

THIRTEENTH CONGRESS OF THE REPUBLIC)  
OF THE PHILIPPINES )  
First Regular Session )

'04 JUN 30 P12:18

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SENATE

S. NO. 50

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Introduced by Senator Juan M. Flavier

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EXPLANATORY NOTE

There is a need to create a central agency that will consolidate the functions currently being undertaken by the Land Transportation Office, the Land Transportation Franchising and Regulatory Board, the DOTC's Office of Transport Cooperatives, the PNP's Traffic Management Group and the MMDA's Traffic Enforcement Group. This is to avoid the confusion as to who is tasked to maintain land transportation law and order on the streets of the Philippines, as well as provide direction and administration to the nation's land transportation industry.

As envisioned by the bill, a National Land Transportation Authority shall absorb the functions of a merged LTO and LTRFB as the primary policy, planning, programming, coordinating, implementing, regulating and administrative entity of the government in the promotion, development and regulation of a dependable network of land transportation systems.

In so doing, we can have a more efficient agency capable of addressing the various needs of the land transportation industry, at the same time ensuring public safety and welfare through its regulation.

To allow the agency to do its broad function, the bill proposes to allow the NLTA to use 50% of the income that it collects from its operation. This will enable the agency to modernize and therefore be better equipped to do the tasks at hand.

As we move towards progress, we need a land transportation agency that is up to the challenge. We can only attain this if this bill is passed into law.

  
JUAN M. FLAVIER, MD  
Senator

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**THE  
NATIONAL LAND  
TRANSPORTATION AUTHORITY  
ACT OF 2004**

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

**ARTICLE I  
TITLE, POLICIES, OBJECTIVES  
AND SCOPE OF THE ACT**

**SECTION 1.** **Title** - This act shall be known as the National Land Transportation Authority (NLTA) Act of 2004.

**SECTION 2.** **Policy and Objectives.** The state shall pursue the development, maintenance and expansion of a viable, efficient, safe and dependable land transportation system as an effective instrument for national development and economic progress specifically through the establishment of a motor vehicle statistical office as the principal source of information, conversion from the adversarial quasi judicial procedures in the grant of franchises to operate public utility motor vehicles into administrative proceedings using socio-economic indicators in the grant of permits; and establishment of an office charged with long term forward planning and which will improve the administration of the land transportation industry. The Authority shall absorb the functions of merged LTO and LTFRB as the primary policy, planning, programming, coordinating, implementing, regulating and administrative entity of the government in the promotion, development and regulation of a dependable network of land transportation systems.

**SECTION 3.** **Scope of the Act.** The provisions of the Act shall control, as far as they apply to the registration and operation of motor vehicles; licensing of drivers and conductors; enforcement of traffic rules, laws and regulations; adjudication of traffic and non-traffic violations; franchising and operation of public utility motor vehicle; regulation of

activities of motor vehicle manufacturers, assemblers, importers, and dealers, and other related matters pertaining to road safety and environment protection.

## ARTICLE II DEFINITIONS

### SECTION 4. Words and phrases defined. - As used in this Act;

*"Motor Vehicles"* shall mean any vehicle propelled by any power other than muscular power using the public highway but excepting road rollers, trolley cars, street-sweepers, sprinklers, lawn mowers, bulldozers, graders, forklifts, amphibian, trucks, and cranes if not used on public highways, vehicles which run only on rails and tracks, and tractors, trailers and engines of all kinds used exclusively for agricultural purposes.

*"Highway"* shall mean the entire width between the boundary lines of every way publicly maintained when any part thereof is open to the use of the public for the purpose of vehicular travel.

*"Owner"* shall mean any person or entity in whose name the motor vehicle is registered with the Authority. The owner of a motor vehicle owned by the government or government-controlled corporation shall be the office, agency or bureau to which the motor vehicle belongs.

*"Component"* shall mean any part of a motor vehicle such as engine, chassis and body or parts thereof.

*"Dealer"* shall mean any duly accredited person, association, partnership, firm or corporation engaged in the assembly, manufacture, importation, buying and selling, rebuilding of motor vehicles or its components evidenced by a commercial invoice.

