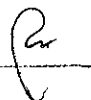


FIFTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
SECOND REGULAR SESSION)

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RECEIVED BY: 

P.S. RESOLUTION NO. 602

Introduced by Senators Manny Villar, Joker Arroyo, Ralph Recto

RESOLUTION
EXPRESSING THE SENSE OF THE SENATE FOR THE DEFERMENT OF THE
IMPLEMENTATION TO INCREASE THE FARES OF THE LIGHT RAIL
TRANSIT (LRT) AND METRO RAIL TRANSIT (MRT) AND TOLL FEES IN THE
COUNTRY'S EXPRESSWAYS

WHEREAS, the Light Rail Transit Authority (LRTA) announced early this year that there will be fare adjustments in the rates of Lines 1 and 2 of the Light Rail Transit (LRT), as well as that of the Metro Rail Transit (MRT);

WHEREAS, the fare adjustments will affect at least 1.2 million passengers in both the LRT and MRT lines, increasing the fares by as much as 100 percent and that the move is downright anti-poor since 70 percent of the affected commuters earn less than P10,000.00 a month;

WHEREAS, despite the temporary deferment of the fare increases in the MRT and LRT rates as announced by the Department of Transportation and Communications (DOTC) and LRTA pending consultation with the Land Transportation and Franchising Regulatory Board (LTRFB) in pursuance to Executive Order No. 603, there is that fear to implement the increase of fares anytime this year;

WHEREAS, the plan to raise the fares in the MRT and LRT caused an outcry from the riding public especially students and low-income workers, in the wake of increases in the prices of prime commodities including petroleum products, rates in water and electricity, as well, as the increase last January 1, and the impending second increase this October 1, in the toll fees of the country's key expressways such as the South Luzon Expressway (SLEX), North Luzon Expressway (NLEX), Subic-Clark-Tarlac Expressway (SCTEX), and the Subic Freeport Expressway (SFEX);

WHEREAS, in its decision dated August 24, 2011, the Supreme Court en Banc has ruled that the Bureau of Internal Revenue (BIR) can impose the 12 percent Value Added Tax or VAT on the collections of tollway operators which paved the way for the increase in toll fees with the said 12% VAT in the key expressways of the country;

WHEREAS, Senate Resolution Nos. 328 and 330, filed by Senators Juan Miguel Zubiri and Manny Villar, respectively, urged the Senate Committees on

Economic Affairs, Public Services and other appropriate committees, to conduct an inquiry, in aid of legislation, on the provisional fare hike of the mass rail transit systems, and on the economic implications of increasing the rates in the train fares as well as the toll rates to motorists, entrepreneurs, bus companies, students, low-income workers and the riding public in general;

WHEREAS, the three public hearings conducted by the Committee on Economic Affairs joint with the Committee on Public Services on February 15, March 17 and September 6, this year, revealed the following:

1. That the plan of fare adjustments in the MRT/LRT rates was a policy decision and discussed extensively by the economic managers, namely: the Secretaries of the Department of Finance, Budget and Management, and the Director-General of the National Economic Development Authority;
2. That NEDA Director-General Cayetano w. Paderanga Jr. stated that the proposed hike in MRT, LRT1 and LRT2 could result in 0.022 percent increase in the overall consumer prices. However, it must be noted that the inflationary impact on households being more closer to the area may be higher than what the national model implies. The DOTC estimates that the higher fares in mass transit system in Metro Manila could reduce the amount of subsidies required from the national government by about 2.3 billion. The freed up resources could be reallocated by the government for additional spending on other items in the budget, like expenditure for social services and infrastructure development which could benefit Filipinos even outside of Metro Manila, not only limited to mostly working class commuters of MRT, LRT1 and LRT2.¹

Thus, taking into consideration the estimated impact on consumer prices and the amount of additional resources available for the government coming from the freed up subsidies, simulations using the NEDA quarterly macro-econometric model show that while the proposed increase in fares of mass rail transit systems in Metro Manila may have an impact on overall prices, the possible negative effects of consumer prices, it's the effect on growth could be more than offset the potential economic gains that may be realized from additional spending by the government on the social and infrastructure development. This could lead to an estimated 0.004 percentage points increase in real GDP growth;²

3. Sec. Paderanga further stated that given the above estimate, NEDA supports the proposal of increasing the fares on mass rail transit systems in Metro Manila by DOTC, however, this should be accompanied by a remarkable improvement in services provided by the three lines to make the hike reasonable on the users focusing on the timely arrival of trains, more efficient services and minimization of the currently frequent mechanical and technical problems and service disruptions, especially during rush hours;³
4. That 7.2 Billion has already been appropriated in the 2011 General Appropriations Act (GAA) to pay for whatever annual financial obligations the Philippine Government contracted in the construction of the MRT under the Built-Lease-Transfer (BLT) Agreement; and by this time, the

¹ TSN ADMasicap I-1, September 6, 2011 1:31 p.m. page 1 & TSN RJOrtiz II-1, September 6, 2011 1:41 p.m. page 1

² TSN RJOrtiz II-1, September 6, 2011 1:41p.m. pages 1-2

³ Ibid, page 3.

government has already accumulated at least P1 Billion savings for every P2 appreciation in the exchange rate from peso to US dollar, and therefore, has the money to buy additional coaches and spend for other expenses that the railway has planned to improve its services;⁴

5. That the LRTA which owns, operates and maintains LRT Lines 1 and 2 has enough operating revenues to meet its operating expenses and enjoys a positive farebox ratio;⁵
6. That in the BLT agreement entered into by the Philippine government, it was clear that the government was at a losing end and that any future agreement the government may enter into must be reviewed carefully by the country's economic managers to avoid entering into a lopsided agreement and to demand transparency in the ownership structure in the agreement that the government enters into; and
7. That all mass transit systems in the world are subsidized by the government.

WHEREAS, the Toll Regulatory Board issued guidelines in the imposition of the Value Added Tax on toll fees pursuant to the provisions of Revenue Memorandum Circular No. 39-2011 dated August 31, 2011, the Bureau of Internal Revenue shall be imposing the 12% Value-Added Tax (VAT) on toll fees effective October 1, 2011 at 12:01 a.m., the 12% VAT will affect tolls as follows:

- For the NLEX, private cars plying the North Luzon Expressway from Balintawak to Sta. Ines will be charged P218 from the current P195.
- For the SLEX, toll fee from Alabang to Calamba will increase to P96 from P86.
- In the SCTEX (Subic-Clark-Tarlac Expressway), to P272 from P243.
- For the Skyway (lower portion), toll fee increase will be from P106 to P119.
- For the elevated portion of the Skyway, it will be from P147 to 165.

WHEREAS, after the three public hearings and taking into consideration the statements and documents given, there is no need to increase this year the fares in the MRT and LRT rates;

WHEREAS, it is further recommended:

1. That LRTA and the DOTC MRT3 generate more revenues by adding the riding capacity of the two railway systems and increase its non-rail revenues;
2. Reduce the operating expenses of both the LRT and MRT lines;
3. Separate the government agency that operates the two railway systems from the agency that regulates it including decisions concerning fare adjustments and privatization;
4. Make suitable steps to increase or improve the efficiency in the operations of the two railways since the more efficient the operation, the lesser the government pays for maintenance.

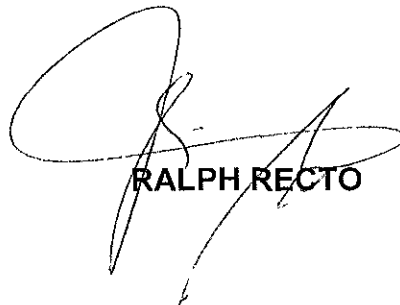
⁴ TSN JADela Cruz IV-2, March 7, 2011 3:30 p.m. 1

⁵ TSN CFDriz I-1, March 7, 2011 2:00 p.m. pages 4-5

WHEREFORE, BE IT RESOLVED AS IT IS HEREBY RESOLVED THAT THE SENATE, expressing its sense for the deferment of the implementation to increase the fares of the Light Rail Transit (LRT) and Metro Rail Transit (MRT) and toll fees in the country's expressways.


JOKER ARROYO


MANNY VILLAR


RALPH RECTO