise, especially with the growing demand for public transportation in Metro Manila.

4.2 Proposed enhancements on the current integration of LTFRB with LTO

Due to the current state of information technology structure of LTFRB, a two phase integration proposal has been designed in order to allow LTFRB and LTO to gain some immediate benefits of the proposed integration. The main objective of this integration is to address the issue of colorum vehicles which have been allowed by LTO to register.

4.2.1 SHORT TERM INTEGRATION OF LTFRB WITH LTO

The proposed Short Term Integration between LTFRB and LTO works on the current structure of the LTFRB's Management Information Division (MID) and the LTO's Management Information Division (MID) or through STRADCOM, which is the IT Provider of LTO. The implementation of the Short Term Integration is limited only with the LTFRB Central and LTO Central Office. The schematic diagram for the short term integration structure is shown in Figure 4a.

The following key points should be adopted by LTFRB and LTO in order to improve their current level of integration and cooperation:

a) Creation of Franchise Violation Database by LTFRB

LTFRB creates and manages a Franchise Violation Database containing reported apprehensions of colorum operators and their vehicles. The database shall contain the following information:

- Operator/Owner of the Vehicle
- Operator TIN
- Home/Business Address as indicated in the MV registration
- Date of apprehension
- Location of apprehension
- Name of apprehending officer
- Agency of apprehending officer

In addition to the apprehensions, the database will also contain discrepancies of specific registered public motor vehicles without existing or valid franchise from the LTFRB. The database will contain logged information of an apprehended motor vehicle whenever an apprehending agency request a confirmation or validation from LTFRB which was proven to have no existing franchise from LTFRB.

LTO receives monthly report from LTFRB Franchise Violation Database on list of apprehended colorum vehicles. This information is sent via email by an authorized person from MID and received by an authorized person from LTO-MID using an agreed format.

b) Establishment of a Reconciliation Process between LTFRB and LTO to be handled by LTFRB

LTO will provide LTFRB with the record of all motor vehicles registered by LTO as public utility vehicles, by type, at the end of each month. LTFRB will conduct a reconciliation of the LTO data and its own record of vehicles with valid franchise based on the confirmation of franchise it issued for the month. Motor vehicles registered as public utility vehicles but without valid franchise will automatically be stored in the Franchise Violation Database.

A list of LTO registered public utility vehicle without LTFRB franchise will be sent to LTO for action. Once LTO receives from LTFRB the monthly report on registered public utility vehicles without franchise, LTO will send out notices to owners of said public vehicles.

c) Freezing of motor vehicle registration through tagging by LTO-MID/STRADCOM

The tagging of vehicle registration in the LTO database in order to freeze future registration of these motor vehicles is implemented. LTO disallows registration of public vehicles if tagged within LTO database and require motor vehicle owners, whether registered as public or private, to secure clearance from LTFRB and be cleared from Franchise Violation Database.

LTFRB processes clearance from Franchise Violation Database and sends the clearance to LTO-MID through email before LTO can remove the tag of the motor vehicle and allows the registration process to begin.

d) Imposition of penalty system for colorum vehicles by LTFRB

LTFRB imposes penalties for vehicle owners who are within the Franchise Violation Database requiring clearance for motor vehicle registration. Secured clearance from LTFRB is be sent electronically to LTO-MID for removal of the tag on the motor vehicle. Penalties are also imposed to franchised holders who have been caught operating out of their line. Penalty can include revocation of franchise.

e) LTO personnel accountability in the registration process

LTO personnel are required to input “User ID” in the processing of public motor vehicles to promote accountability. Applications with incomplete information are disallowed during registration of public vehicles.

Based on the reconciliation process handled by LTFRB, once a vehicle has been reported as registered by LTO without a valid franchise from LTFRB, the LTO personnel is monitored and provided a written warning on the incident. Repeated offense on this matter by the LTO personnel triggers a joint case to be filed by LTO and supported by LTFRB.

f) Realignment of terminology on Vehicle for Hire type

One of the misalignments that were reported by the Executive Director of LTFRB is the use of different nomenclature by LTO and LTFRB. Based on 2004 data from LTO, vehicle classifications, such as TAXI UV, VEHICLE FOR HIRE, and FILCAB, have been used by LTO even if there are no such classifications being used by LTFRB. Of the 74,652 units of invalid franchise, 37,993 units were classified as such by the LTO.

LTO should realign their terminology to that used by LTFRB. This allows more accurate data reconciliation. In addition, LTO should only have a built in selection during registration where the motor vehicle can only be classified based on LTFRB nomenclature. This system can easily be programmed by LTO within LTO MID or STRADCOM.

g) Temporary registration during implementation phase

Due to the differences in the timing of the data within the database of LTO and LTFRB, it is highly probable that detected inconsistencies are not indicative of colorum vehicles. Temporary registration could be allowed. Once the existence of a colorum vehicle is proven by LTFRB due to the mismatch of records, LTO issues notices for owners of the vehicle to submit to LTFRB evidence to the contrary and subsequently get clearance.

A schematic diagram of the short term phase of integrating the LTFRB and LTO confirmation and motor vehicle registration is shown in Figure 4a. The broken lines in the diagram indicate automatic electronic transfer, while the hard lines indicate manual transfer either using an intermediate electronic step such as email or transfer of data through CD or hard copies.

