



*Technical Report*

***Land Transport Franchising & Regulatory Guidebook:  
#5 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  
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# 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.

**LTFRB GUIDEBOOK ON THE  
PROCESS OF  
CONFIRMATION AND  
EXTENSION OF VALIDITY**

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## **Introduction**

The Land Transportation Franchising and Regulatory Board (LTFRB) is tasked with monitoring that public vehicles meet with the standards of the Board to protect the interest of the riding public:

### **LTFRB Vision**

World-class land transportation services contributing to the overall development of the country, improvement of the socio-economic status of its stakeholders, and promotion of the welfare of the general public.

### **LTFRB Mission**

Ensure that the commuting public has adequate, safe, convenient, environment-friendly and dependable public land transportation services at reasonable rates through the implementation of land-based transportation policies, programs, and projects responsive to an investment-led and demand-driven industry.

### **LTFRB Mandate**

To promulgate, administer, enforce, and monitor compliance of policies, laws, and regulations of public land transportation services.

In line with this LTFRB has two types of application to monitor public land transportation vehicles: 1) Extension of Validity and 2) Confirmation. These two applications compose the bulk of transactions in LTFRB.

Public land transportation franchise holders are required to apply for extension of validity every five years (standard duration of a franchise). The purpose of the extension of validity type of application is to renew the franchise granted to an operator if he meets the requirements.

Conformation is a yearly requirement for franchise holders of LTFRB. The purpose of the confirmation type of application is to validate if a franchise is still valid. This is a requirement for the yearly registration of vehicles with the Land Transportation Office (LTO).

## **PART 1: Process of Conformation**

### **1.1 Summary of Confirmation Process**

After the applicant has paid for any penalties he can get a confirmation. The purpose of confirmation is to certify that the franchise is legal and is still allowed to operate. The required documents are submitted to the MID Confirmation Clerk who assesses the fees that the applicant has to pay. The MID Confirmation clerk fills up the payment order slip (POS) and gives it to the Cashier through the internal slot.

The Cashier calls the name of the applicant and receives the payment of the applicant. The Cashier signs the POS and issues the OR/CR to the applicant. The POS is given to the MID Approving Officer through the internal slot as a proof of payment of the applicant.

The MID Approving Officer then verifies the application if it contains the following:

Passenger Accident Insurance and Comprehensive Third Party Liability

LTO OR/CR of the Previous Year

Tax Clearance

If the applicant meets the requirements of LTFRB the MID Approving Officer prints the confirmation certificate. The Confirmation Certificates are then given to the MID Clerk who prepares the Transmittal and gives the Confirmation Certificates to PILOT (Courier Service of LTFRB) for transmittal to LTO. (See Annex 1)

### **1.2 Management Information Division**

The MID is responsible for maintaining the database of the agency.

#### **1.2.1 MID Confirmation Clerk**

**Location: At Window 7**

#### **Duties and Responsibilities**

1. Accepts the application of the operator for confirmation
2. Computes the fees the applicant will pay

The fees are computed based on the fees set by LTFRB for Confirmation

3. Fills up the POS and gives it to the Cashier

The MID Confirmation Clerk based on the fees the operator has to pay for the transaction fills up the POS form.

### **1.2.2 MID Approving Officer**

**Location: Behind the MID Confirmation Clerk**

#### **Duties and Responsibilities**

1. Verifies the Application

The MID Approving Officer verifies of the application contains the following documents:

Passenger Accident Insurance and Comprehensive Third Party Liability-  
1 Copy

LTO OR/CR of the Previous Year- 1 Copy

Tax Clearance-1 Copy

If the application contains all the documents the MID Approving Officer approves it

2. Prints the Confirmation Certificate

The Confirmation Certificate template is filled up and printed if the application is approved

3. Signs the Confirmation Certificate

The MID Approving Officer signs the Confirmation Certificate to signify that it is approved

4. Gives the Confirmation Certificate to the MID Clerk

### **1.2.3 MID Clerk**

**Location: Beside the MID Approving Officer**

#### **Duties and Responsibilities**

1. Prepares transmittal

The Certificates of Confirmation are collated and the transmittal which will be posted so that the applicants can see if their application has been approved is prepared by the MID Clerk

2. Gives to PILOT (Courier Service)

The Certificates of Confirmation are given to the courier service for transmittal to LTO

### **1.3 Cashier (Finance)**

The Cashier Division is responsible for accepting all the payments for the different transactions of LTFRB.

#### **1.3.1 Cashier**

**Location: At Window 5 and 6**

##### **Duties and Responsibilities**

1. Calls the name of the applicant

The cashier calls the name of the applicant so that the applicant does not have to stand in line.

2. Accepts the payment of the applicant

3. Signs the POS

The POS is signed by the Cashier as a proof that the amount indicated there is correct and that the applicant has paid for it.

4. Prints the OR/CR

The template of the OR/CR is filled up by the Cashier and printed out.

5. Gives the copy of the OR/CR to the applicant and the POS to the TED Clerk

## **PART 2: Process of Extension of Validity**

### **2.1 Summary of Extension of Validity Process**

After the Applicant has paid any penalties he can apply for Extension of Validity. The required documents are submitted to the TED Receiving Clerk who checks the completeness of the requirements for extension of validity based on the checklist of requirements given to the applicant. The following documents should be submitted:

1. 4 Copies of Verified Application Form
2. Location Map and Picture with Dimension of Garage with TCT/Tax Declaration or Contract of Lease with Specific Garage Area
3. 2 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 receipts

The TED Receiving Clerk then generates a control number with the format: MM-DD-YR-CN. This is listed everyday in MS Excel to account for the number of documents received in a day. The unified routing slip is then attached to the Case Folder of the Applicant for tracking purposes.

The Case Folder is then given to the TED Clerk who assigns it to the assessor depending on the number of vehicles in a Case Folder. The assessor computes the fees and fills up the payment order slip (POS). The penalties included are only those that have not been computed previously by the penalty team.

The POS is given to the TED Clerk who then gives it to the Cashier through the internal slot. The Cashier calls the name of the applicant and receives the payment of the applicant. The Cashier signs the POS and the OR/CR. The OR/CR is given to the applicant while the POS and the duplicate copy of the OR/CR is given to the TED Clerk.

The TED Clerk attaches the POS to the case file of the applicant and the duplicate OR/CR to the Case Folder of the applicant and gives it to the MID Clerk. The MID Clerk prints the required route measure capacity (RMC) and attaches it to the Case Folder of the applicant. This is given

to the TED Releasing Clerk who prints the notice for hearing (NFH) that is attached to the RMC. A copy is attached to the Case Folder of the Applicant and the other copy is released to the applicant.

The Case Folder is given to the Legal Division. The Legal Clerk prepares the Case Folders for the hearing. The Hearing Officer conducts the hearing and drafts the decision based on the evidences presented during the hearing and the documents submitted by the applicant. For application for extension of validity without opposition the decision is included in the Case Folder is given to the Evaluation Unit of the Board. The Evaluation Unit of the Board Clerk assigns the Case Folder to the Board Evaluators depending on the number of units in a Case Folder. The decision is checked for errors. If there are no errors the Case Folder with the Decision is given to the Office of the Chairperson Clerk.

The Clerk distributes the Case Folder to the Board for signature. After at least two signatures the Case Folder and the Decision is given to the Office of the Chairperson Clerk who attaches the hologram to the signed decision. The Case Folder with the decision is given to MID and a copy of the decision is given to the Administrative Department. MID encodes the information while the Administrative Department mails the decision through the courier service of LTFRB to the applicant. (See Annex 2)

## **2.2 Technical Evaluation Division**

The Technical Evaluation Division (TED) is in the frontline of LTFRB. The technical evaluation staff of the Board sees to it that operating and safety standards of commercial as well as private use vehicles are observed before the issuance of franchises to operate.<sup>1</sup>

### **2.2.1 TED Receiving Clerk**

#### **Location: Window 4**

#### **Duties and Responsibilities**

1. Accepts application of operator for Extension of Validity
2. Checks completeness of documents based on the checklist of requirements for Extension of Validity.

