Policy Checkpoints:
Inspecting the Public Utility Vehicle Modernization Programme in the Philippines

The Public Utility Vehicle Modernization (PUVM) programme in the Philippines, launched in 2017 under the leadership of the Department of Transportation (DOTr), was among the flagship programmes under the term of Philippine President Rodrigo Duterte. The PUVM programme had been touted as a comprehensive government solution for the long-standing issues in the Philippines' public transport system. Dubbed the largest non-infrastructure reform in the country, the programme focused on modernising traditional public utility jeepneys (PUJs), the most common mode of transport across the country, as well as the PUJs' outdated business model of operations. The programme boasted a comprehensive system reform for addressing the country's traffic and pollution problems, including regulatory and franchise mechanisms, route planning, and fleet modernisation. Alongside the DOTr, the Land Transportation Franchising and Regulatory Board (LTFRB)[1], Land Transportation Office (LTO)[2], and Office of Transportation Cooperatives (OTC)[3] served as partners for the PUVM's implementation.

As of 2022, the PUVM program had yet to realise its intended goals as the implementing bodies such as the DOTr and local government units (LGUs) faced various political, operational, and technical challenges in the programme's rollout. These implementation barriers, as well as the shortcomings in the design of the programme, led to the risk aversion among the programme's key stakeholders.[4] Jeepney drivers and operators' reluctance towards the PUVM programme. This mainly emanated from the financial risks of shifting to modern jeepneys and the lack of equity subsidy from the government to support their acquisition of the new vehicle units. Other reasons included the additional bureaucratic-technical requirements to operate, threat to job security and livelihood, transition period, and poorly managed stakeholder engagement. The COVID-19 pandemic and resulting budget reprioritisation further halted the implementation of the PUVM programme—at the time when both preserving jobs and ensuring safe public mass transportation were of utmost concern.

This case study will examine the PUVM, flag specific ruptures in the programme, and provide recommendations to address such ruptures especially in a post-pandemic world.

Background

Traffic congestion has been a longstanding problem in the Philippines. From everyday conversations among ordinary citizens to national public debates among politicians, the issue of traffic and unsafe roads pervaded conversations. The issue has been directly felt by Filipinos, as shown in the Boston Consulting Group finding

[1] The LTFRB promulgates, administers, enforces, and monitor compliance of policies, laws, and regulations of public land transportation services. LTFRB oversees and regulates land-based public transport franchise and routes.
[2] The LTO conducts the inspection, registration, and issuance of permits to motor vehicles, as well as the enforcement of transportation and traffic rules.
[3] The OTC promotes the creation of cooperatives in the public transportation sector to have economies of scale in terms of operational costs.
[4] Mateo-Babiano et al., (2020) Formalising the jeepney industry in the Philippines – A confirmatory thematic analysis of key transitionary issues. Retrieved from https://doi.org/10.1016/j.retrec.2020.100839

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that Filipinos spend 1 hour and 6 minutes each day stuck in traffic.[5] The 2015 Global Driver Satisfaction Index conducted by navigation mobile app Waze[6] ranked the Philippines as the 9th worst country in the world for drivers. The same Index mentioned the country's capital Manila as having the "worst traffic on Earth".[7] In 2016, Numbeo's study on traffic[8] using a Time Index ranked the Metro Manila as 10th city with the worst traffic worldwide. These indices used indicators such as safety, traffic, and road quality.

Heavy traffic congestion has emerged as one of the challenges to the Philippine economy. In 2018, a study co-conducted by the Japan International Cooperation Agency (JICA) and the National Economic Development Authority (NEDA) detailed that 3.5 billion PHP (92.7 million SGD) was lost to the Philippines everyday due to the traffic congestion. The time spent by workers, students, and the general public stuck on the road were productive hours that should have been directed towards economic activities.

The traffic situation in the Philippines forced Philippine President Rodrigo Duterte to declare war on traffic jams shortly after he won the elections in 2016. Aside from asking for powers from the Congress to appoint a special traffic tsar,[9] Duterte also expedited the enactment of the PUVM programme, which eventually constituted his administration's main policy for decongesting Philippine roads. The goals of the programme included stifling pollution, promoting public safety, ensuring timely rides, providing comfort for passengers, and fostering economic efficiency on the part of the operators and drivers.