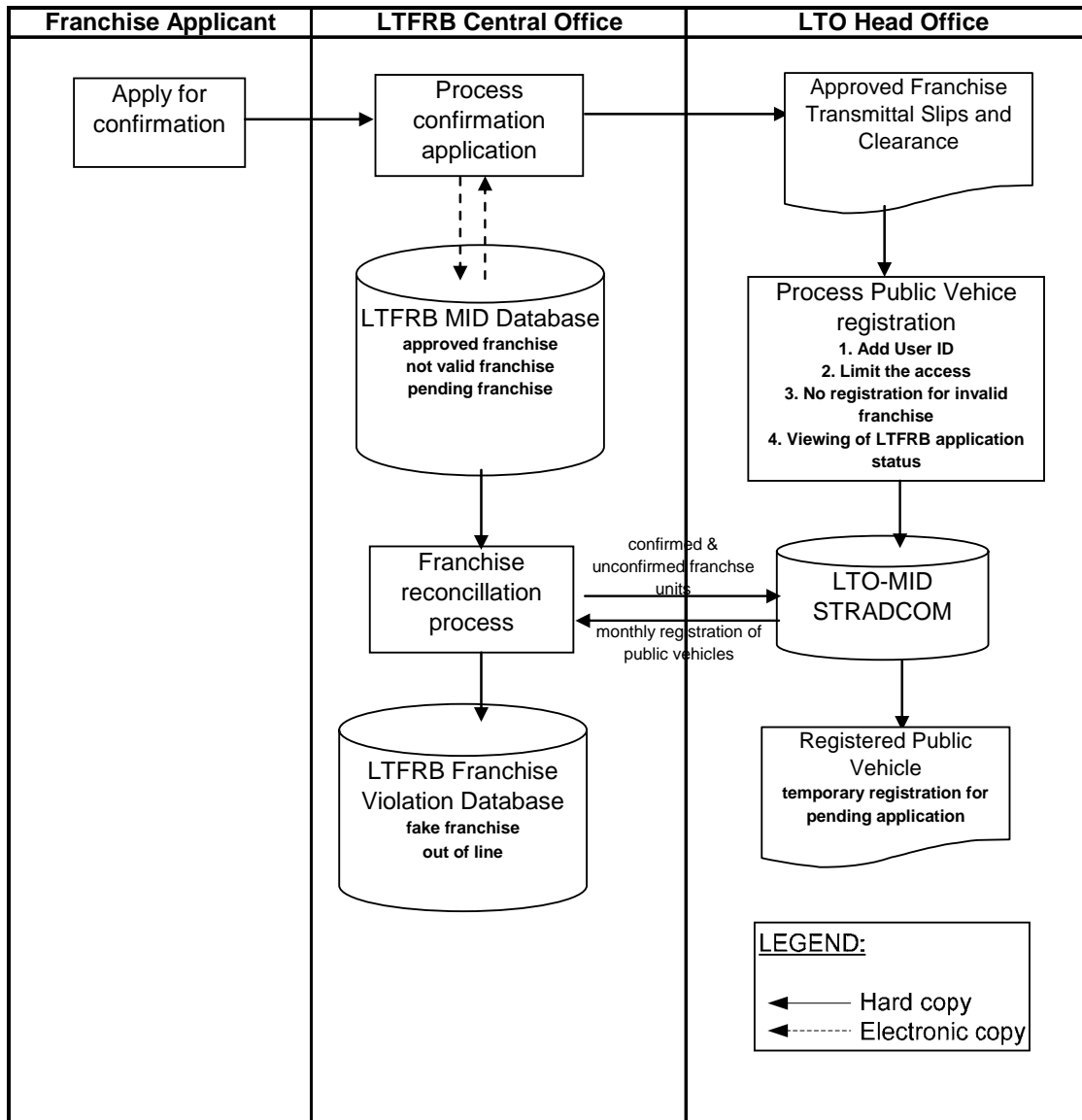


Figure 4a:
General Relationship and
information flow for short term
integration of LTFRB and LTO

4.2.2 LONG TERM INTEGRATION OF LTFRB WITH LTO

The proposed Long Term Integration between LTFRB and LTO is based on the assumption that LTFRB is able to develop its IT System that would allow easier communication and data sharing between the two agencies. This data sharing might be between LTFRB and LTO or indirectly with LTO through STRADCOM. Furthermore, the implementation of the Long Term Integration will be expanded to the different regional offices of LTFRB and LTO. The schematic diagram for the long term integration structure is shown in Figure 4b.

The following key points should be adopted by LTFRB and LTO in order to enhance the level and speed of data sharing and sustain the objectives of the short term integration:

a) Convert the manual transfer of data to Automatic Electronic Transfer

Once the Franchise Violation Database and the Franchise Database have been converted into electronic data, LTFRB can easily automate the sharing of data with LTO. The data received from LTO can easily be validated by LTFRB by comparing them to its Franchise Database.

b) Automatic access by LTFRB Franchise Database to the Franchise Violation Database

Instead of manual access to the Franchise Violation Database, the LTFRB Confirmation, New Application, and Extension of Franchise processes can access the Franchise Violation Database through LTFRB MID in order to check for any reported violations on the part of franchise operators. A common violation of existing franchise operators is the “Out of line” violation where a franchise vehicle is using a route that it is not authorized in its franchise.

c) Automatic verification and issuance of colorum clearance by LTFRB

With the integrated system, it can be expected that a similar number of invalid franchises from the registered public motor vehicle of the 2004 data would be requiring colorum clearance from LTFRB. The volume of transaction will require a faster and more efficient way of handling the requests which will still have to go through the Franchise database of MID.

d) Automatic matching of Colorum and Franchise Databases

Once the Franchise Violation Database is set up and the existing Franchise Database upgraded, a matching application can be developed in order to trigger the matching process and automatically log the mismatch and transmit to LTO the invalid franchise. LTO will use the information to notify the owner of the registered vehicle. This notification also includes those private vehicles that have been apprehended by various enforcement agencies. Once apprehended, the vehicle is automatically tagged in the LTO database and notice is sent by LTO for revocation of motor vehicle registration unless clearance from LTFRB and payment of appropriate penalties have been satisfied.

