

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

NINETEENTH CONGRESS
First Regular Session

House Bill No. 727



Introduced by Representative Ron P. Salo

EXPLANATORY NOTE

Our economy was suddenly put to a halt with the implementation of quarantine measures on various levels since March 2020. In most instances, business activities were limited to the manufacture of essential goods and delivery of essential services. Many had to rely on the government's Social Amelioration Program (SAP) as their lifeline, including those belonging to the transport sector which included drivers of Transportation Network Vehicle Services (TNVS), Motorcycle Taxis (MC), and Public Utility Vehicles (PUVs).

As the quarantine measures are slowly being relaxed to allow our economy to recover, and notwithstanding the fact that more public utility vehicles are being given special permits, the inefficiency of our public transport system became more apparent as workers had to queue for long hours at the LRT and MRT stations, as well as in other terminals. Some had to use bicycles as an alternative means of transportation, while some had to take a Kadi-Lakad, which is the colloquial term for the luxury car brand Cadillac. Among Filipinos, Kadi-Lakad describes their daily ordeal of walking for hours just to make it to work.

The public transportation sector will remain to be among those severely hit by the current health crisis. The long-term viability of the transport sector will require an overhaul of the inefficient mass transportation system of the country which may be allowed to operate only at 50% capacity in the coming months or even years. Without a vaccine or a cure for COVID-19, a reversal of the trend does not seem to be forthcoming.

These challenges that we face in the country's public transportation are primarily linked to the prevailing boundary system. At present, the government, through the Land Transportation and Franchising Regulatory Board, issues franchises to bus and jeepney operators who will service specific routes. The drivers, in turn pays boundary to the operators. The decision whether a PUV will service the route is left to the discretion and decision of operators or drivers. Such decision is heavily influenced by commuter demands, which is understandable as operators or drivers cannot operate at a loss.

There is a need to revisit this approach as public transport is a primary responsibility of the State, and thus, should not be left to private operators to decide.

The importance of the mobility of our people cannot be overstated, and the State should actively adopt measures that will ensure its full realization.

In this regard, there is a need to adopt a system that addresses the concerns of all stakeholders. The operators and drivers' primary concern is to have a stable and sufficient income. The commuters' primary concern is to have available, reliable, safe, and efficient public transport. And the Government's primary objective is to have an efficient and orderly public transportation.

These stakeholders' concerns and objectives can be addressed by service contracting or other similar arrangements, which are already being utilized in other major cities of the world such as London and Singapore. Locally, this arrangement is already being utilized at the Bonifacio Global City in Taguig City, and by the Department of Transportation and certain LGUs in transporting healthcare and essential workers during this pandemic. It is also being utilized by private companies in shuttling their workers to-and-from their place of work.

Under service contracting, the government will contract-out to operators or drivers the routes that need to be serviced. It will identify the routes, stops, number of frequencies, quality of service, and the type and quality of the vehicle to be used, among others. It will pay the operators or drivers based on the period of operation or the kilometers traveled, or both, with incentives or penalties linked to performance. The revenues of operators or drivers will no longer be dependent on the number of passengers, but rather on the kilometers they serviced or the period they provided the service.

As we move away from the traditional boundary system, there will certainly be some resistance among certain groups. However, these changes are not by choice, but a change that must be adopted in consideration of the prevailing realities. An efficient mass public transportation should be viewed as the fulfillment of the government's responsibility of providing the people with the means for mobility.

In the middle of this pandemic, let us look at this proposed legislative measure as an opportunity to reinvent our public transportation system that addresses the concerns of all stakeholders. With the livelihood of many at stake, this proposed measure may be the game changer that may save the day for the hard-pressed transportation industry.

In view of the foregoing, approval of this bill is earnestly sought.


RON P. SALO
KABAYAN Partylist

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AN ACT
INSTITUTIONALIZING TRANSPORTATION SERVICE CONTRACTING
AND FOR OTHER PURPOSES

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

SECTION 1. Short Title. – This Act shall be known as the “Transportation Service Contracting Act”.

SEC. 2. Declaration of Policy. – The State recognizes the important role of mass public transportation as an enabler of social and economic development. Consistent with this policy, the State, through the Department of Transportation (DOTr) or the Local Government Units (LGUs), shall contract-out motor vehicles for transport to address the mobility needs of the commuters and at the same time ensure the viable operations of the various public utility transportation service providers.

SEC. 3. Definition of Terms. – As used in this Act, the following terms shall mean:

- a) Contracting Authority – The entity that defines the public transport services to be provided and that issues the contract.
- b) Operator – An operator of a public transport service in possession of a valid franchise issued by the Land Transportation Franchising and Regulatory Board (LTFRB).
- c) Route – It is the specific path through which public utility vehicles are expected to travel on a regular basis, defined by origin and destination points, by streets to be traversed, and by stops or stations along where passengers may board and alight.
- d) Transportation Service Contract – Refers to a contract whereby an operator is engaged to provide transportation service by the contracting authority, with payments based on the period of operation or the kilometers traveled, or both.