With its goals encompassing different aspects and sectors, the PUVM was designed to address ten factors that make up a comprehensive policy approach:

1) regulatory reform for licence issuance public utility vehicles;
2) public transport planning in local governments to ensure maximisation of local government's land-use plans;
3) route rationalisation that is based on local government land use plan and passenger needs;
4) fleet modernisation where public utility vehicles are replaced with new ones equipped with better passenger safety mechanisms and are less destructive to the environment;
5) industry consolidation which involves merging small transport industry actors and enabling them to merge together as one cooperative;
6) financing PUV modernization where a low down payment, low interest rates, and long payment period loan system will be made available for small jeepney operators;
7) vehicle useful life programme or scrappage programme, which ensures that public utility vehicles aged 15 years old and above are scrapped;
8) initial (pilot) implementation aimed to see how the PUVM will be rolled out and consequently address bottlenecks from the pilot programme;
9) stakeholder (social) support mechanism, where training and support programs will be made available for existing players and the employers; and
10) communication strategy that maps the platforms by which information will be disseminated to stakeholders at each stage of the PUVM programme.

[5] Raul Dancel, "Filipinos Spend 16 Days a Year Stuck in Traffic: Study," The Straits Times, November 28, 2017, https://www.straitstimes.com/asia/se-asia/filipinos-spend-16-days-a-year-stuck-in-traffic-study.
[6] Aries Joseph Hegina, "Waze Users Rate Metro Manila Traffic World's Worst," INQUIRER.net, October 2, 2015, https://newsinfo.inquirer.net/726986/metro-manila-has-worst-city-traffic-on-earth-study.
[7] Ibid.
[8] "Metro Manila Traffic Ranked among 10 Worst in World," Philstar.com (Philstar.com, October 19, 2016), https://www.philstar.com/headlines/2016/10/20/1635213/metro-manila-traffic-ranked-among-10-worst-world.
[9] Grace Ramos, "Duterte Declares War on Manila Traffic Jams," Financial Times (Financial Times, November 23, 2016), https://www.ft.com/content/35a0e14c-a235-11e6-82c3-4351ce86813f.

Despite the comprehensive aspects of the PUVM, the Philippines' traffic situation did not improve. In the 2020 Traffic Index[10] conducted by Tomtom, Manila ranked 1st in Southeast Asia and 4th in the world for the densest traffic. This lack of improvement was not surprising given the dissatisfaction and criticism that the programme had met with since its inception. The programme faced massive opposition especially from transport groups and jeepney drivers. These transport groups decried the lack of financial assistance given to them as the programme forced them to scrap jeepneys that were older than 15 years. Under the programme, these older jeepneys were to be replaced with newer ones that complied with Euro-IV standards for nitrogen oxide, carbon monoxide, and hydrocarbons emissions. While the PUVM has allotted a 1.5 billion PHP (26.5 million SGD) budget for loans for transport groups, the PUVM was still seen as anti-poor[11] as this loan system was not enough for impoverished jeepney operators to purchase modern jeepneys. The Crispin B. Beltran Research Center detailed that the scrappage of old jeepneys as part of the modernisation scheme would junk 270,000 jeepneys nationwide and affect 670,000 jeepney drivers.

The massive number of affected jeepney drivers were only part of the wide array of stakeholders who were critical of the PUVM. Non-government organisations sympathetic to impoverished sectors' pleas stepped into the picture. On the other side of the road, commuters also decried the potential rise in fares upon the modernisation of the fleet. Because of the cheaper fares compared to buses, jeepneys come second only to walking in terms of people's mobility in the Philippines' most populated cities.[12] The idea that fares would increase because the new and modern jeepneys could now provide a more comfortable experience was not a win-win for all commuters, especially among those looking for the cheapest ride. From drivers and operators to the commuters themselves, the PUVM faced a great challenge in engaging stakeholders. The challenge was crucial given how the country's biggest cities were paralysed during the anti-PUVM strikes conducted by jeepney drivers and operators, prompting the closure of schools and courts in the days of the strike.[13]

Adding to the complications of stakeholder engagement was the COVID-19 pandemic. The lockdowns stopped operations of jeepneys as the lack of space inside the vehicle was seen as contributory[14] to the spread of the virus. The inability to operate plunged already impoverished jeepney drivers and operators into further poverty. Those who were not allowed to operate their jeepneys resorted to begging in the streets and living in their jeepneys as they were forced out of their rented homes.[15] While such incidents were getting attention from the public, the Philippine government still railroaded the implementation of the PUVM programme. This has prompted debate over a just transition towards modernised jeepneys in the Philippines and further created disillusionment among the stakeholders over the benefit that the PUVM was supposed to provide.