A schematic diagram of the long term integration between the LTFRB and LTO confirmation and motor vehicle registration is shown in Figure 4b. The broken lines in the diagram indicate automatic electronic transfer, while the hard lines indicate manual transfer either using an intermediate electronic step such as email or transfer of data through CD or hard copies.

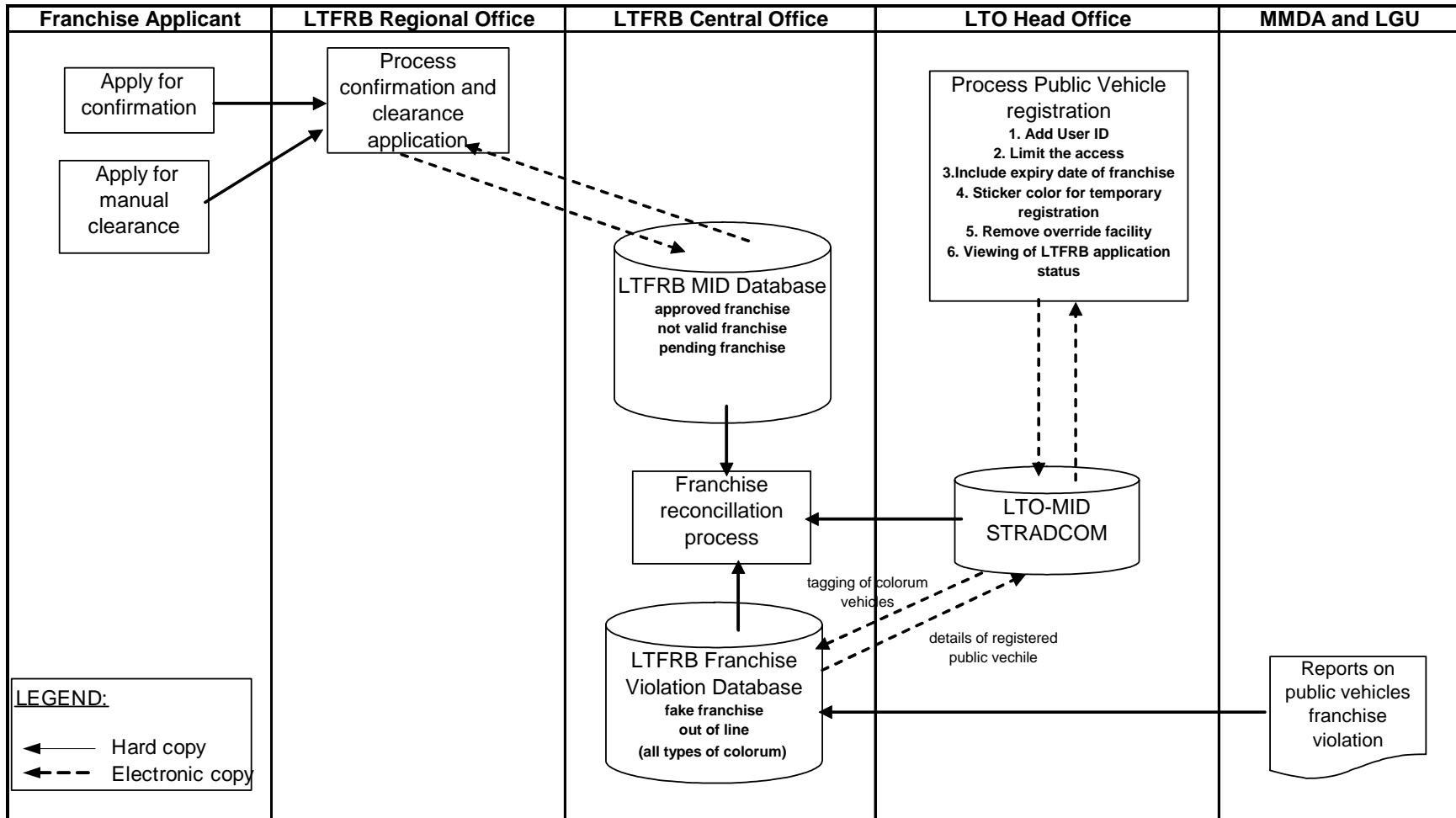


Figure 4b: General relationship and Information flow for long term integration of LTFRB and LTO

4.3 Estimated financial opportunity loss due to the existence non-BIR registered operators with valid LTFRB franchise

A complete list of valid franchise operators was generated by LTFRB and sent to BIR for verification of their Tax Identification Numbers. A total of 33,806 franchise operators for 2006 were generated. As of July 27, 2006, 25,434 franchise operators were verified. The result of the TIN verification is shown in the table below.

Table4b: Comparative Data between LTFRB and BIR

Description	Transmitted to LTFRB	w/ BIR (for transmittal to LTFRB)	Total Processed	%	Remarks
With TIN	4,861	11,197	16,058	47.50	
Without TIN	2,790	6,517	9,307	27.53	
Invalid TIN	69	-	69	0.20	
Verification ongoing	-	6,146		18.18	target date of completion - Aug 9
TOTAL			25,434	75.24	
Unprocessed			2,226	6.58	due to incomplete info i.e. middle name, birthday, address

Source: BIR-ISG, 2006

Based on the interviews and focus group discussions with various operators groups, the estimated potential earnings of a given vehicle (for Taxis and Jeepneys) is Php 500.00 per day base on the boundaries being charged by fleet operators (those with more than 1 vehicle). Assuming that each vehicle will operate at a conservative 20 days in a month for 12 months, the estimated total revenue of each vehicle is Php 120,000.00.

