

**[LTFRB MEMORANDUM CIRCULAR NO. 92-009,
February 17, 1993]**

**IMPLEMENTING GUIDELINES ON THE DOTC DEPARTMENT ORDER
NO. 92-587, DEFINING THE POLICY FRAMEWORK FOR THE
REGULATION OF TRANSPORTATION SERVICES**

Pursuant to DOTC Department Order 92-587 dated 30 March 1992, defining the policy framework for the regulation of transport services, the following guidelines in implementation thereof are hereby promulgated:

I

Scope of Coverage

The policy guidelines set forth under this Memorandum Circular shall be limited to persons, corporations, firms or associations owning and/or operating public land transportation services to carry passengers and goods.

II

Definition of Terms

For purposes of this Memorandum Circular, the following words or phrases shall have the meanings/definitions as herein below:

- a. Certificate of Public Convenience (CPC) – an authorization issued by the LTFRB for the operation of land transportation services for public use as required by law.
- b. Filipino Citizenship – that the applicant for a CPC is a citizen of the Philippines or a corporation, partnership, association or joint-stock company constituted and organized under the laws of the Philippines, of which at least sixty (60) percent of its capital stock or paid-up capital belongs entirely to Philippine citizens.
- c. Financial Capability – the capability of the applicant/ operator to establish/ initiate/ maintain/ sustain proposed/ existing operations of the service and to meet claims arising from accidents.
- d. Public Interest – the benefit for all the people and the promotion of the general welfare through increased range of service levels and fares offered to passengers and the enhancement of healthy competition.
- e. Authorized Route – the approved pair of origin and destination points linked by a chain of roads or streets open to public use over which the service is authorized to operate.
- f. Monopoly – the existence or operation of one (1) franchised operator or a group of franchised operators in a particular route whose actions or practices result

in a lack of effective competition (which has the effect of a monopoly).

g. Development Route – route that handles light density traffic. This area is necessarily developmental, either because, [1] there is no existing authorized operator serving the unserved feeder portion of at least 20 kms. distance that links to the presently served truckline route; [2] it has residential, tourist, commercial/industrial potentials, or [3] it needs developed. Initial operation along this route is economically, politically and socially desirable, but not necessarily financially viable.

h. Franchise Operator – the holder/grantee of a valid and subsisting CPC issued by the LTFRB.

i. Prior Operator – the priority of an existing authorized operator in a route and in each of the segments of the route by virtue of a CPC.

j. Prior Applicant – the first applicant among the list of various applicants for a CPC accorded priority.

k. Protection of Investment – the protection and conservation of investments which have already been made by operators.

l. Withdrawal from Service – the suspension of a service in its authorized route or portions thereof.

m. Abandonment of Service – the authorized suspension of a service by the transport operator/owner in its authorized route or portions thereof.

n. Replacement/ Substitution – the substitution of lost and unrecovered, obsolete, overaged, inefficient or dilapidated vehicle.

o. First Class Service – A non-aircon bus which has non-reclining upholstery seats and which can pick-up passengers along the route.

p. Premier Service – A non-aircon bus which has reclining seats and which does not stop along the route. It is a direct service from point of origin to destination.

q. Addition/Expansion – the introduction of an additional unit in a given route.

r. Route Measured Capacity – the theoretical basis of determining the demand for vehicles on any route.

s. Quality of Service – conditions and standards for the provision of services by public utilities to provide safe, adequate, efficient, comfortable and sustained service.

III

Requisites for the Issuance of a Certificate of Public Convenience (CPC)

Per Section 16 (a), Chapter II of the Public Service Act. (C.A. No. 146, as amended), the certificate may be granted: provided that the following requirements are met:

[1] the applicant must be a citizen of the Philippines, or a corporation or co-partnership, association or joint-stock company constituted and organized under the law of the Philippines, 60 per centum at least of the stock or paid-up capital of which belongs entirely to citizens of the Philippines; [2] the applicant must be financially capable of undertaking the proposed service and meeting the responsibilities incident to its operation and, [3] the applicant must prove that the operation of the public service proposed and the authorization to do business will promote the public interest in a proper and suitable manner.

IV

Policy Guidelines on the Issuance of Certificate of Public Convenience

The issuance of a Certificate of Public Convenience is determined by public need. The presumption of public need for a service shall be deemed in favor of the applicant, while burden of proving that there is no need for the proposed service shall be the oppositor's. Subject to the underlying principle that the interest of public service shall be paramount, the following guidelines shall govern the issuance of a Certificate of Public Convenience to all transport operators, to wit:

A. entry Into and Exit Out of the Industry – The control in entry into and exit out of the industry shall be liberalized to introduce and/or enhance the level of competition in terms of the rates charged the quality of service rendered by land transportation operations as provided for by the Public Service Act.

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1.1 Top a Monopolized Route – There shall be a minimum of two (2) operators in any route. Routes presently serviced by only one (1) operator shall be immediately opened for entry to at least one (1) additional operator of the same or better mode/type of service.

1.2 To a Development Route – Operators that shall develop a route where there are no existing authorized operators/services shall be authorized to provide the required services. Operators on said route shall be afforded protection of investment for a maximum period of two (2) years, after which, the link/route shall be opened for entry to at least one (1) additional operator.

1.3 To an Already Established Route Served by Franchised Operator(s) – the entry of an additional operator in a route presently serviced by several existing authorized operators shall be allowed in, but not limited to, any following cases:

1.3.1 The new entrant may be able to provide a more efficient and cost-effective, competitive service than the existing/authorized operators.

1.3.2 The new entrant shall introduce quality of service improvements and/or innovative/ technologically-advance services superior to those provided by existing/authorized operators.

1.3.3 The route warrants additional capacity and/or it has been determined that existing authorized operators therein have not been sensitive to