The Checklist contains the papers the operator is required to submit. There is a specific checklist for each type of application. For Extension of Validity the following documents are indicated in the checklist:

Verified Application Form- 4 Copies

Location Map and Picture with Dimension of Garage with TCT/Tax Declaration or Contract of Lease with Specific Garage Area- 1 Copy

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<sup>1</sup> <http://www.dotc.gov.ph/actioncenter/agency/landtransport.htm>

Passport size picture of Applicant with Specimen Signature at the back- 2 Copies

Passenger Accident Insurance- 1 Copy

Tax Clearance- 1 Copy

OR/CR of proposed units with year model or delivery receipts- 1 Copy

3. Assigns a control number and stamps it on the applicant's case folder

The control number (CN) is generated daily with the format MM-DD-YR-CN. The CN is filled up in MS Excel to track the number of applications received.

4. Attaches Unified Routing Slip to the Case Folder of the applicant.

The Unified Routing Slip is a form that is used for tracking purposes. It will replace all departmental tracking slips. The routing slip only involves the main process per department.

5. Gives the Case Folder of the Applicant to the TED Clerk

### **2.2.1 TED Clerk**

**Location: Behind the TED Receiving Clerk**

#### **Duties and Responsibilities**

1. Assigns the Case Folder to the applicant

The TED Receiving Clerk at Window 3 gives the Case Folder of the applicants to the TED Clerk. The TED Clerk distributes the Case Folders to the assessors after checking if there are bulk applications since this will require more time thus other applications would have to be given to the other assessor.

2. Gives the Payment Order Slip (POS) to the Cashier

After the assessor fills up the POS it is given to the TED Clerk. The TED Clerk is responsible for giving the POS to the Cashier through the internal slot.

3. Attaches the duplicate copy of the OR/CR to the Case Folder of the applicant

The Cashier gives the duplicate copy of the OR/CR to the TED Clerk through the internal slot. The OR/CR is then attached to the Case Folder of the applicant as proof of payment.

4. Attaches the POS to the case file of the applicant

The POS is attached to the case file of the applicant as a record that payment has been made for the transaction rather than posting the amount that was paid which would take more time.

5. Gives the Case Folder to the TED Releasing Clerk
6. Brings the schedule of hearing to the Legal Division

The schedules of hearing are collated at the end of the day and brought to the Legal Division.

### **2.2.3 TED Assessor**

**Location: Behind the TED Clerk**

#### **Duties and Responsibilities**

1. Computes the Fees the Applicant has to pay for Extension of Validity

The fees are computed based on the fees set by LTFRB for extension of validity.

2. Fills up the POS and gives it to the TED Clerk

The TED Assessor based on the fees the operator has to pay for the transaction fills up the POS form.

3. Gives the POS to the TED Clerk

### **2.2.4 TED Releasing Clerk**

**Location: At Window 3**

#### **Duties and Responsibilities**

1. Prints the Notice for Hearing

The notice for hearing is printed with the requirements that the applicant has to bring during the hearing.

2. Compiles Notice for Hearing with Route Measure Capacity

After the route measure capacity is printed by the MID Clerk it is given to the TED Releasing Clerk who then attaches it to the Notice for Hearing.

3. Releases Notice for Hearing and Route Measure Capacity to the Applicant

## **2.3 Finance**

The Cashier Division is responsible for accepting all the payments for the different transactions of LTFRB.

### **2.3.1 Cashier**

**Location: At Window 5 and 6**

#### **Duties and Responsibilities**

1. Calls the name of the applicant

The cashier calls the name of the applicant so that the applicant does not have to stand in line.

2. Accepts the payment of the applicant
3. Signs the POS

The POS is signed by the Cashier as a proof that the amount indicated there is correct and that the applicant has paid for it.

4. Prints the OR/CR

The template of the OR/CR is filled up by the Cashier and printed out.

5. Gives the copy of the OR/CR to the applicant and a duplicate copy of the OR/CR and the POS to the TED Clerk

## **2.4 Legal Division**

The Legal Division is responsible for conducting hearings and drafting decisions for the agency.

### **2.4.1 Legal Clerk**

**Location: Legal Division Office**

#### **Duties and Responsibilities**

1. Calendars the hearing schedules

Prepares the hearing schedules based on the notices of hearing issued by the TED Releasing Clerk

2. Prepares the Case Folders for the hearing

Arranges the Case Folders that would be used for the hearing based on the order of appearance of the applicants.