A total of 9,307 operators are currently operating with TIN and thus can be classified as not paying any taxes. Using a percentage tax of 3% for common carriers, the total opportunity loss of uncollected taxes is estimated by getting 3% of 9,307 at Php 120,000 per vehicle. The estimated maximum tax leakage is Php 33,505,200.00 for 2006 alone.

4.4 Proposed enhancements on the current integration of LTFRB with BIR

Due to the current state of information technology structure of LTFRB, a two phase integration proposal is again designed in order to allow LTFRB and BIR to gain some immediate benefits of the proposed integration. The main objectives of this integration is to address the issue of tax leakages due to the unregistered franchise operators with the BIR but are still allowed to operate by LTFRB.

4.4.1 SHORT TERM INTEGRATION OF LTFRB WITH BIR

The proposed Short Term Integration between LTFRB and LTO works on the current structure of the LTFRB's Management Information Division (MID) and the BIR's Information Systems Group (ISG). The implementation of the Short Term Integration is limited only with the LTFRB Central and BIR Main Office. The schematic diagram for the short term integration structure is shown in Figure 4c.

The following key points should be adopted by LTFRB and BIR in order to improve their current level of integration and cooperation:

a) Assignment of LTFRB facility for BIR personnel

LTFRB will provide a facility for BIR personnel to validate the Tax Clearance Certificate (TCL) issued from a Revenue District Office (RDO) where the applicant operator is currently registered. The facility will be clearly marked as an extension office of BIR and not LTFRB.

A direct access to the TCL database will be given to BIR personnel assigned in the LTFRB Central Office. The BIR personnel validates the authenticity of the TCL by comparing the hard copy document with that shown in the TCL database. The BIR personnel will sign his initials after verifying the TCL. The signed TCL is passed directly to the LTFRB Central Office receiving clerk who calls the applicant's name. The applicant submits the rest of the documents required for processing.

b) Requirement of TCLs for confirmation and extension of franchise validity

LTFRB informs all franchise operators about the need to secure TCL from their respective RDOs for any transaction within the LTFRB Central Office involving New Application, Confirmation, and Extension of Franchise, as mandated through the BIR.

In addition, BIR requires the RDOs to issue a TCL for applicants applying for confirmation or extension of validity with LTFRB Central Office by first accessing the TCL database to verify whether the applicant is holding an existing franchise. If applicant does not have a valid franchise as indicated in the TCL database, he/she has to settle this with LTFRB.

c) Utilize the Franchise Violation Database of LTFRB for BIR

LTFRB creates and manages a Franchise Violation Database which contains reported apprehensions of colorum operators and their vehicles. The database contains the following specific information:

- Operator/Owner of the Vehicle
- Operator TIN
- Home/Business Address as indicated in the MV registration
- Date of apprehension

- Location of apprehension
- Name of apprehending officer
- Agency of apprehending officer

In addition to the apprehensions, the database also contains discrepancies of specific registered public motor vehicles without existing or valid franchise from the LTFRB. An apprehending agency requests for confirmation or validation from LTFRB on a vehicle's franchise status. Information is sent via email by an authorized person from TED and received by an authorized person from BIR-ISG using an agreed format. This information can be used by BIR to identify tax evaders who have found to be operating as a colorum and have not declared any income with the BIR.

d) Create a tax ruling for colorum operators

The BIR issues a tax ruling for Colorum Operators who have not declared their income to the BIR. These Colorum Operators can be classified as tax evaders which can be handled by the Run After Tax Evaders (RATE) Program of the BIR.

e) Establishment of a tax clearance certificate (TCL) database by BIR

A TCL database is established and housed in the BIR Main Office. The TCL database contains TCLs issued on the current year by BIR. The Revenue District Office (RDO) issues a TCL for those applying for confirmation or extension of validity with LTFRB Central Office.

RDOs immediately submit in electronic form the following information to the TCL database:

- TCL number
- Date Issued
- RDO number

f) Regular Franchise Information Summary Report and Colorum Summary Report to be sent to BIR

LTFRB provides regular monthly information report on the approved franchised case numbers within each month. The following information will be forwarded to the BIR:

- Operator/Business TIN
- Operator Name/Business Name
- Reported Home/Business Address
- Reported Annual Sales
- Reported Annual Expenses
- Franchise Case Number
- Fleet Size
- Denomination

In addition, a regular monthly colorum report which is stored in the Franchise Violation Database will also be generated. The information on the Colorum report is as follows:

- Operator/Owner of the Vehicle
- Operator TIN
- Home/Business Address as indicated in the MV registration
- Date of apprehension

These reports are together with the current taxpayer data stored in the Integrated Tax System (ITS) to identify potential tax leakages due to colorum operations and under declaration income from valid franchise operators. This information shall be sent via email by an authorized person from TED and will be received by an authorized person from BIR-ISG using an agreed format.