*"Director-General"* shall mean the actual or acting chief of the national Land Transportation Authority duly appointed or designated by the President of the Republic of the Philippines.

*"Deputies"* shall mean the organic and duly authorized representatives of the Director General to carry out the provisions of this Act.

*"Agents"* shall mean the duly designated representatives of the Director General authorized to assist in enforcing the provisions of this Act.

*"Parking or parked"* means that the motor vehicle has been brought to a stop on the shoulder or proper edge of a highway, and remains inactive in that place or closed thereto for an

appreciable period of time. A motor vehicle which properly stops, merely to discharge a passenger or to take in a waiting passenger, or to load and unload a small quantity of freight with reasonable dispatch shall not be considered as "parked" if the motor vehicle again moves away without delay.

"*Driver*" shall mean any person who is actual physical control of a motor vehicle in operation.

"*Professional Driver*" shall mean any person hired or paid to operate a motor vehicle whether to private use or for hire to the public. Any person driving his own motor vehicle for business or for hire is a professional driver. Nothing in this definition shall prevent a professional driver from operating a private vehicle without compensation.

"*Non Professional Driver*" shall mean any person operating any vehicle except a public utility vehicle, without compensation.

"*Conductor*" shall mean a person assisting the driver of a public utility vehicle to ensure the safety of cargoes and/or passengers while said vehicle is in operation.

"*Certificate of Public Convenience*" shall mean the authorization issued by the Authority for the operation of land transportation services for public use as required by law.

"*Authorized Route*" shall mean the approved origin and destination points linked by a chain of highways and streets open for public use over which the service is authorized.

"*Public Utility Operator*" shall mean the registered owner of the motor vehicles authorized for public utility operation by the Authority.

"*Abandonment of Service*" shall mean the suspension or cessation of service by a public utility operator in its authorized route or portions thereof. A partial abandonment of service is presumed when a public utility operator fails to field the authorized number of units on a route after due notice from the Authority.

### ARTICLE III

#### CREATION, POWERS AND FUNCTIONS

SECTION 5. **Creation of the NLTA.** The National Land Transportation Authority (NLTA) is hereby created, hereinafter referred to as the Authority, which shall be attached to the Department of Transportation and Communications for purposes of policy coordination.

**SECTION 6. Powers and Functions.** To accomplish its mandate and objectives, the Authority is authorized to:

- (a) Prepare the National Land Transportation Development Program for approval by the NEDA Board; evaluate and package projects and investment program; and for this purpose, may call on any agency or organization whether public or private whose development plans include land transportation as integral part thereof, to participate in the preparation and implementation of such programs;
- (b) Enter into contract with domestic and foreign companies for services and products duly approved in the National Land Transportation Development Program;
- (c) Promulgate, administer and enforce standards of measurements, designs, and rules and regulations requiring owners of motor vehicles and operator of public land transportation services to equip, install and provide in their utilities and in their stations such devices, equipment, facilities and operating procedures and techniques as may promote safety, protection, comfort and convenience to persons and property in their charge, as well as the safety of persons and property within their areas of operation;
- (d) Issue, amend, revise, suspend or cancel certificates of public convenience or permits authorizing the operation of public utility land transportation services, and to prescribe the appropriate terms and conditions therefore and regulate the operation of public land transportation;
- (e) Identify, establish, prescribe and regulate routes or service, economically viable capacities, zones or areas of operation of public land transportation services, adjust fares, freight rates and related charges;
- (f) Accredite and regulate the activities of motor vehicle and component manufacturers, assemblers, importers and dealers; the operation of driving schools; inspection stations for safety and smoke emission; clinics and laboratories to conduct medical examination; and insurance companies and other activities related to the function of the Authority. and psychological tests including alcohol and drug testing;
- (g) Establish rules and regulations for the inspection and registration of motor vehicle; issuance, suspension and revocation of driver's licenses and permits, type approval for safety standards of motor vehicles and accessories; issuance of motor vehicle identification plates and validating stickers;

- (h) Promulgate rules and regulations for the effective enforcement of all land transportation and traffic laws, rules and regulations and impose and collect fines and penalties for violations thereof.
- (i) Make arrest for violations of the land transportation laws;
- (j) issue subpoena and subpoena duces tecum to compel the appearance of motor vehicle owners, drivers and other persons;
- (k) Fix, impose and collect, and periodically review and adjust reasonable fees and other related charges for services rendered, as well as administrative fines for violation of pertinent laws, orders, rules and regulations, decisions and rulings;
- (l) Compile, maintain and manage an integrated data center with appropriate communications linkages for records and statistics in land transportation including a uniform traffic violation accident and stolen motor vehicles reporting system;
- (m) Generate non-tax revenues out of its assets, properties and services;
- (n) Perform such other powers and functions as maybe provided by law.

**SECTION 7. Governing Body.** The governing board and policy making body of the Authority shall be vested in the Board of Directors composed of the following:

1. Secretary of Department of Transportation and Communications (DOTC);
2. Director General of the National Land Transportation Authority (NLTA), appointed by the President as Chief Executive Officer;
3. Secretary of Department of Interior and Local Government (DILG)
4. Secretary of Department of Budget and Management (DBM)
5. Secretary of the Department of Finance (DOF)
6. Secretary of the National Economic Development Authority (NEDA)
7. A representative from the transport Sector to be appointed by the President

The Board shall meet at least once a month and hold special meetings upon the call of the Chairman or any four members of the Board. A simple majority shall constitute a quorum to transact business and vote of at least a simple majority of the members present at which there is a quorum shall be valid.

## ARTICLE IV ADMINISTRATION

**SECTION 8. Executive Officers.** The Authority shall be managed by a Director-General with the rank, salary and qualifications equivalent to a Department Undersecretary, who must have sufficient knowledge and background in land transportation management. He/she shall serve at the pleasure of the President.

The Director-General shall be assisted by four Deputy Director Generals – for Administration and Finance, Plans and Operations, Franchising, and Law Enforcement and Adjudication – with rank, salary and privileges of an Assistant Secretary preferably a Career Executive Service Officer (CESO) possessing at least 10 years experience and practice in land transportation management and administration.

The Regional Offices shall be headed by a Regional Executive Director under the direct supervision of the Director General with rank, salary and qualification equivalent to that of a Director IV, possessing ten years experience in land transportation management, assisted by two Technical Regional Directors – one for Operations and another for Administration and Finance with rank, salary and qualification equivalent to Director III, and with at least ten years experience in land transportation management.

The above named executive officers of the Authority shall be appointed by the President upon recommendation of the Board. Within one year, all such officers shall apply and qualify for appointment as Career Executive Service officers.

For purposes of a more rigid and effective implementation of the Act, the Director-General, shall create the Land Transportation District Offices (LTDO) to be headed by a Land Transportation District Director appointed by the Director-General. The LTDO shall have the rank, salary and privileges of a Director II. The qualifications herein required for LTDO shall apply to officials appointed pursuant to this law without prejudice to incumbent heads of LTO district offices regardless of their status.

**SECTION 9. Powers of the Director-General.** As Chief Executive Officer of the Authority, the functions and powers of the heads of the LTO, LTFRB, and OTC as provided under R.A. 4136 and CA 146 as amended as well as other laws otherwise not expressly defined in this Act are now deemed transferred, vested and exercised by the Director-General of the Authority; including the following:

- (1) Implement, enforce and apply the policies, programs, guidelines, procedures, rules and regulations promulgated, prescribed, issued and adopted by the Authority;
- (2) Manage the affairs of the Authority and ensure the smooth operational efficiency of the national land transportation system;

- (3) Sign contracts, approve expenditures and appoint and discipline employees below the level of Presidential appointees;
- (4) To submit an annual budget to the Board for recurrent income and expenditures for adoption not later than one month before the commencement of the ensuing year;
- (5) Undertake research, studies, investigations, projects and other related activities, and submit reports and recommendations to the Board for its information and or approval; engage the services of experts/consultants either in full time or part time basis as may be required in the performance of his functions and duties as maybe determined by him subject to the approval of the Board;
- (6) To designate as deputies government entities with traffic-related functions, civic action groups, Non-Government Organization (NGO) and Public Officers (PO) of good standing;
- (7) Do any act or thing for the proper operation and administration of the Authority;
- (8) Perform such other functions and duties as the Board may assign from time to time.

**SECTION 10. Staffing Pattern.** The Director-General, subject to the approval of the Board, shall determine the staffing pattern, the number of personnel and field offices of the Authority, the functions of the central office staff, the regional and district offices; define their duties and responsibilities and fix their qualifications, salaries and other emoluments.

The Board shall act on the recommendation within (30) days from its submission otherwise the recommendation shall be deemed approved and the same shall be implemented within 90 days from approval thereof.

**SECTION 11. Appointment and Discipline of Personnel.** All officials of the Authority, except those appointed by the President, shall be selected and appointed on the basis of merit and fitness as established in a merit system program of the Authority consistent with Civil Service laws and regulations.

The appointment of regional and district officials except those to be appointed by the President may be delegated by the director General to the Regional Executive Director. Except for the Director General, all officials to be appointed by the President shall be recommended by the Board.

The power to discipline employees resides with the Director General. Appeals on the decision of the Director General may be submitted to the Board for reconsideration. Decisions of the Regional Directors may be appealed with the Director General.

## ARTICLE V FINANCES



**SECTION 12. Sources of Funds.** Subject to the rules on government auditing, the equivalent of fifty percent (50%) of its total annual revenue collections arising from registration of motor vehicle, licensing of drivers, franchising and other miscellaneous transactions shall be retained by the Authority to pay for its annual operations and capital expenditures. Under this section, the Authority is also hereby allowed to undertake the following:

- (a) Funds generated from its own special projects not arising from its regular functions shall be retained by the authority for employees' welfare, subject to the approval by the Board.
- (b) The Authority is authorized to contract loans, credits and other indebtedness as it may deem seem necessary to carry out the purposes of this Act. The obligations shall be the sole liability of the Authority unless guaranteed by the Republic of the Philippines.
- (c) Revenue generated from fines and penalties including proceeds from public sale arising from law enforcement activities shall be retained by the Authority for its operational and maintenance requirements.
- (d) The collection of motor vehicle registration fees shall be reinstated to defray operational costs and maintenance of national regional facilities.
- (e) The Director-General shall, every year, prepare and adopt estimates of income and expenditures and capital budget for the ensuing year. Its annual budget shall be submitted to the Board for approval.

**SECTION 13. Exemption From Taxes and Duties.** The importation of equipment, machineries, software accessories and materials used directly in the operation of the Authority and which are otherwise not available locally on favorable terms, are exempted from all direct and indirect taxes, duties, fees, imposts and other charges and restrictions, the provisions of existing laws to the contrary notwithstanding. Provided, that, when the Authority disposes of such equipment, machineries, software accessories and materials, the buyer of the same shall pay to the government the corresponding taxes and duties as assessed by the Bureau of Internal Revenue and Bureau of Customs.

## ARTICLE VI

### REGULATION OF PUBLIC UTILITY VEHICLES

**SECTION 14. Administrative Permits.** Notwithstanding the provision of any law to the contrary, the issuance of permits to operate public utility vehicles shall be administratively processed based on rules and regulations/guidelines that the Authority shall promulgate within 60 days subject to the approval of the Board.

Without prejudice to the provisions of R.A. 7160, otherwise known as the Local Government Code of 1991, the permit to operate public utility vehicles shall be issued by the Authority.

**SECTION 15.**        **Operation of Public Utility Vehicles.** No motor vehicle shall be operated as a public conveyance or for hire without possessing a valid and subsisting franchise and/or permits issued by the Authority.

All existing franchises and permits issued prior to the affectivity of this Act shall remain valid up to the date of its expiry as indicated in the certificate or permit. Any subsequent transaction related thereto shall now be processed and issued pursuant to the rules and regulations of the Authority.

**SECTION 16.**    **Rate Fixing.** For purposes of fixing of rates of public utility vehicles, the Director General shall undertake the necessary studies, after due consultation with the involved sectors, and recommend the same to the Board for approval.

**SECTION 17.**        **Appeals.**        Any decision related to the issuance of permits and orders in whatever form by the Director General may be appealed to the Board within fifteen (15) days from the date of receipt. Decisions and orders issued by officials properly delegated to issue permits may be appealed to the Director General within fifteen (15) days from date of receipt.

In all cases where the aggrieved parties are not satisfied with the resolution of the authority, such decisions may be appealed to the President of the Philippines for final administrative disposition.

Any decisions related to the issuance of permits or any other orders in whatever form by the appropriate officials of the LTA may be appealed in the following manner:

1. Decisions of orders of the Director-General appealable to the Board within a period of 15 days computed from the date of receipt of said decision appealed from; The decision of the Board shall be final and executory.
2. Decisions of Regional Executive Director to issue permits for PUV pursuant to the immediately preceding paragraph may be appealed to the Director-General within a period of 15 days from receipt of the decision being appealed from.

**SECTION 18. Penalties.** In order to ensure strict adherence and compliance to the conditions of the permit issued, the Director-General, subject to the approval of the Board, shall promulgate the necessary procedures for the imposition of sanctions and appropriate schedule of penalties for any violation of the conditions of the permit and impose the same.

**SECTION 19. Authority to Impose Penalties.** The Director-General is hereby empowered to impose penalties and sanctions in the form of cancellation, revocation, suspension, fines and other forms of penalties allowable by law or any combination thereof for violations of the terms and conditions of the permit. Subject to approval of the Board, the Director-General shall promulgate a set of guidelines containing the administrative procedures in the imposition of sanctions including the schedule of penalties.

**ARTICLE VII**  
**DISPOSITION OF SEIZED VEHICLE**  
**COMPONENTS AND ACCESSORIES**

**SECTION 20. Disposition of Impounded Vehicles.** All motor vehicles impounded, including the confiscated accessories confiscated and which are abandoned by their owners for failure to pay the fines and/or serve the penalties imposed thereon within six (6) months, shall be sold and disposed of by the Authority in public auction under the following conditions:

- (a) The owners of said impounded vehicles shall be given appropriate written notice on the auction sale with the option to redeem said property after paying all charges within fifteen (15) days from receipt of such notice, or to participate in the public auction. The proceeds of the public auction shall be applied to all liens, fines, fees and penalties accruing in favor of the Authority provided that the remainder shall be returned to the registered owner.
- (b) An impounded vehicle without a known owner or lawful claimant, or after three notices in newspapers of national circulation, shall be sold at public auction after publication of the notice of public sale. The proceeds thereof shall be applied to the lien of the government with the remaining amount credited to the Authority for use in its law enforcement activities.

**ARTICLE VIII**  
**TRANSITORY PROVISIONS**

**SECTION 21. Abolition.** The Land Transportation Office, the Land Transportation Franchising and Regulatory Board and the Office of Transport Cooperatives in the Department of Transportation and Communications and the TMG of the PNP and Traffic Enforcement Group of MMDA are hereby abolished. Properties, assets and liabilities, all powers and duties, rights and chooses of actions, vested by law or exercised by said abolished offices and its predecessors are hereby transferred to the Authority.

**SECTION 22. Holdover Functions.** To ensure smooth transition into the structure of the Authority, all officers and employees of the defunct LTO, LTFRB, OTC, TMG of the PNP and the TEG of MMDA shall continue to exercise their usual functions, duties and responsibilities unless otherwise directed.

The Authority shall ensure that all present employees of the abolished agencies shall be accommodated without diminution of their salaries as a result of the reorganization. Officials and employees who opt to retire during the reorganization shall receive, in addition to retirement benefits and pensions granted under the existing retirement law, an additional two (2) months salary for every year of service. An amount corresponding to the retirement benefits of all employees opting to retire shall be held in reserve by the National Treasury to pay for this purpose. Provided, that, employees who have opted to retire and who have received retirement benefits will no longer be eligible for employment in the Authority.

**SECTION 23. Saving Clause.** All orders, rules, regulations, permit, licenses, decisions and privileges which have been issued, made, granted or allowed to become effective by the former LTO, LTFRB, OTC, TMG of PNP and TEG of MMDA or its predecessors, shall continue to be in effect according to their terms until modified, terminated, superseded, set aside or repealed.

## **ARTICLE IX PENAL AND OTHER PROVISIONS**

**SECTION 24. Penalty for Violations.** The Authority, subject to the approval of the Board, shall issue guidelines and schedule of fines and penalties for violations committed under this ACT.

**SECTION 25. Punishment for Other Offenses.** The conviction of any person for any offense under this Act shall not bar his prosecution for any other offenses which may have been committed by such person concurrently with the commission of the offense of which he was convicted or in doing the act or series of acts which constituted the offense of which he was convicted.

**SECTION 26. Duty of Clerks of Court.** It is hereby made the duty of clerks of the regional trial courts, municipal trial courts trying traffic violation cases to certify to the Authority the result of any case, whether criminal or civil, involving violations of any provisions of this Act, or other laws and ordinances relating to motor vehicles. Said certificates shall be specifically contained the name of the driver or owner of the vehicle involved, his address, the number of his license and/or the certificate of registration of his vehicle, the date thereof and the offense for which he was convicted or acquitted.

**ARTICLE X**  
**COLLECTION OF FEES, TAXES AND FINES,**  
**LIENS, ALLOTMENT OF FUNDS**

**SECTION 27. Collection of Fees; National and Local Taxes; Toll Fees.** The collection of all fees, taxes and fines, under the provisions of this Act shall be made in accordance with the regulations to be prescribed by the Authority subject to the approval of the Board.

- a) No taxes or fees other than those prescribed in this Act shall be imposed for the registration or operation or on the ownership of any motor vehicle, or for the exercise of the profession of driver, by any local government, the provisions of any charter to the contrary notwithstanding; provided however that any provincial board, city or municipal council or board or other competent authority may enact or collect such reasonable and equitable toll fees for the use of such bridges and ferries within their respective jurisdiction as may be authorized and approved by the proper authorities, and also for the use of such public roads as may be authorized by the President of the Philippines upon the recommendation of the proper authority.
  
- b) **Lien Upon Motor Vehicles.** Any balance of fees for registration, renewal registration or delinquent registration of a motor vehicle remaining unpaid and all fines imposed upon any vehicle owner shall constitute a first lien upon the motor vehicle concerned. The Director-General is hereby vested with the authority to issue a warrant of constructive or actual distraint or levy to any owner of motor vehicle who has any balance of fees for registration, renewal or delinquent registration of a motor vehicle remaining unpaid which upon demand by the Director-General or his deputies executing such warrant, the owner of the vehicle shall surrender the same at the time demanded, except when the attachment or execution is under any judicial process. Any owner who fails or refuses to surrender any of such property or vehicle not surrendered shall be punished by a fine not exceeding the amount of the fees, including penalties and interest, if any, for the collection of which such warrant has been issued, together with the cost and interest if any until surrendered.

**ARTICLE XI**  
**FINAL PROVISIONS**

SECTION 28. No local government shall enact or enforce any ordinance or resolution in conflict with the provisions of this Act, or prohibiting any deputy or agent of the authority to enforce this Act, within their respective territorial jurisdiction and the provisions of any charter to the contrary notwithstanding.

SECTION 29. Appropriations. To carry out effectively the provisions of this Act during the transition period, the amount equivalent to thirty five percent (35%) of the collection for the year is hereby appropriated in addition to the appropriations provided in the General Appropriation Act of the LTO, LTFRB, OTC, TMG and TEG.

SECTION 30. Separability Clause. If for any reason, any section or provision of this Act is declared to be unconstitutional or invalid, the other sections or provisions hereof which are not affected shall continue to be in full force and effect.

SECTION 31. Repealing Clause. All acts, decrees, orders, and instructions or parts thereof inconsistent with the provisions of this Act are repealed and modified accordingly.

SECTION 32. Effectivity. This act shall take effect thirty (30) days after approval and publication in the Official Gazette.

Approved,