[10] "Traffic Congestion Ranking: Tomtom Traffic Index," Traffic congestion ranking | TomTom Traffic Index, accessed January 28, 2022, https://www.tomtom.com/en_gb/traffic-index/ranking/.
[11] "Why Some Transport Groups Oppose PUV Modernization," Philstar.com (Philstar.com, September 26, 2017), https://www.philstar.com/headlines/2017/09/26/1742854/why-some-transport-groups-oppose-puv-modernization.
[12] Ashley Westerman, "A Push to Modernize Philippine Transport Threatens the Beloved Jeepney," NPR (NPR, March 7, 2018), https://www.npr.org/sections/parallels/2018/03/07/591140541/a-push-to-modernize-philippine-transport-threatens-the-beloved-jeepney.https://www.npr.org/sections/parallels/2018/03/07/591140541/a-push-to-modernize-philippine-transport-threatens-the-beloved-jeepney.
[13] "Strike by Jeepney Drivers, Operators Prompt School and Court Suspensions in Manila," The Straits Times, September 30, 2019, https://www.straitstimes.com/asia/se-asia/strike-by-jeepney-drivers-operators-prompt-school-and-court-suspensions-in-manila.
[14] Subingsubing Krixia and Melvin Gascon, "Gov't Urged to Allow More Puvs to Avert COVID-19 Surge," INQUIRER.net, November 9, 2021, https://newsinfo.inquirer.net/1512245/govt-urged-to-allow-more-puvs-to-avert-covid-19-surge.
[15] "Hungry and Homeless: Philippines' Jeepney Drivers Hit by Coronavirus," The Straits Times, August 16, 2020, https://www.straitstimes.com/asia/se-asia/hungry-and-homeless-philippine-jeepney-drivers-hit-by-virus.

All the above shows that a flagship programme touted as comprehensive and transformative had not seen success in the Philippines. Was the PUVM was too ambitious, speeding over a policy process that should have been incremental? This case study will examine the shortcomings of the programme.

Stakeholder map and analysis

The traffic congestion in the Philippines is a highly wicked problem, both for the nature of the issue and the competing interests of the stakeholders. The design of the PUVM was vulnerable to a chicken-and-egg problem whereby addressing an issue bearing down on the economy also needed a robust economic system. The lack of sufficient financial assistance for jeepney operators and drivers, coupled with the clamour for cheaper jeepney fares, was a glaring challenge. Given the magnitude of the programme, it is essential to recognise and capture all key stakeholders and actors. These are necessary in addressing the policy problem and ensuring the needed support for the programme's implementation. Likewise, managing the dynamics of interest and influence of stakeholders is critical to the success of the programme.

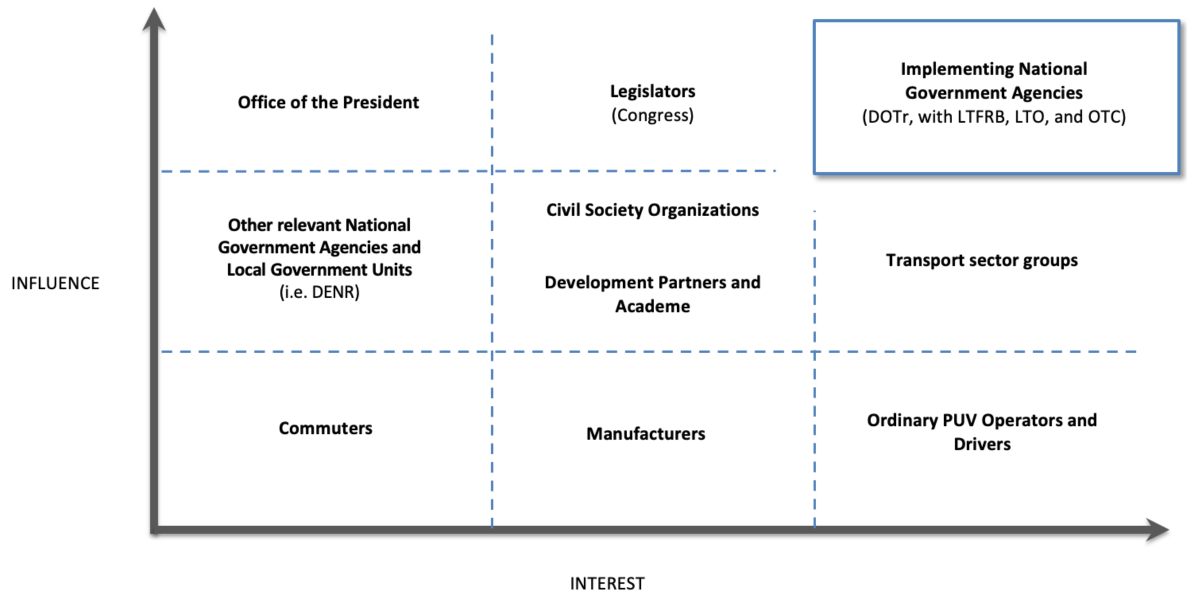

Figure 1: The interest-influence framework for stakeholders of the PUVM.

Figure 1 maps out the stakeholders of the PUVM following the interest-influence framework adapted from Eden and Ackermann (1998).[16] Interest is defined as the magnitude of stake in the programme, specifically in terms of costs and benefits. Influence, on the other hand, is seen as the power by which a group can affect the direction of the programme.