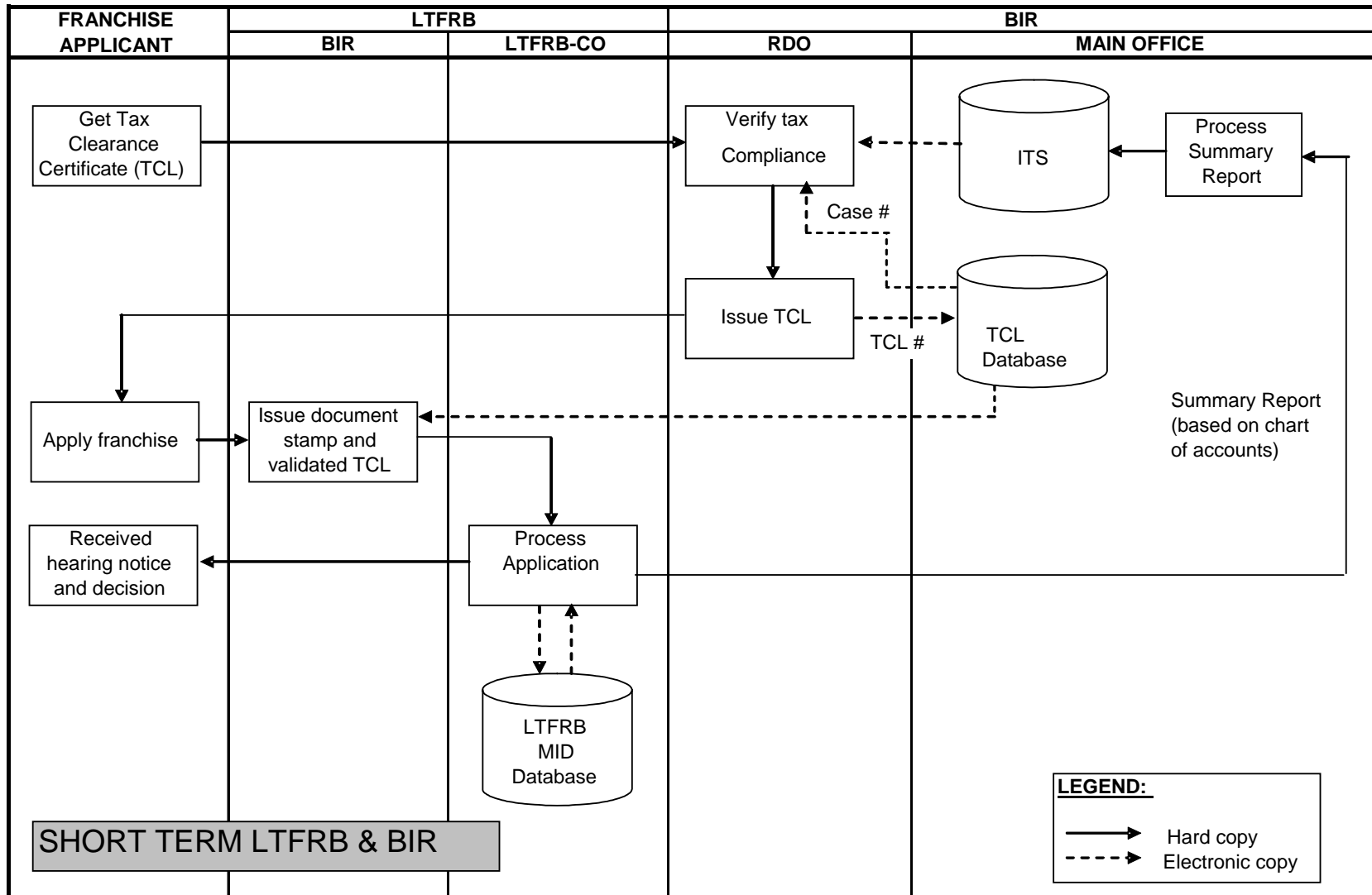


Figure 4c: General relationship and information flow for short term integration of LTFRB and BIR

4.4. 2 LONG TERM INTEGRATION OF LTFRB WITH BIR

The proposed Long Term Integration between LTFRB and BIR is based on the assumption that LTFRB is able to develop its IT System that would allow easier communication and data sharing between the two agencies. Furthermore, the implementation of the Long Term Integration will be expanded to the different regional offices of LTFRB and BIR. The schematic diagram for the long term integration is shown in Figure 4d.

The following key points should be adopted by LTFRB and BIR in order to enhance the level and speed of data sharing and sustain the objectives of the short term integration

a) Expand the TCL Database to allow franchise data from other LTFRB Regional Offices

All LTFRB regional offices will electronically forward to the LTFRB Central Office all recently approved franchise and extension of franchise. LTFRB Central Office will be responsible for submitting to the BIR Main Office the updated list of valid franchise issued by all LTFRB Offices.

b) Allow the LTFRB Regional Offices access to the TCL Database

Since the TCL will be expanded to apply all LTFRB regional offices to require the TCL from BIR, then it would be more efficient to transfer the function of validating the TCL to the individual LTFRB offices. Thus, the Technical Evaluation Division (TED) of each LTFRB Office will be given read only access to the TCL database in order to verify/validate the TCL hard copy document presented to them by the operator.

c) Creation of BIR Franchise Database with Valid Franchise Financial Report Summary

Once an electronic link has been developed between BIR and LTFRB, the summary report containing the financial report of each franchise operator can also be automatically uploaded into the Franchise Database. This would allow BIR to extract from the Franchise Database the financial data that BIR can use to reconcile the reported income of the franchise operators to BIR versus that which is submitted to LTFRB. Any inconsistencies among these documents would allow the Case Monitoring System (CMS) of BIR to trigger some form of stop filer and would thus inform the concerned RDO to conduct an investigation on the franchise operator.

d) Linking of Franchise Violation Database with the Integrated Tax System (ITS).

The Integrated Tax System (ITS) of the BIR currently contains the detailed information regarding all taxpayer information. With the Franchise Violation Database information, BIR can have the opportunity to detect existing taxpayers who are operating under a colorum scheme, which would automatically mean that their income is under-declared. BIR can create a tax ruling that would allow an automatic assessment of the colorum operator and charge this as part of their tax obligation.