3. Attaches decision of Hearing Officer to the Case Folder of the Applicant

After the Hearing Officer drafts and prints the decision it is attached to the Case Folder of the applicant

4. Brings the Case Folder with the Decision to the Evaluation Unit of the Board

## **2.4.2 Hearing Officer**

**Location: 2<sup>nd</sup> Floor Legal Division Office**

### **Duties and Responsibilities**

1. Conducts Hearing

Holds the hearing at the LTFRB Hearing Room. Applicants or their representative approach the Hearing Officer one at a time and submit the necessary documents:

Latest verified Certificate of Business Name issued by DTI- 1 Copy

Certificate of Bank Deposit and Passbook- 1 Copy

Community Tax Certificate- 1 Copy

Authorization Letter (if applicable)- 1 Copy

Proof of Citizenship- 1 Copy

2. Evaluates the application based on the documents submitted and the documents presented during the hearing

The Hearing Officer evaluates the documents submitted by the applicant and accesses the Franchise Verification through the PC provided. Based on these documents the Hearing Officer makes a decision if the franchise of the applicant would be extended.

3. Drafts the decision/order

Fills up a template of the decision/order depending on the evidences presented during the hearing

4. Initials on the decision

The Hearing Officer places his initials on the decision for tracking purposes.

5. Gives the decision to the Legal Clerk

## **2.5 Office of the Chairperson**

The Office of the Chairperson is responsible for overseeing the operations of the agency. It has the power to grant or cancel franchises.

### **2.5.1 Evaluation Unit of the Board Clerk**

**Location: 3<sup>rd</sup> Floor Office of the Chairperson**

#### **Duties and Responsibilities**

1. Assigns the Case Folder to the Evaluators

The Case Folders are divided among the evaluators by number of units in an application and not by denomination.

2. Segregates the Case Folders

After the Evaluator checks the decision it is segregated into petitions that went through hearing and those that are technical in nature (eg. Dropping, change in engine, etc.)

3. Gives the Case Folder to the corresponding Board Member

If there are no errors found in the decision of the Hearing Officer it is given to the assigned Board Member for signature

### **2.5.2 Evaluation Unit of the Board Evaluator**

**Location: 3<sup>rd</sup> Floor Office of the Chairperson**

#### **Duties and Responsibilities**

1. Checks the decision drafted by the Hearing officer of the Legal Division for any errors

Checks the decision made by the Hearing Officer for substantial and typographical errors. The Evaluator can correct typographical errors, but documents with substantial errors are forwarded to the Task Force.

2. Initials on the decision order

The Evaluator places an initial on the decision for tracking purposes

3. Gives the Case Folder with the decision to the Evaluation Unit of the Board Clerk

### **2.5.3 Office of the Chairperson Clerk**

**Location: 3<sup>rd</sup> Floor Office of the Chairperson**

#### **Duties and Responsibilities**

1. Receives the Case Folders with the signed decision from the Board
2. Attaches the Hologram to the Decision

The official hologram is attached at the last page of the decision under the signatures of the Board

3. Gives the case folder with a copy of the decision to MID
4. Gives the original copy of the decision to the Administrative Department

### **2.5.4 Office of the Chairperson- Board Member**

**Location: 3<sup>rd</sup> Floor Office of the Chairperson**

#### **Duties and Responsibilities**

1. Evaluates the decision

The Board Member checks the decision based on the evidence attached in the case folder if it is in compliance with the requirements of the agency.

2. Signs the decision

Signs the decision if it is in agreement with the requirements of the agency

## **2.6 Management Information Division**

The MID is responsible for maintaining the database of the agency.

### **2.6.1 MID Clerk**

**Location: 2<sup>nd</sup> Floor MID Office**

#### **Duties and Responsibilities**

1. Encodes the necessary information based on the decision order to update the LTFRB database

The necessary information are encoded on a template to keep update the records of the agency.

## **2.7 Administrative Division**

The Administrative Division is responsible for personnel concerns as well as for sending out the decision orders of the Board.