The main implementers of the programme, namely DOTr (along with LTFRB, LTO, and OTC), had the highest influence. These key actors had been acting in silos, and often in conflict with the position of the various stakeholders identified. The problems arising from this lack of coordination between and among the stakeholders is outlined in the next section. Meanwhile, there were other influential actors such as the Office of the President and the Congress (Senate and House of Representatives) which could rally other stakeholders and the public to the policy. Other relevant National Government Agencies (i.e., Department of Environment and Natural Resources) and LGUs could also be managed given their positions in steering the success of the implementation.

[16] Colin Eden and Fran Ackermann, *Making Strategy: The Journey of Strategic Management* (Thousand Oaks, CA: SAGE Books, 1998).

Public utility vehicle operators and drivers, as well as the implementing agencies, had the most interest in the PUVM. They felt the immediate and direct effects of the modernisation programme. Operators and drivers were inclined to oppose the perceived anti-poor provisions of the programme that required them to scrap jeepneys older than 15 years and purchase more modern ones with little government assistance. On the other hand, implementing agencies had political interests in implementing the programme.

The interest-influence framework shows that those with the highest interest in the programme do not necessarily have the largest influence. Depending on their position in the matrix, policy actors can play different roles in the whole process. For example, those with highest interest and highest influence should be taken as partners. This means they get to be part of the decision-making process on a policy that directly affects them. On the other hand, stakeholders can be further engaged to avoid opposition and to strengthen the policy implementation. These stakeholders can include transport groups, civil society organisations, development partners, and the academe.

Problem

Comprehensiveness is a double-edged sword. The ambitious nature of the PUVM programme generally made its implementation more challenging. The Philippine government sped up the comprehensive programme in a manner that reflected inability to scan the road ahead and then map out possible roadblocks in the process. In particular, the programme lacked a deep understanding of the informal practice and norms in the PUJ industry in the Philippines.[17] For example, an incremental implementation might have been more feasible and palatable to the stakeholders, given the social and cultural entrenchment of the PUJs among jeepney drivers and operators. This section outlines the possible policy checkpoints that the PUVM could have paid closer attention to in its implementation journey.

Policy Checkpoint 1: Implementation barriers

The programme was implemented through the DOTr Department Order 2017-011,[18] known as Omnibus Franchising Guidelines (OFG), issued in 2017, which made it susceptible to changing political decisions and budgetary discretion of the agency. This contrasted with institutionalising a policy which legally mandated an automatic budget allocation from the national expenditure programme. While there were initiatives to enact laws that would institutionalise the PUVM programme, the bills drafted were still pending at the committee level in both chambers of the Philippine Congress. These included the PUVM Program Act of 2021 (Senate Bill No. 2414) and An Act Providing for a Fair and Reasonable Public Utility Jeepney Modernization Programme (House Bill No 4823), which aimed to assist PUJ operators, drivers, and concerned stakeholders in the transition. The PUVM programme was also not included among the legislative priorities of the national government.[19]

The DOTr had identified the national government's Comprehensive Tax Reform Programme (CTRP) as the main source of funding for the PUVM programme. The CTRP aimed to rationalise the Philippines' tax system and to provide a sustainable revenue stream for the government that could support its programmes and projects. However, two major tax reform packages remain to be pending as of March 2022.[20] The allocation

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[17] Iderlina Mateo-Babiano et al., "Formalising the Jeepney Industry in the Philippines – a Confirmatory Thematic Analysis of Key Transitionary Issues," *Research in Transportation Economics* 83 (2020): p. 100839, https://doi.org/10.1016/j.retrec.2020.100839.

[18] Department of Transportation. Omnibus Guidelines on the Planning and Identification of Public Road Transportation Services and Franchise Issuance (2017), https://dotr.gov.ph/2014-09-03-06-32-48/2014-09-03-06-44-58.html#y2017.

[19] Legislative Executive Development Advisory Council. LEDAC Common Legislative Agenda. http://ledac.neda.gov.ph/resources-2/resources/.