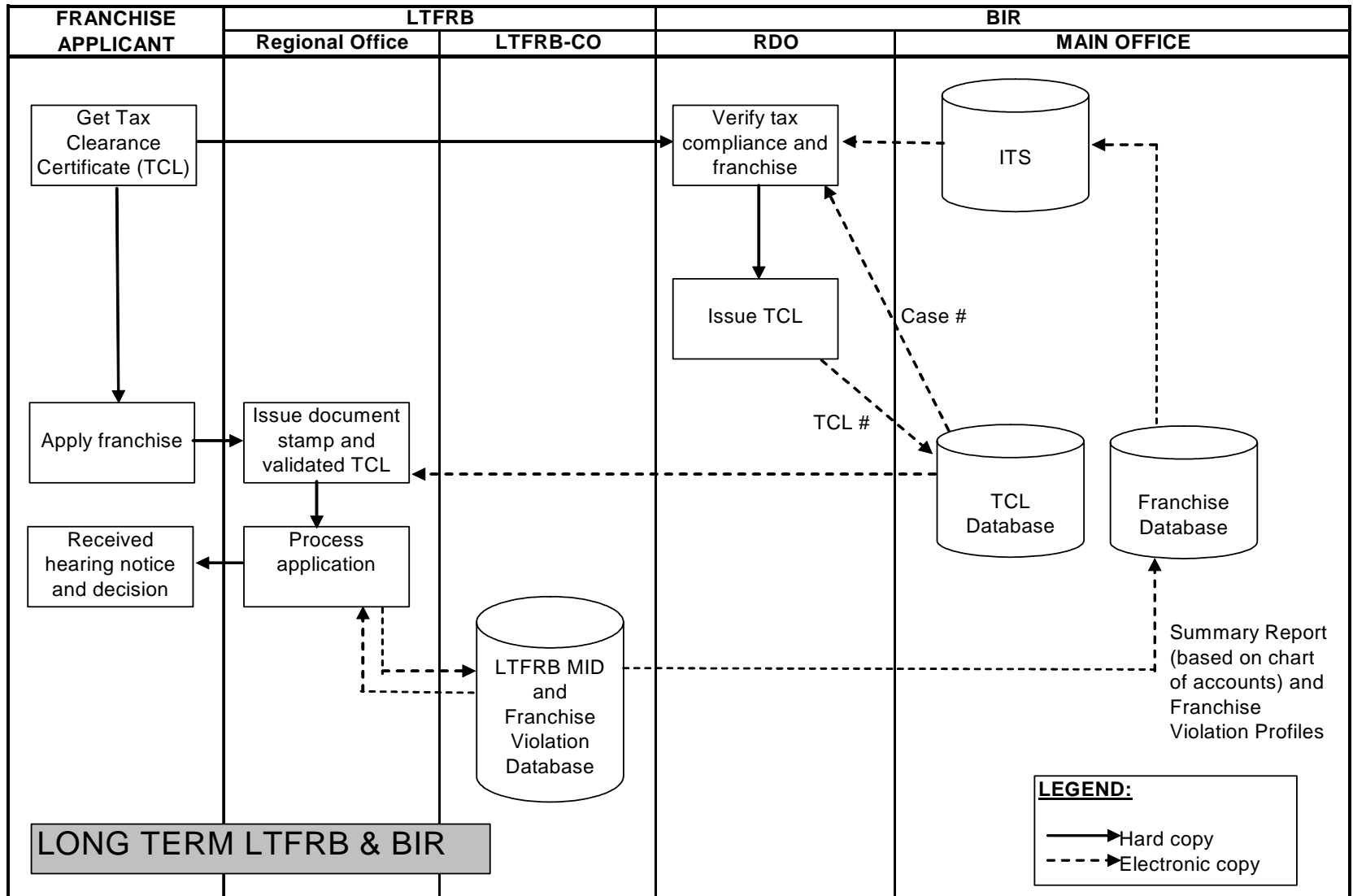


Figure 4d: General relationship and information flow for long term integration of LTFRB and BIR

4.5 System Specifications and Database Design for LTFRB

Based from Figures 6 up to 9, LTFRB needs to upgrade its current hardware and software being used. The following are the critical systems specifications that need to be observed by LTFRB in order to attain not only the short term, but most importantly the long term recommendations

4.5.1 FRANCHISE VIOLATION DATABASE

The following information will be stored within the Franchise Violation Database:

- Operator/Owner of the Vehicle
- Operator TIN
- Home/Business Address as indicated in the MV registration
- Date of apprehension
- Location of apprehension
- Name of apprehending officer
- Agency of apprehending officer

The Franchise Violation Database should act as the repository of reported colorum apprehensions and mismatch between the confirmations issued by LTFRB and for hire motor vehicle registrations of LTO.

4.5.2 LTFRB FRANCHISE DATABASE

The existing contents of the LTFRB Franchise Database shall be maintained. However, the information captured at the Management Information Division (MID) should also include the information needed by Technical Evaluation Division (TED). In essence, the MID database should capture both front end information (in the TED) and the back end (After the BOARD).

The following information, which was handled by ADMIREDD should be integrated into the Franchise Database:

- Operator
- Address
- Case number
- Date granted
- Expiry date
- Number of registered units
- Number of authorized units
- Franchise number
- Type of service
- Year of application
- Particulars – description of the type of application

- Supervision fee
- Surcharges
- Fines and Penalties
- Annual report – year filed and penalties involved
- Increase of rate
- Total amount collectible
- OR number
- OR date
- Remarks

Essentially, the MID database should not only capture the current state of the franchise, but can handle the historical data for each specific franchise. This historical data can be lifted from the information currently being docketed.

4.5.3 TCL DATABASE

The Bureau of Internal Revenue will create and manage a Tax Clearance Certificate (TCL) Database which will contain the following information:

- TIN
- Taxpayer Name
- TCL number
- Date Issued
- RDO number

4.5.4 OVERALL GENERAL RELATIONSHIPS

There are three major agencies which can be impacted by the issue of colorum. These agencies are the LTFRB, LTO, and BIR. In addressing the colorum issue, each of these agencies will have to allow the sharing of information from its own database.

LTFRB needs to enhance its current franchise database and create a Franchise Violation Database. The LTO can utilize their mature database system which contains the motor vehicle registrations (MVR). The BIR needs to utilize their Integrated Taxpayer System (ITS) and enhance the current TCL database housed in the Main Office. By making these databases available and compatible among the three agencies, there will be a stronger and bigger stake for those operators who operate as a colorum. The impact to colorum operators will now mean that they will have to deal with three agencies instead of just the enforcement agencies, i.e. Philippine National Police (PNP), LTO Enforcement Unit (LTO), Local Government Units, Metro Manila Development Authority (MMDA)

The overall general database relationship is shown in Figure 4e below.

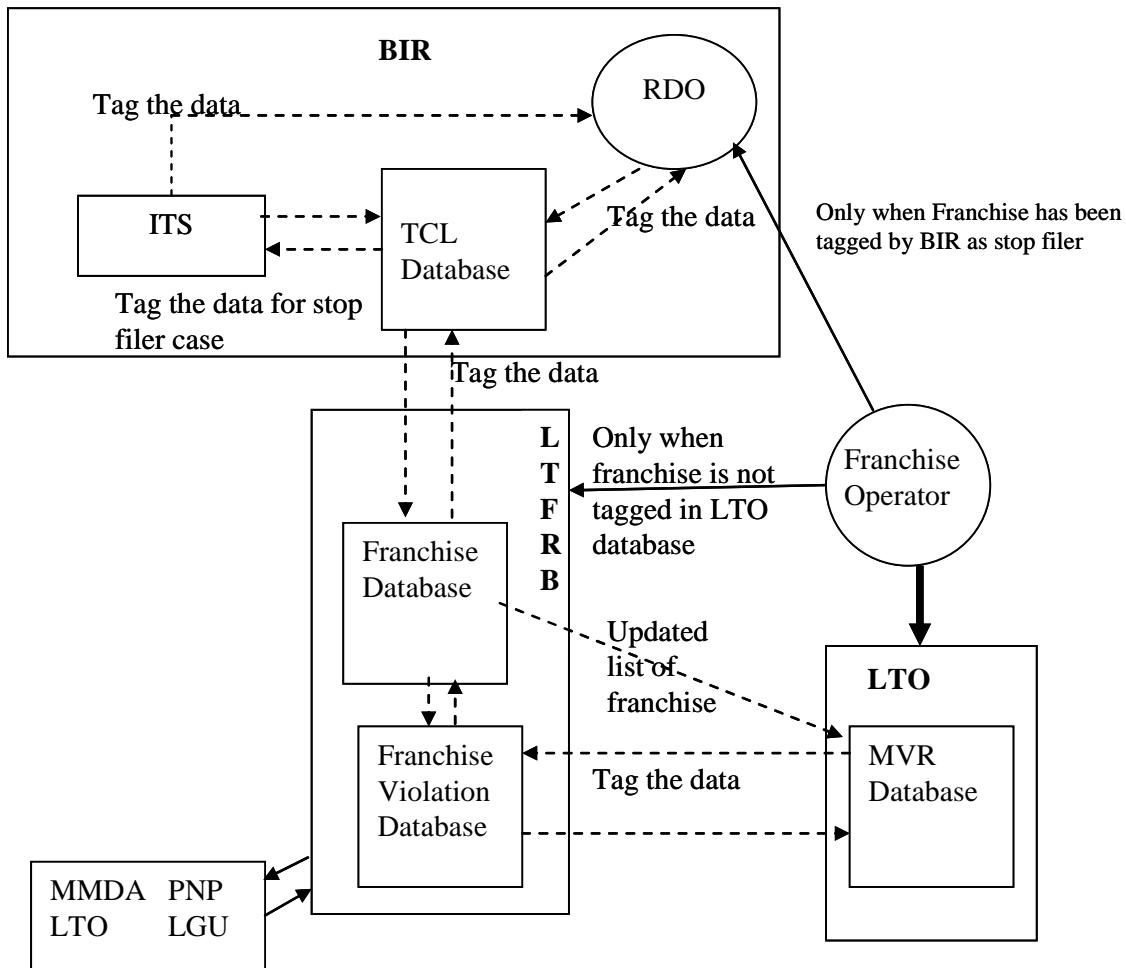


Figure 4e: Overall general relationship diagram

The arrows in the figure represent information flow from one stakeholder to another. A franchise operator needs to secure a TCL from its assigned RDO, before a franchise confirmation can be processed by LTFRB, and before a For Hire motor vehicle can be registered. By sharing the access to the database among the three agencies, the TCL and the Franchise Violation Database acts as a reconciliation process by matching two sources of information from two agencies. These are LTFRB-BIR and LTFRB-LTO.

The scope of the Franchise Violation Database can be enhanced to include more than the non matching data between LTFRB and LTO. Any request for franchise verification from any enforcement agency to confirm whether their apprehensions are valid will always have to go through LTFRB. This gives LTFRB the opportunity to identify these vehicles and owners which can be included in the Franchise Violation Database. In addition, operators with valid franchises who are caught operating outside their line would also be included in this database.

5. IMPLEMENTATION PLAN

5.1 General activities for the implementation plan

In order to implement the Integrated System for the LTO-LTFRB-BIR, the following activities have to be initiated by the three agencies. These are:

- Get Agreement on the definition of Colorum between LTO and LTFRB
- Develop Memorandum of Agreement between LTO and LTFRB on Information Sharing and Collaboration
- Finalize the Implementing Rules and Regulation (IRR) between LTFRB and BIR on Tax Clearance Certificate
- Develop Memorandum Circulars for LTFRB on the necessary process changes within the LTFRB Central Office
- Align the IT Plan of LTFRB with the current IT structure of LTO and BIR
- LTFRB should re-assess the allowed number of franchise units in each franchise route. Lift the Moratorium on New LTFRB Franchise Applications.
- Follow through on the MOA, IRR, and MC

5.2 Specific activities

5.2.1 Get Agreement on the definition of Colorum between LTO and LTFRB

Various representatives from the LTO and the LTFRB have commented on different interpretations on Colorum. The general interpretation is that Colorum Vehicles are those that do not have any franchise to operate. Those who have pending franchise applications, expired franchise, and operating outside the franchise routes are not necessarily classified as colorum.

