JOINT DECISION ON APPLICATIONS FOR INCREASE OF FARES FOR PUBLIC UTILITY JEEPNEYS AND PUBLIC UTILITY REGULAR AIR-CON BUSES

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Zenaida De Castro, thru the
FEDERATION OF JEEPNEY OPERATORS
and DRIVERS ASSOCIATION OF THE
PHILIPPINES, INC. (FEJODAP),
Applicant. Case No. 96-20583x

x----------x

KATIPUNAN NG MGA KOOPERATIBANG
PANSASAKYAN NG PILIPINAS,
Applicant. Case No. 96-20932

x----------x

INTEGRATED METRO BUS OPERATORS
ASSOCIATION, INC. (IMBOA),
Applicant. Case No. 96-20610

x----------x

PROVINCIAL BUS OPERATORS ASSN.
OF THE PHILIPPINES, INC., et. al.,
Applicant Case No. 96-20582

x----------x

JOINT DECISION

The above-numbered cases are applications for increase of fares for public utility jeepneys and public utility regular (air-con) buses filed with the Board after an increase in the price per liter of diesel by P0.50 was announced by the Energy Regulatory Board.

Case No. 96-20583 is an application of Zenaida de Castro, an operator of a PUJ service and a member of the FEJODAP, represented by Romualdo S. Maranan, Chairman and President of the association.

In her application, the following fares for passenger jeepneys are proposed:

METRO MANILA

LUZON

From

To

From

To

First 4 kms. (minimum)

P1.50

P2.00

P1.50

P2.00

Per Succeeding km.

P0.415

P 0.50

P0.36

P0.50

VISAYAS AND MINDANAO

From

To

First 4 kms. (minimum)

P1.60

P2.00

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Per Succeeding kilometer

P0.365

P0.50

Case No. 96-20932 is an application of the Katipunan Ng Mga Kooperatibang Pansasakyan ng Pilipinas, Inc. for increase of both jeepney, bus and taxi fares. The portion of the application pertaining to taxi fares will not be dealt with in this decision but will be resolved in the decision pertaining to the applications of the three taxi associations which are yet to be heard. In this application, the following fares for jeepneys and Metro Manila.

I. FOR METRO-MANILA JEEPNEYS

FROM

TO

INCREASE

First 4 kms. (minimum)

P1.50

P2.50

P1.00

For every succeeding km. thereafter

P .415

P .915

P0.50

II. FOR LUZON JEEPNEYS

FROM

TO

INCREASE

First 5 kms. (minimum)

P1.50

P2.50

P1.00

For every succeeding kilometer thereafter

P .036

.076

P0.40

III. FOR VISAYAS AND MINDANAO JEEPNEYS

FROM

TO

INCREASE

First 5 Kms. (minimum)

P1.60

2.75

P1.15

For every succeeding Km. thereafter

P0.365

0.765

P0.40

IV. FOR METRO-MANILA NON-AIRCON BUSES

FROM

TO

INCREASE

First 4 Kms. (minimum)

P1.50

2.50

P1.00

For every succeeding Km. thereafter

Pp.365

0.765

P0.40

Case No. 96-20610 is an application of the Integrated Metro Manila Bus Operators Association, Inc. (IMBOA) in representation of its members. From the present fares authorized by the Board on December 14, 1996 as follows:

AUTHORIZED

MIN. OF

SUCCEEDING

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BUS FARES

4 KMS.

KMS.

REGULAR

1.50

P0.43

STUDENT

1.15

0.32

AIRCON Minimum of P0.44 per km.

ZONE P3.25per7kms.

applicants IMBOA members propose the following fares:

PROPOSED FARES

MIN. OF

SUCCEEDING

4 KMS.

KMS.

REGULAR

P2.50

P0.65(straight method of computation

AIRCON Minimum

P6.00

Case No. 96-20582 is an application of the Provincial Bus Operators Association of the Philippines, Inc. (PBOAP) and its regional associations, SOLUBOA, NORLUTRA and CAVALBOA, in representation of their members. From the present fares authorized by the Board on December 14, 1990 as follows:

AUTHORIZED FARES FOR ORDINARY SERVICE

LUZON

SUCCEEDING KM.

Min. of 5 Kms.

REGULAR

P1.50

P0.37

STUDENT

P1.15

P0.28

applicants propose the following fares:

PROPOSED FARES FOR ORDINARY SERVICE

LUZON

SUCCEEDING KM.

Min. of 5 Kms.

REGULAR

P2.70

P0.54

STUDENT

P2.16

P0.45

VISAYAS/MINDANAO

LUZON SUCCEEDING KM.

REGULAR P2.73 P0.545 or P0.55

STUDENT P2.18 P0.455

CASES NOS. 96-20583 and 96-20932

Applicant Zenaida De Castro, as represented by FEJODAP thru its Chairman and President Romualdo S. Maranan cites the following grounds to justify the fares proposed in her applications:

> "The continuous increase in the prices of spare parts, tires and equipments; deregulated increase in the prices of petroleum, fuel and oil, depreciation of the purchasing power of the Philippine peso and the sudden increase in the prices of basic commodities; recent increase in the salary of employees in relation to the adjustment in the earnings of drivers; and the last increase in fare rates as manifested in the LTFRB Decision dated 07 December 1990 was more than five (5) years ago and the same is still made to apply today despite increase in the cost of living"

> The aforecited grounds cited by applicant Zenaida de Castro (FEDJODAP) are essentially the same grounds invoked by the KKPPI in its application adding other factors such as the alleged adverse effects of the Unified Vehicle Reduction Program of the MMDA and "less trip frequencies due to the unabated traffic congestions."

CASES NOS. 96-20582 and 96-20610

Applicants PBOAP et. al, justify their proposed fares mainly on the following grounds:

> "Since December 1990, when fares were last adjusted, a confluence of events has undeniably taken place, such as the escalation of prices of spare parts, tires, tubes and batteries, oil and lubricants and capital equipments (units), due mainly to the continuous deterioration of the value of the Philippine Peso against the U.S. Dollar and the latter vis-a-vis the Japanese Yen; in addition hereto, interest rates have increased continuously, while on labor costs, the minimum wage increases have occured five times since 19S0, causing wage distortions which management had to correct thus diminishing some more their dwindling revenue; that while the cost of diesel has relatively remained constant since 1990, a P0.03 per liter increase was effected last 01 January 1996, an effect of the imposition of the Value Added Tax and due to the deregulation of the oil industry, on 18 August 1996, another diesel price increase by P0.04 was effected, only to be followed by still another such diesel price increase of P0.50/ liter last 16 October 1996; the costs of lubricants, such as engine and gear oils, greases and brake fluids which are not regulated by the government have increased by about 100% from 1990

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to the present."

The aforecited grounds are essentially the same grounds cited by the IMBOA in its application for fare increase to justify the proposed fares.

All the applicants in the above-numbered cases have complied with the Board's jurisdictional requirement of publication of its notices of hearing containing the proposed fares.

As in all previous fare proceedings, the applicants were required to publish the notices of hearing on a shorter period of five days prior to the initial hearing due to the need to hear the applications after the Energy Regulatory Board announced the recent P0.50 increase in the price per liter of diesel.

OSG's CONSOLIDATED COMMENT

The Office of the Solicitor General, in compliance with the Board's request filed a Consolidated Comment on the applications in the above-numbered cases and was represented during the hearings by Associate Solicitors Ma. Theresa G. San Juan and Primo Sio, Jr. In its Consolidated Comment, the OSG stressed that "the transportation business holds such a peculiar relation to the public interest that there is super induced upon it the right of public regulation. Since the public has such an interest in petitioner's business, the latter must submit to the common good."

The Board fully agrees with this submission. This is why before the hearings of these cases, the Board announced that although the applicants are entitled to a just and fair rate, since their business is impressed with public interest, commuters should not be burdened with fares they cannot afford, for which reason a reasonable balance between what is affordable to commuters and what is just to the petitioners will be struck.

On the grounds cited by the applicants to justify their proposed fares, the OSG said only three should be considered. These are: 1) the increase in the cost of fuel, including oils and lubricants; 2) the cost of spare parts, including tires, batteries, and the cost of repairs or maintenance; and 3) the increased salary of direct employees such as the conductors and drivers, asserting that it is only such factors classified as part of operating expenses which should be considered conformably with applicable provisions of law on fare rates and/or fare increases.

APPLICANTS' EVIDENCE

Evidence for the applicants Zenaida de Castro (FEDJODAP), KKPI, IMBOA, and PBOAP consist of the testimonies of their respective witnesses Romualdo Maranan (Chairman and President of FEDJODAP), Orlando Lasay (National Chairman of the KKPPI), Marites Leano (IMBOA external auditor), and Alejandro Yague (Philtranco and PBOAP President) who testified during the hearings on October 28 and 30, 1996 and the position papers they submitted to the Board.

FEDJODAP's and KKPPI's respective position papers are discussion of the grounds alleged in the basic application to justify the proposed fares while that of the IMBOA is purportedly the result of the consolidated operating expenses and financial data of seven association members Vilfran Liner, G. Liner, Dela Rosa Transit, JAM Transit, Columbus, St. Rose, and Philhawk.

Aside from the comparative figures showing an increase in several items indispensable to bus operations between 1990 and 1996 such as diesel, oil and lubricants, tires and batteries and spare parts, the IMBOA position paper mentioned a decrease in passenger revenue due to: a) "worst traffic situation which lessen the number of trips or the kms. the bus can run"; and b) :due to the Unified Vehicle Volume Reduction Scheme which lessens the number of days the bus can operate" which are not acceptable and meritorous grounds for a fare increase.

Although the IMBOA position paper cited the aforementioned comparative figures showing an increase over the last six years in certain items indispensable to bus operations, aside from merely alleging that "with the above increases in operating cost and decrease in generating revenue" and praying that "our request of P0.22 fare per km. increase be granted" the proposed fares in the application were not persuasively justified on the basis of the data and figures cited. In fact, the Board notes that 1MB0A alleges in its position paper that the desired net income is 15% and not the allowable 12% rate of return on investments for public utilities to provide for "representation and police expenses and provisions for injuries and damages which were not included in operating costs we considered in our financial analysis." These expenses, for whatever purpose they may have been incurred and provisions for compensation for injuries, death and damages arising out of operations are, certainly, not valid items for a fare increase.

The PBOAP position paper cites eight "variable factors" in support, of the application for fare increase. These are: (1) the series of wage orders from November 1, 1990 to May 1996 including the full pay for seven days of paternity leave under R.A. No. 8187 totalling salary increases amounting to P76 daily which have a multiplier effect on all labor related costs; (2) fuel and lubricants accounting for 19.3% of costs of operations, which have increased since January 1, 1996 to October this year by P057 per liter; (3) spare parts prices which account for 10.2% of total costs have increased since 1990 by an estimated 20%; (4) prices of tires and tubes which comprise 6.1% of total costs have increased by 35.6%; (5) capital equipment as illustrated by the cost of an ordinary bus at P1.6 million in 1990 but which today is quoted at P2.7 million; (6) taxes as seen from the increase by 400% in supervision fees payable to the LTFRB; (7) toll fees which were raised by 69% as of October 1996, and: (8) the special discounts of 20% to senior citizens, students and the disabled.

As justified by applicant PBOAP, the proposed fare rates of P0.17 per kilometer is needed to recover costs to enable provincial bus operators to sustain their provision for safe, adequate and reliable bus service to the public.

OSG's POSITION PAPER

Asserting that "not all the grounds relied upon by the petitioners to support their prayed-for rate increase should be considered" the Office of the Solicitor General represented during the proceedings by Associate Solicitor Theresa G. San Juan and Primo Sio, Jr., states in its position paper that: "among the factors advanced by petitioners to support the increased rate in fares only the following should be considered: 1) the salaries or wages of their direct employees; 2) the cost of fuel and lubricants; 3) cost of maintenance and spare parts, including tires, tubes and batteries' and 4) other costs and expenses directly related to their operations such as toil fees, cost of printing their tickets, the taxes that they pay for their garages and terminals, payment for utilities (telephone, water, and electric bills) in their offices. In short, it is only such factors classified as part of operating expenses which should be considered conformably with applicable provisions of law on fare rates and/or fare increases.

The lone oppositor to the FEDJODAP and KKPPI applications, Judith R. Caburong, represented during the hearing by Atty. Samuel Bautista, filed her memorandum in Cases Nos. 96-20583 and 96-20932 wherein she argued that the applicants have not alleged their rate base which is the basis of the rate of return.

FACTORS CONSIDERED IN ADJUSTING PRESENT FARES

In analysing the data and figures cited in these cases and the position papers submitted in relation to the proposed fares, the Board considered the following items: the increase in the price per liter of diesel since January this year by P0.03, P0.04 and totalling P0.57 not to mention prices of lubricants such as engine and gear oil, greases and brake fluid which have increased as well by at least 25% , the estimated increase in spare parts prices, tires, and tubes, cost of repairs and maintenance; and salaries and wages which represent 24.0% of total operating costs. The increase in diesel price is by 8.14%, salaries by 50%, spare parts, tires and tubes and costs of repairs and

maintenance by about 50%.

Ail other items and factors such as depreciation of rolling stock, taxes and toll fees, discounts to students, senior citizens and the disabled, traffic, the Unified Vehicle Reduction Program which allegedly reduced revenue, and other direct and indirect expenses were disregarded.

Given the fact that operating costs for bus and jeepney operators have risen since December 14, 1990 when the Board last authorized a fare increase for public utility buses and jeepneys, the applicants in the above-numbered cases deserve an upward adjustment in their fares. What needs only to be carefully determined is the margin or rate of upward adjustment with the interest of commuters who should not be burdened with unaffordable fares as a primordial consideration, while also taking into account what is fair and just to the applicants, to enable them to continue rendering adequate, safe and sustained public service. As the Office of the Solicitor General pointed out and stressed, "any rate increase that may be granted by this Honorable Board must not be unduly burdensome to the riding public."

Pursuant to and in accordance with Section 16 (c) of the Public Service Act and Section 5 (c) of Executive Order No. 202, the Board hereby authorizes the fares in the Annexes of this decision which are integral parts thereof. The authorization of the above schedule of fares shall be subject to the following conditions:

1. The above authorized fares shall be effective as of 12:01 A.M. Thursday, November 14, 1996.

2. All franchised jeepney and bus operators are deemed to have individually applied for an increase of fares and shall pay to the Board the corresponding filing fees of P430.00;

3. All jeepney and bus operators shall post in conspicuous places inside their vehicles and for bus operators in their terminals and stations the approved fares, for the information of commuters to avoid misunderstanding and disputes with drivers and conductors;

4. Failure to comply with this requirement of posting the approved fares shall subject the erring operators to the imposition of the corresponding fines and penalties under existing LTO and LTFRB rules and regulations;

5. Operators and/or their personnel not charging the fares herein approved shall be penalized with the corresponding penalties prescribed for overcharging and undercharging;

6. Fares shall be rounded off to the nearest multiple of P25 centavos, i.e. a fare of P4.60 shall be rounded off to P4.50 while a fare of P4.95 to P5.00;

7. Students, the disabled and senior citizens with the proper IDs shall be given a 20% discount; refusal to accord the said discount shall subject those refusing to comply with this mandatory rule to the penalties provided for under existing rules and regulations of the Board.

8. Fares beyond the minimum distance of 4 kms. for Metro Manila and 5 kms. for the provinces shall be computed on a straight computation method.

Adopted: 11 Nov. 1996

(SGD.) DANTE M. LANTIN
Chairman

(SGD.) MAURO FOZ VERZOSA, JR.
Board Member

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ANNEXES

FOR METRO MANILA JEEPNEYS

FROM

TO

INCREASE

(Level

(%)

Minimum

(1st 4 Km.)

REGULAR

P1.50

P2.00

P0.50

33

ELDERLY, DISABLED, STUDENT

P1.15

P1.50

P0.35

30

Succeeding Km.

REGULAR

P0.415

P0.475

P0.06

14

ELDERLY, DISABLED, STUDENT

P0.31

P0.38

P0.07

22

FOR LUZON JEEPNEYS

FROM

TO

INCREASE

(Level

(%)

Minimum

(1st 5 Km.)

REGULAR

P 1.50

P2.00

P0.50

33

ELDERLY, DISABLED, STUDENT

P1.15

P1.50

P0.35

30

Succeeding Km.

REGULAR

P0.36

P0.41

P0.05

14

ELDERLY, DISABLED, STUDENT

P0.27

P0.33

P0.06

22

FOR VISAYAS and MINDANAO JEEPNEYS

FROM

TO

INCREASE

(Level

(%)

Minimum

(1st 4 Km.)

REGULAR

P1.60

P2.00

P0.40

25

ELDERLY, DISABLED, STUDENT

P1.20

P1.50

P0.30

25

Succeeding Km.

REGULAR

P0.365

P0.415

P0.05

14

ELDERLY, DISABLED, STUDENT

P0.275

P0.33

P0.55

20

FOR METRO MANILA BUSES

FROM

TO

INCREASE

(Level

(%)

Minimum

(1st 4 Km.)

REGULAR

P 1.50

P2.00

P0.50

33

ELDERLY, DISABLED, STUDENT

P1.15

P1.50

P0.35

30

Succeeding Km.

REGULAR

P0.43

P0.52

P0.09

21

ELDERLY, DISABLED, STUDENT

P0.32

P0.42

P0.10

31

FOR LUZON BUSES

FROM

TO

INCREASE

(Level

(%)

Minimum

(1st 4 Km.)

REGULAR

P1.50

P2.00

P0.50

33

ELDERLY, DISABLED, STUDENT

P1.15

P1.50

P0.35

30

Succeeding Km.

REGULAR

P0.37

P0.45

P0.08

22

ELDERLY, DISABLED, STUDENT

P0.28

P0.36

P0.08

29

FOR VISAYAS and MINDANAO BUSES

FROM

TO

INCREASE

(Level

(%)

Minimum

(1st 4 Km.)

REGULAR

P1.60

P2.00

P0.40

25

ELDERLY, DISABLED, STUDENT

P1.20

P1.50

P0.30

25

Succeeding Km.

REGULAR

P0.375

P0.455

P0.08

21

ELDERLY, DISABLED, STUDENT

P0.285

P0.365

P0.08

28

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