[20] The Tax Reform for Acceleration and Inclusion (TRAIN) Law, Sin Taxes for Universal Health Care, and the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law were passed in 2018 and 2021, respectively. As of March

for the PUVM programme from CTRP might also be compromised, as these would also finance other key programmes of the government such as the Universal Basic Health Care Law and Free Tertiary Education Act. The COVID-19 pandemic had also caused the national government to reprioritise its resources to its health response measures. There was no budget allocated for the PUVM programme under the national budget in 2020, as the transportation department implemented a service contracting of the jeepneys to preserve the jobs and aid public mobility amid the pandemic.[21]

Given the comprehensiveness of the PUVM programme, the government was expected to insulate the unintended consequences and potential downside risks of the policy to other stakeholders. However, its efficient implementation was being compromised by the lack of government operational and technical capacity. For instance, the absence of a dedicated and specialised programme management of the PUVM was among the factors halting its rollout.[22] The technical capacity of the implementing bodies was also lacking. For instance, the LGUs lacked experts to help design the route rationalisation plans.[23]

The disconnect between the implementing agencies and the rest of the actors impeded the whole-of-government approach that was critical for a reform of this nature. The PUVM programme needed a consistent cooperation and goal between concerned national government agencies, but this has not happened. The contradictory initiatives from DOTr and the Department of Energy (DoE) shows one such instance. On the one hand, the department order released by the DOTr in 2017 mandated the utilisation of Euro-IV diesel or electricity to power the PUJ units in a bid to help curb carbon emissions in the country and as part of the goals of the PUVM programme. On the other hand, the DoE required oil companies to sell cheaper but more polluting type of diesel (Euro-II) in 2018 as the country grappled with an inflation crisis.[24] These two different issuances from two different agencies engaged in implementing the PUVM illustrated the confusion and the contradiction that has distracted rather than directed the programme towards its goals.

Policy Checkpoint 2: Stakeholder management

The wicked problem of traffic congestion in the Philippines necessitated a good stakeholder management design. At various stages of the programme implementation, stakeholders had various concerns, including burden of cost, job security, unclear transition period, and poor communication.

The burden of cost to jeepney drivers and operators

The PUVM programme had drawn much misgivings from the jeepney drivers and operators, mainly because the programme would phase out their existing units and acquiring new vehicles would be very costly for them. The affected stakeholders also argued that the equity support from the national government to acquire a modern unit was insufficient, while its financing/payment scheme was burdensome.[25] The programme would only provide a 160,000 PHP (4,241 SGD) subsidy in equity to acquire a modern PUJ unit which could cost up to 1.6 million PHP (42,420 SGD). This meant that the operators would only be provided

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2022, the tax reforms on real property valuation and passive income and financial intermediary were both still yet to be passed.

[21] Commission on Audit. Annual Audit, Department of Transportation (2020). https://www.coa.gov.ph/index.php/national-government-agencies/2020/category/9044-department-of-transportation.

[22] Kenneth Abante, et al. "Just Transition, Just Reform: Move As One Position Paper on the Public Utility Vehicle Modernization Program (PUVMP) of the Philippines as of 9 February 2021," February 9, 2021. https://www.researchgate.net/publication/349139648_Just_Transition_Just_Reform_Move_As_One_Position_Paper_on_the_Public_Utility_Vehicle_Modernization_Program_PUVMP_of_the_Philippines_as_of_9_February_2021.

[23] Eden and Ackermann, *Making Strategy: The Journey of Strategic Management*

[24] "Just Transition in the Philippines" (Center for Energy, Ecology, and Development, November 5, 2018), https://ceedphilippines.com/wp-content/uploads/2020/05/CEED-Just-Transition-in-the-Philippines-Full-Study.pdf.

[25] COA, *Annual Audit, Department of Transportation*

10% subsidy of the total price for a new vehicle. The remaining amount was to be covered under the government's loan financing scheme and paid through the cooperative of the jeepney drivers and operators at 6% interest payable over 7 years.[26] Despite the efficiency gains from shifting to the modern types of jeepney in the long term, the payment scheme would still entail a cost for the jeepney drivers and operators in the short term. This was problematic given that jeepney drivers and operators belonged to lower-income groups, and often had to worry about necessities on a daily basis. Therefore, expecting them to be investment-minded was a misguided move.

Aside from the financial cost, the jeepney drivers and operators were also required to consolidate their operations under a cooperative or corporation, which implied additional transactional cost for them. At that point in time, only about 10% of the jeepney drivers and operators were part of cooperatives.[27] The jeepney drivers and operators did not have the technical skills and capacity to operate in a formal organisation, as jeepney operation in the Philippines has long been an informal one.

Security of job or livelihood

The design of the PUVM also put the security of jobs and source of livelihood for jeepney operators and drivers at risk.[28] In particular, the route rationalisation could displace some of them as some routes could be allocated to higher-capacity modes of transportation. For examples, buses could be allocated bigger roads while affected jeepneys may be reallocated to other areas as needed. The formalisation of the jeepney operation could also displace several informal drivers (i.e., those who are on demand, subletting, or driving part-time). The formalised jeepney operation could mean a fixed salary scheme for drivers, which could be lower compared with the income they earned under the existing system that gave them the flexibility in the number of trips (i.e., higher the number of trips would mean higher take-home pay for them). The impact of the potential loss of livelihood among jeepney drivers and operators was emphasised during the pandemic, when PUV operations in Metro Manila were prohibited or limited.[29] These livelihood aspects contributed to greater reluctance from drivers and operators,[30] which resulted in the government slowing yet still proceeding the full implementation of the PUVM programme.

Hasty and unclear transition period

The transition period of the PUVM was often criticised as hasty and with no clear timeline.[31] At its current scale as of 2022, the PUVM wold take several years before it achieved full implementation. However, the DOTr was pressed to leave a legacy project before the Duterte administration ended in 2022. This pressure for a legacy project made the implementation abrupt and led to policy flip-flopping depending on the political environment. For instance, the scheduled phasing out of old jeepney units had been moved multiple times, as the policy has failed to first address the political pushback against the reform. The need for a just transition period was also highlighted amid the COVID-19 pandemic when preservation of jobs and livelihood became an utmost concern.

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[26] Land Transportation Franchise and Regulatory Board. Implementing Guidelines Pursuant to DOTR Department Order No. 2020-006 (2020). https://ltfrb.gov.ph/wp-content/uploads/2021/01/MC-2020-085.pdf.
[27] Eden and Ackermann, *Making Strategy: The Journey of Strategic Management*
[28] Eden and Ackermann, *Making Strategy: The Journey of Strategic Management*
[29] Siegfrid Alegado and Andreo Calonzo, "Manila's Iconic Jeepneys Are One More Casualty of the Pandemic," Bloomberg.com (Bloomberg, December 22, 2020), https://www.bloomberg.com/news/articles/2020-12-21/coronavirus-recession-keeps-the-philippines-jeepneys-off-the-road.
[30] The Straits Times, *Strike by Jeepney Drivers, Operators Prompt School and Court Suspensions in Manila*
[31] COA, *Annual Audit, Department of Transportation*

Weak stakeholder engagement and poor communication

Overall, the objectives of the PUVM were promising but the government fell short on strongly engaging stakeholders and effectively communicating the gains of the reform.[32] Due to weak stakeholder engagement, the design of the PUVM had failed to capture other aspects such as the social concerns which were vital in addressing the misgivings of the jeepney drivers and operators. For instance, their reluctance to formalise the jeepney sector might have been socially entrenched (i.e., jeepney drivers usually thought about their income on a day-to-day basis and were not investment-minded unlike how the policy envisioned them to be). Moreover, the information campaign was lagging, particularly in providing the jeepney drivers and operators the necessary knowledge and skills to transition to formal operation.

Policy Options and Recommendations

The original design of the PUVM programme was already holistic given the 10 components that were supposed to be mutually reinforcing. However, the implementation of the programme faced problems in terms of execution and backlash from the stakeholders.

This section identifies the policy options in the form of adjustable levers that may be used by the implementing agency in addressing the problems. These levers are: legal and regulatory support, fiscal and budgetary support, and adjustments in timeline and transition period. Adjusting the policy levers as needed would allow the PUVM to have common ground where stakeholders and implementers can meet halfway.

Lever 1: Legal and regulatory support

A legitimate legislation and regulatory framework should be able to identify the extent to which the PUVM can be covered by the law. Such legislation can be done through Congress or through the issuance of a more defined regulation by the implementing agencies. Providing a legal and regulatory basis will provide a binding mechanism for all stakeholders in implementing the programme, while protecting the interests of the stakeholders without deviating from the objective of the programme.

As of 2022, the legal and regulatory cover of the programme were anchored in the Omnibus Franchising Guidelines (OFG) issued in 2017. The OFG provided the basic policy of the programme, including the hierarchy and classification of modernised road-based public transport modes, guidelines on route planning, requirements for operators, transitory provisions, and other features of the PUVM. The OFG followed Republic Act No. 7160 or the Local Government Code in providing authority for LGUs in the conduct of Local Public Transport Route Plans (LPTRP). In providing detailed implementation, the OFG was supported by several Implementing rules and regulations in the form of Department Orders issued by the DOTr, and Memorandum Circulars issued by the LTFRB. It is important to point out here that the issuance of the OFG faced criticisms from the transport sector. In a Petition for Certiorari and Prohibition filed in the Supreme Court,[33] the petitioners claimed that the DOTr committed a grave abuse of discretion in issuing and implementing the OFG.

In pushing for the PUVM programme, a more legitimate legal and regulatory cover would ensure better acceptability and would likewise reduce the risk aversion of the stakeholders towards the programme. As of March 2022, there were bills filed in 18th Congress, both Senate and House of Representatives, that tackled and legitimised the PUVM programme. Some of these bills focused on providing a more just transition for the sector.

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[32] COA, *Annual Audit, Department of Transportation*

[33] News 5, Facebook, November 10, 2020, https://www.facebook.com/News5Everywhere/posts/naghain-ng-petition-for-certiorari-ang-transport-group-na-bayyo-association-inc-/2269579759865432/.