Nevertheless, it is important to note that the Franchise Violation Database under the LTFRB will be the central repository of all franchise violation such operating outside the franchise route, operating without a franchise (whether public or privately registered motor vehicles), or with existing pending applications for franchise.

Another critical consideration here is to ensure that due process is applied when apprehending and reporting these “Colorum” vehicles. Law Enforcement and Traffic Adjudication System (LETAS). LETAS is a database containing the reported violations of vehicles and drivers, which includes colorum apprehensions. LTO has also emphasized has already put in place an adjudication process before a vehicle/driver/operator is classified as a colorum (whether public or private). LTO will forward these colorum violations/apprehensions to LTFRB in exchange for information on whether these violators actually have valid franchises or not.

5.2.2 Develop Memorandum of Agreement between LTO and LTFRB on Information Sharing and Collaboration

In order allow the LTO and LTFRB to formally share and collaborate on the issue of colorum, a memorandum of agreement (MOA) has will be forged between the two agencies. Technically, since both agencies fall under the Department of Transportation and Communication (DOCT) the approval of this MOA is not a problem.

5.2.3 Finalize the Implementing Rules and Regulation (IRR) between LTFRB and BIR on Tax Clearance Certificate

The existing IRR between LTFRB and BIR is not yet approved by both agencies. There have been efforts to revise the IRR and have it approve. However, certain events have prevented the BIR and LTFRB to come to terms, especially on the side of the physical location of the BIR office within the Central Office of LTFRB.

An item that needs to be included in the IRR is the creation of the Tax Clearance Database (TCL) which will contain all the TCLs issued by the various RDO in order for the BIR personnel within LTFRB can access and verify the authenticity of these TCLs.

5.2.4 Develop Memorandum Circulars (MC) for LTFRB on the necessary process changes within the LTFRB Central Office

The current process within LTFRB is a result of multiple changes in the assignment of its personnel and changes in the procedures based from the Board. It is important to issue an MC that would clearly spell out the changes for each division within LTFRB-Central Office. Included in this MC is an operations book that would help its personnel adjust and familiarize with their roles and responsibilities.

5.2.5 Align the IT Plan of LTFRB with the current IT structure of LTO and BIR

LTFRB plans to launch is computer system within October 2006. There is a need to look at the compatibility of the data field used by LTFRB versus that of the BIR and LTO. Since LTFRB is still in the implementation stage of its IT plan, it should make the necessary changes in the system in order to have a smoother connection with the other agencies.

5.2.6 LTFRB should re-assess the allowed number of franchise units in each franchise route. Lift the Moratorium on New LTFRB Franchise Applications.

LTFRB should start to re-evaluate the route measure capacities they are currently using in determining whether routes should have increased franchises. In addition, LTFRB should lift its moratorium on new franchise applications even on selected routes. These selected routes would be those routes that have high incidence of colorum violations. This is an indication that the demand on these routes are attractive for operators and therefore LTFRB (in the meantime) would open its doors to these colorum operators in order for LTFRB to regulate them.

5.2.7 Follow through on the MOA

There have been some existing MOAs among these agencies in the past. However, the extents of the implementation on these MOAs have not been successful. It is necessary for these agencies to follow through on the agreements. These MOAs should have corresponding IRRs and MCs within and between these agencies so that the MOAs will be translated into actions and programs.

5.2.7 Additional remarks

There has been a lot of assistance being extended to various Philippine Government Agencies. Majority of these assistance have often times focused on the improving the performance of a particular agency without exploring the potential impact of collaborations among related agencies.

In those instances that collaboration was initiated either among the agencies or through the efforts of some third party, the success of this collaboration was not sustainable and worse, was not evident in the performance of these agencies.

The activities enumerated and elaborated in this report emphasize the need to prepare all parties in the collaborative effort to have a common set of language in order for the collaboration to be successful. Such language contains not only the terminologies used among the stakeholders, but also the detailed implementing guidelines that would clearly spell out the roles among the collaborators.

5.3 Possible implementation problems for LTFRB

There three major implementation risk factors that need to be fully considered within LTFRB. These are:

- LTFRB IT STRUCTURE
- LTFRB EMPLOYEE SKILLS TRAINING

5.3.1 LTFRB IT structure

The current IT structure in LTFRB is outdated that it actually prevents it from connecting to other information systems within and outside LTFRB. All regional offices maintain their own information structure. Data are transferred manually, either through hard copy documents which need to be encoded again, or by file transfer.

The status of the IT plan of LTFRB Central Office could be further clarified. There seemed to be no significant developments or improvements in their processes. The goal of putting up and have a running IT structure by October 2006 appears to be overly optimistic.

The recommended approach is to draw a long term IT development plan that should already consider the desired linkages with LTO, BIR, and possible IC. It is helpful if LTFRB first

updates the existing database and starts to digitize existing franchise data. Once the database has been updated, enhanced and all additional information have been digitized, and then the automation of the processes could be started with the least complex processes moving on to the most complex and risky processes.

5.3.2 LTFRB employee skills

LTFRB employees could benefit from training on new technology. Most of the transactions they handle involve encoding, document retrieval, unreliable verification, manual transmittal of documents, and handling of unnecessary documents/requirements. That concerned employees have manifested willingness to train is a plus factor.