

**Competition Advocacy Seminar (OFC-PIDS-CUTS)** held at Diamond Hotel, Manila  
**PIDS-AER-CUTS Meeting**, held at PIDS, NEDA  
**November 4, 2014**

**Minutes**

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**Presentations**

- Opening Remarks delivered by DOJ-OFC Assistant Secretary Geronimo Sy
- Atty. Ruth Tan then proceeded with her presentation to discuss the rationale of the competition advocacy, past and current laws revolving competition, as well as the current initiatives
  - o The following are some of the laws laws (past and current) related to competition:
    - The 1987 Constitution
    - Act 3815 – Revised Penal Code on monopolies and combination in restraint of trade; machinations in public auction
    - RA 7851 (1992) – Price Act -> cartel, profiteering, hoarding
    - RA 8479 (1998) – Downstream Oil Industry
    - RA 4152 (1964) – SOJ – with legal and enforced duties in competition
    - EO 45 DOJ – designation of DOJ as competition authority of the Philippines; it also created the Office for Competition but did not necessarily diminish the power of sector regulators
  - o Atty. Ruth Tan said that she is hopeful that with the commitment of the President, competition reform may be started before 2016, given as well the commitment in ASEAN
- Rijit Sengupta of CUTS International emphasized that “competition is not an end in itself, but a tool for achieving other developmental objectives.” According to him, a competition body only establishes the law but effective implementation is necessary. Stakeholders (policy makers, civil societies, consumer organizations, academia, sector regulators, businesses, and media) need to be engaged in the process. He showed an infographic video presenting how competition provides wide and quality selection of goods to consumers.
- Afterwards, the Assistant Secretary for Transport Winston Ginez then discussed the reform programs in the LTFRB. According to him, the key step that they are undertaking currently to promote competition is the modernization program of land transportation. He presented the brief timeline below:
  - o 2002 DOTC Policy – No 15 year old buses should ply the roads
  - o 2006 – The 2002 policy was relaxed and instead replaced by a system of acquiring “Certificate of Road Worthiness”
  - o January 2013: An LTFRB resolution aims to replace old buses. This way, aside from improving transportation (making it cleaner, etc) only the players that are financially capable could stay in the market, “weeding out” fly by night operators

- Recently, a partnership with LandBank was approved to help finance bus operators in modernizing or replacing their old buses
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- As the last speaker, Mr. Sonny Domingo of PIDS presented his research (Diagnostic Country Report) on the bus sector (same research he presented to the National Reference Group meeting). The robust economic activity, together with market failures in Metro Manila, was factors why there is increased motorization or oversupply of vehicles. Currently, thousands of buses crowd EDSA but whose occupancy rate is as low as 52%. The role of traffic managers is to find the optimal point where the marginal cost equals the marginal social benefit. Mr. Domingo's research estimated that around P15 billion is lost to the society yearly due to traffic congestion. He recommended organizing bus operators, fixing the wage system of drivers and conductors, and enforcing a harmonized sectoral plan.

## Open Forum

- 1. Concerns from Homer Mercado, (president of HM Liner and Southern Luzon Bus Operators Association) representative of the bus sector**
  - a. Correction regarding the data presented by Mr. Domingo:
    - How come you are saying there are 1,122 bus operators in Metro Manila when we only have around 200 operators?*
  - b. On who the real culprit is:
    - Around 80% of vehicles in the roads are private vehicles.
  - c. On the Boundary system for buses:
    - Bus operators have already received a memorandum from the Department of Labor and Employment to comply with the minimum wage law.
  - d. JICA Report:
    - This report has been cited many times but it has to be noted that no bus operator was considered or interviewed to know their side
- **Responses:**
  - Dr. Roehlano Brione was able to clarify that the total number of 1,122 bus operators used in the research includes provincial buses that pass through Metro Manila/ EDSA. Mr. Domingo answered that the roads are finite assets which can only accommodate so much.
- 2. Comments from Asec. Sy**
  - a. Those who want will get a copy of the full JICA study
  - b. Although the large number of private vehicles also results to congestion, the issue discussed at hand is the problems in the bus sector and the group can have other chances to look at reforms for private vehicles

**3. Questions from Mr. Lino Marable of the Coalition of Operators and Drivers of UV Express**

- a. They are glad to have a welcoming response from Land Bank regarding modernization of school buses
  - b. A very important factor aside from strict implementation of traffic rules is discipline among drivers
  - c. They are to conduct a pilot study on disciplining members. He shared that in the case of UV express drivers group, they are strict with policies like no-smoking, uniform rules, etc.
- Asec. Sy followed up and asked Mr. Marable about his opinion on what the main reasons why there is traffic congestion. Mr. Marable's answers are:
- o "Nakakatakas naman eh" [It's easy to get away from the rule.]
  - o "Laging nagmamadali ang mga pasahero" [They are always in a hurry]
  - o Private vehicles are congesting the roads too
- For Mr. Homer Mercado, the answer to the question is simple: "Enforcement"

**4. Insights from Dr. Briones:**

When looking at jeepney/bus pilots and airplane pilots, it can be noticed that the international standards might be causing the difference

**5. Insights from Mr. Robbie Galang of World Bank:**

Maybe there is a need to rationalize prices. Buses are congesting the roads because regardless of the total number of buses, they are still making profit. It is also noticeable that bus prices are higher than MRT prices.

**6. Insights from Rijit Sengupta**

The saturation of buses in the market also results to the difficulty on the part of passengers to associate buses with the operators. Information asymmetry results to market inefficiency.

Venue: PIDS, Makati

Mr. Rijit Sengupta (CREW)  
Dr. Roehlano Briones (PIDS)  
Mr. Sonny Domingo (PIDS)  
Ms. Madz Aloria (AER)  
Ms. Lovely Tolin (PIDS)

### **1. Diagnostic Country Report (PIDS)**

Target is to finalize by November 7, 2014

One comment from the advisers is for the DCRs to include discussion of pro-competition moves or events already undertaken in the past in the bus and rice sectors. For the bus sector, Mr. Domingo thinks it is the post martial law modernization of the bus sector and aggregation into 14 consortia. He said that with regard to the bus sector, the main difficulty is that it is difficult to assess the impacts of those previous pro-competition moves because not enough documentation or data exist. Dr. Briones said he's also interested to write about the delegation of import authority to NFA. Both Dr. Briones and Mr. Domingo were asked by Mr. Sengupta to also write more about the Office for Competition in their papers.

Dr. Briones proposed that the discussion on rice and bus be published in two different papers because it will be too congested or overloaded if they will be combined into one. A forum on rice is also set on early 2015. He also proposed drafting a project strategy on competitive rice market beyond 2017 after the abolition of quantitative restriction.

### **2. Competition Advocacy (AER)**

Assuming that people see the lifting of the QR as inevitable, Dr. Briones also proposed promoting competitiveness using a message such as "genuine competitiveness measures for rice farmers" (with emphasis on 'genuine'). PIDS will also be writing a policy brief which can be disseminated in online sites such as Rappler.

On the national advocacy plan, Mr. Sengupta asked Mr. Sta. Ana through Ms. Aloria to detail the specific activities under the different advocacy elements. Stakeholder mapping is to be drafted by AER will be commented later on by other NRG members. AER also committed to write opinion articles in BusinessWorld.