Lever 2: Fiscal and budgetary support

The total cost of modernising public utility vehicles, including the share that would be covered by the government in the form of subsidies and the appropriate share of the stakeholders, was another issue. The extent of fiscal and budgetary support could be identified by weighing the potential benefits and costs for the actors involved, and considering the capacity of the government's coffers. Providing for a more defined funding stream would ensure that the programme could be sustained, reducing the risks and doubts experienced by the operators.

Lever 3: Adjustments in timeline and transition period

A more realistic and amenable timeline would consider the capacity of the government and the appetite of the stakeholders in mobilising the moving parts integral to the programme. The implementation provided at the onset of the programme could have been too optimistic given its scale. Stakeholders who were affected by the programme had not been consulted on the timelines, particularly the transition period.

Building from the policy options, the PUVM programme could consider the following points:

Recommendation 1: Provide a more sustainable financing and dedicated budget

With the PUVM heavily affecting a disadvantaged sector, the government could find ways to provide the necessary financing and budgetary schemes for the benefit of the transport sector. In determining the costs, the government could consider the aggregate benefits against the financial costs, particularly social benefits for the stakeholders who are already heavily disadvantaged even prior to the programme implementation. Furthermore, the government could consider the costs incurred by the transport sector from the impact of the COVID-19 pandemic, as well as the necessary assistance in helping the sector recover. Likewise, the amount of equity subsidy and the design of the financing package could be revisited by considering the capacity of the transport operators following the introduction of the new business model.

In funding the programme, the government could consider potential revenue sources such as the CTRP, or the national budget under the General Appropriations Act. One measure in relation to CTRP filed in the House of Representatives sought to amend the Motor Vehicle User's Charge (MVUC),[34] and appropriate 50% of the revenue for a period of four years to fund the equity subsidy for purchasing modernised PUVs. The proposed measure could be a welcome move benefiting the transport operators while ensuring sustained funding of the programme.

Recommendation 2: Ensure prioritisation and safeguards for the existing transport sector operators and workers

The government could provide more guarantees and safeguards under its legal and regulatory framework to protect the operators and workers from being disadvantaged under the programme. Determining the right amount of protection and what should be covered under the proposed safeguards would lie in the hands of the policymakers in consultation with the stakeholders.

Providing safeguards in general would prevent existing workers from being displaced by outsider investors eyeing the industry, thereby addressing the risks of losing their livelihood. Other means of safeguards could be through prioritisation in terms of route planning and franchise application. Even with the prevailing rule that gave preference to existing operators and franchise holders in route applications, there were still risks present in the form of potential displacement by outside investors looking to enter the industry. Another possible way forward could be to build on the database of existing operators and franchise holders in line with the route rationalisation and route applications. The database would provide a better picture to the

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[34] House Bill No. 4695. An Act Amending Republic Act No. 8794, entitled "An Act Imposing a Motor Vehicle User's Charge on owners of all types of motor vehicles and for other purposes", as amended by Republic Act No. 11239. https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_18/HB04695.pdf

implementing agencies as they adjust routes according to the passenger demand, especially given that there could be cases of displacement or alteration for the existing transport operators.

Recommendation 3: Allow for a just transition period

Given the impact of the programme in reforming the whole transport sector, the government could set a more realistic and just transition period in its implementation timeline. Under the OFG, the transition period was set at three years from its issuance in 2017 or until 19 July 2020. This was extended by the DOTr to 31 December 2020 given the impact of the COVID-19 pandemic.[35] Such extension might not be able to help operators comply especially because the root problems of lack of financial capacity had not yet been resolved and were even further exacerbated by the pandemic.

A just transition period could consider the appetite of the transport sector without jeopardising the objective of the programme. The government could review and determine the appropriate transition period that would accommodate the transport sector's needs in complying with the guidelines of the modernisation programme. Likewise, additional buffers could also be explored in the form of additional assistance or regulatory cover for the operators and drivers, depending on the needs of the sector.

Recommendation 4: Strengthen stakeholder engagement and communication

The success of the programme would also hinge on how the policymakers manage and communicate with stakeholders. The concerns faced during the PUVM implementation could be traced to weak stakeholder engagement. As such, strengthening the programme's engagement and communication efforts could effectively address the prevailing change aversion and risks faced by the transport sector[36] and allow the stakeholders to better appreciate and accept the merits of the programme.

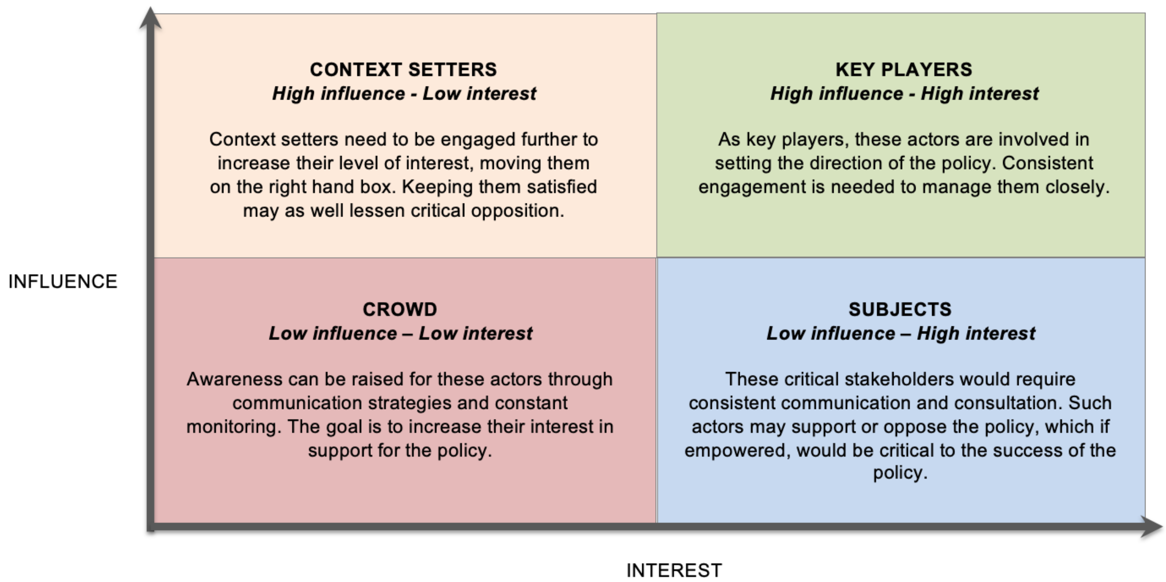

Figure 2: Stakeholder strategies based on the interest-influence framework

Policymakers and implementers could consider the strategies and interventions identified in Figure 2 to manage other key stakeholders and actors. The actors' varying positions in the framework entail different forms of engagement strategies. In general, strengthening engagement and communication efforts would

[35] Department of Transportation. Extension of Transition Period set under Department Order No. 2017-11, otherwise known as the Omnibus Franchising Guidelines, amid the COVID-19 pandemic. (2020) https://drive.google.com/file/d/1Hcr2YXamRmDVidt2HAgGOAYN7zd5HubT/view

[36] Mateo-Babiano et al., (2020) Formalising the jeepney industry in the Philippines – A confirmatory thematic analysis of key transitionary issues. Retrieved from https://doi.org/10.1016/j.retrec.2020.100839

encourage the actors to be more involved, with varying approaches and levels of effort needed. Following the strategy could ensure and maintain support, reduce the possibility of opposition, and possibly, convert the neutral stakeholders.

Given the holistic nature of the programme with a wide range of stakeholders, a whole-of-government approach could provide a solid front while securing support from all the private stakeholders to ensure the success of the programme. This would necessitate national agencies and local government units' credible commitment towards collaboration especially given the high transaction costs resulting from stakeholders' resistance.

Epilogue

The PUVM had not come close to solving the highly wicked problem of transportation in the Philippines. While all stakeholders and actors agreed on the urgency and rationale of the modernisation, the challenge laid in the manner of government implementation. The change and risk aversion shown by the stakeholders were deeply rooted in the inability of the government to listen and find common ground.

At the final checkpoint, the PUVM implementation was detected to be overspeeding. Similar to a vehicle, the policy would not run well without checking that all moving parts were functioning and synchronised. The government could provide a win-win solution that would ensure the objectives of the programme were met while safeguarding the welfare of the stakeholders. Weighing the costs and benefits of the programme, the government had the capacity to absorb the implementation costs and burden given its technical and fiscal capacity. On the other end, reducing the risks and uncertainties would allow the stakeholders to increase their appetite for the reform.

Addressing the wicked problem of transportation, however, did not have to be a pipe dream in the Philippines. The policy could reach the finish line if the programme addressed the abovementioned implementation barriers. The PUVM can still be comprehensive by redesigning the programme as a holistic and sustainable reform that was acceptable and beneficial for the transport sector and all the stakeholders. In the end, the programme had to stay true to its vision of providing a more comfortable life for all Filipinos.

Discussion Questions

1. Identify the policy problems faced by the PUVM programme.

2. Assess the position of the various stakeholders involved in the PUVM programme and discuss alternative ways of addressing their most pressing concern.

3. Should the implementation of the PUVM Programme be comprehensive or incremental in nature?

4. Given the public transport conditions in the Philippines, particularly in Metro Manila, does the PUVM Programme provide a timely solution?