### **2.7.1 Administration Clerk**

**Location: 3<sup>rd</sup> Floor Administrative Office**

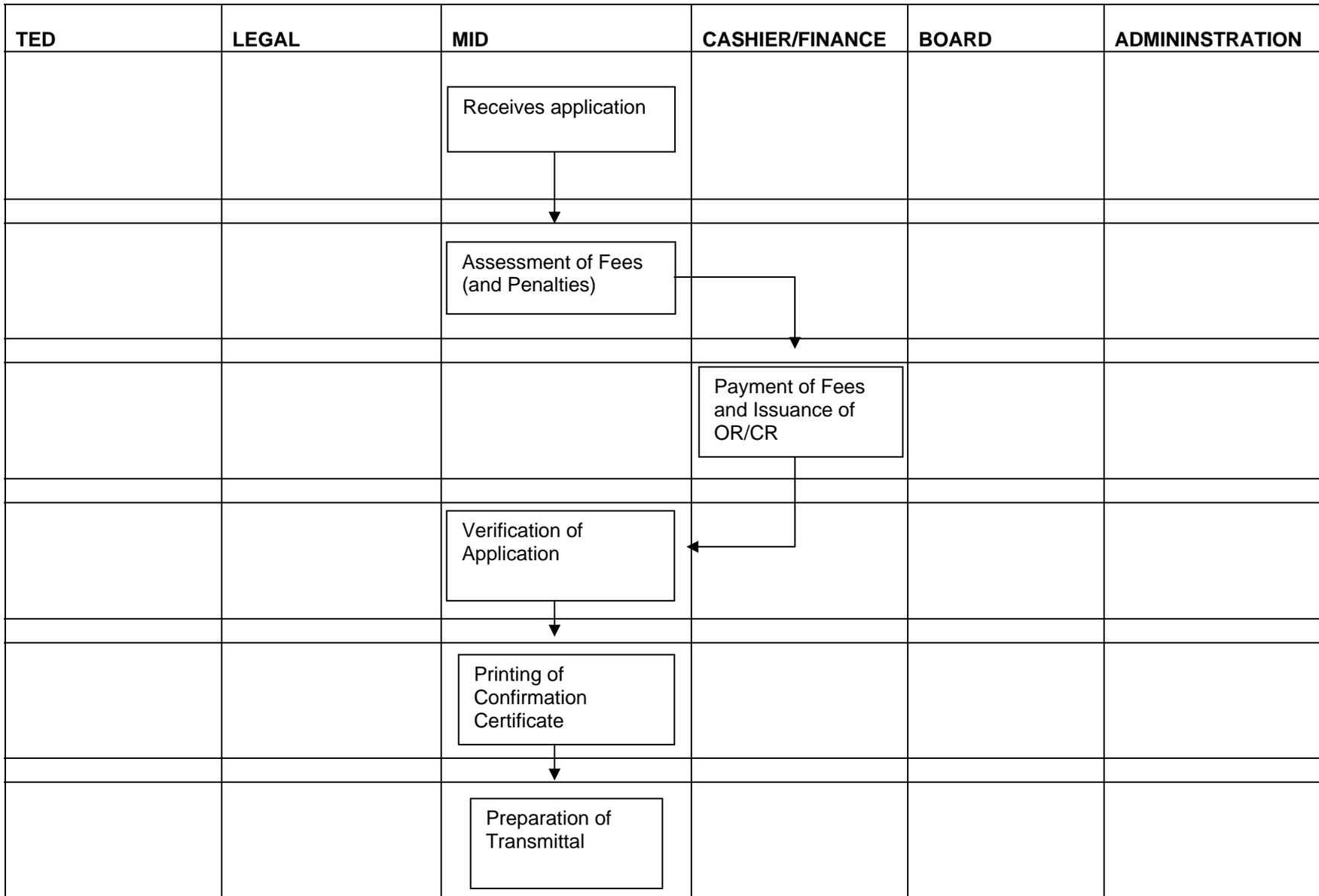
#### **Duties and Responsibilities**

1. Receives the original copy of the decision

Places the decision in an envelope with the address of the operator

2. Gives the decision to the courier service provider

**Annex 1: Process of Confirmation Matrix**



**Annex 2: Process of Extension of Validity Matrix**