- e) Transportation Service Contractor – The operator engaged by the contracting authority under a transportation service contract.

SEC. 4. Responsibility of the National Government. – The National Government, through the Department of Transportation (DOTr), shall be primarily responsible in providing sufficient transportation services to everyone travelling across regions, provinces, or cities of the country.

SEC. 5. Responsibilities of the Local Government Units (LGUs). – In addition to the responsibilities of the provincial, municipal, and city governments, including the barangays as provided under Sections 384, 440, 448, and 459 of R.A. 7160 or the Local Government Code of the Philippines, such provincial, municipal or city governments, or barangays, are mandated under this Act to ensure that there is sufficient transportation service within their territorial jurisdiction, through transportation service contracting or other similar means that will serve the mobility needs of their constituents.

SEC. 6. Contracting Authorities.

- a) Department of Transportation (DOTr) – The DOTr shall serve as the contracting authority for public transport operations in bus routes (designated as trunk routes) in the National Capital Region (NCR), Metro Cebu, other metropolitan areas, or in inter-cities or inter-provinces.
- b) Local Government Units (LGUs) – The provincial governments shall serve as the contracting authorities of public transport operations within the province, and its component municipalities, while the city governments of highly urbanized cities shall serve as contracting authorities of public transport operations within the city.

SEC. 7. Performance Standards, Contracts and Policies. – The Land Transportation and Franchising Regulatory Board (LTFRB) shall come up with performance standards that shall guide the parties in their service contracts. It shall develop standard service contracts that may be adopted by the LGUs and shall assist the LGUs in entering into the same.

Consistent with this provision, the LTFRB shall recommend policies for approval of the DOTr on the following:

- a) The minimum requirements, parameters or standards that must be complied with by every Transportation Service Contractor.
- b) The routes that must be maintained and new routes to be opened with regard to inter-region, inter-province, inter-city mobility.
- c) Circulars, memorandum, and orders that will promote the efficient operations of Transportation Service Contractors.

- d) Circulars, memorandum, and orders that will promote the seamless integration of land transportation services across the country.
- e) Circulars, memorandum and orders that will promote a safe, secure, reliable, affordable, cost-effective, environmentally sustainable, and people-oriented land transport that ensures improved quality of life of the people.

SEC. 8. Fare Rate. – The fare rates shall be determined by the Contracting Parties based on the period of operation or the kilometers traveled, or both. Such fare rate shall consider the parameters established by the LTFRB which shall include the cost of fuel, cost of maintenance, decent living wage of the drivers, and reasonable return on investment for the operators, among others.

SEC. 9. Fare Collection. – The transportation service contractors shall adopt automated and contactless pay options across all service contract operated whenever feasible, otherwise, the fare shall be collected through any other practicable manner that may be prescribed by the DOTr or the LGUs. The fare collected shall accrue to the funds of the Contracting Authority to be used in ensuring the sustainability and in improving the efficiency of the system.

SEC. 10. Routes. – The DOTr and the LGUs shall rationalize the routes, giving priorities to existing bus and jeepney routes.

SEC. 11. Priorities in the Service Contracting. – In the first five (5) years of the implementation of this Act, bus and jeepney operators who have valid franchises shall be prioritized in servicing the routes where they have the franchise, provided that they meet the minimum service standards set by LTFRB and the Contracting Authority.

SEC. 12. Insurance. – The Insurance Commission shall guide the Contracting Authorities in providing insurance to the commuters as provided under R.A. 10607 or the Insurance Code.

SEC. 13. Appropriation. – The amount necessary to carry out the provisions of this Act shall be charged against the current year's appropriations of the DOTr and the respective LGUs. Thereafter, the amount necessary for the continued implementation of this Act by the DOTr shall be included in the annual General Appropriations Act, and by the LGUs in their respective annual appropriations.

SEC. 14. Exemption from Procurement Act. – The Service Contracts entered by the Contracting Authorities shall be exempt from the provisions of R.A. 9184 or the Government Procurement Act, and other laws concerning procurement. The Contracting Authorities, however, shall adopt measures to ensure that the best service and at the best price are procured.

SEC. 15. Separability Clause. – If any provision or portion of this Act is declared unconstitutional, the remainder of this Act or any provision not thereby affected shall remain in full force and effect.

SEC. 16. Repealing Clause. – All laws, decrees, executive orders, ordinances, rules, regulations, or other issuances, or parts thereof which are inconsistent with any

of the provisions of this Act are hereby repealed, amended, and/or modified accordingly.

SEC. 17. Implementing Rules and Regulations. – The Department of Transportation and the Department of the Interior and Local Government, in consultation with the Land Transportation Franchising and Regulatory Board, League of Provinces of the Philippines, League of Cities of the Philippines, League of Municipalities in the Philippines and the Insurance Commission shall issue the Implementing Rules and Regulations (IRR) within sixty (60) days from the effectivity of this Act.

SEC. 18. Effectivity. – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved.