Empowering LGUs in Public Transport Provision through Franchise Policy Reform

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Abstract: This paper examines the regulatory barriers that constrain the involvement of local government units (LGUs) in public transport service provision in the Philippines. Drawing from interviews with LGUs that have initiated transport programs, we identify key challenges within the current franchise and regulatory system, including the stringent requirements to secure a Certificate of Public Convenience (CPC), the uncertainty in CPC issuance for public-private ventures, the inflexibility of franchises tied to specific vehicles, and the centralization of franchise authority under the Land Transportation Franchising and Regulatory Board (LTFRB). These constraints hinder the formalization, sustainability, and scalability of LGU-led initiatives. We propose reforms to empower LGUs, including exempting them from CPC requirements for direct operations, automatically granting CPCs to LGU-private partnerships upon awarding contracts, decoupling franchises from specific vehicles, and delegating franchise issuance to qualified LGUs. These recommendations support ongoing efforts toward decentralization and a more responsive public transport system.

Keywords: Local government unit, Regulatory challenges, Franchise reform, Devolution

1. INTRODUCTION

The challenges confronting the Philippine public transport system—persistent overcrowding, service unreliability, supply shortages, pollution, and congestion—are widely recognized and well-documented. Accordingly, the reform and transformation of public transport have become enduring subjects of policy debates and academic inquiry. In recent years, a range of national government initiatives has been pursued to address these challenges. These include the Public Transport Modernization Program (PTMP), which seeks to overhaul the road-based public transport sector (e.g., Mateo-Babiano et al, 2020); the Service Contracting Program, initially introduced as a pandemic relief measure but also foundational for transitioning to performance-based service delivery (Pontawe et al, 2021; Sunio et al, 2024); the "Build, Build, Build" infrastructure program, which has expanded investments in railways (Sunio et al, 2023); and efforts to electrify transport under the Electric Vehicle Industry Development Act (EVIDA) (Stringer et al, 2025), among others.

Despite the implementation of these programs, public transport governance in the Philippines remains largely centralized under national agencies. This paper addresses the critical yet underexplored role of local government units (LGUs) in public transport service provision. Specifically, it examines pathways for enhancing LGU capacities and institutional authority, with particular attention to the potential reform of the franchise or Certificate of Public Convenience (CPC) issuance process—currently the exclusive mandate of the Land

Transportation Franchising and Regulatory Board (LTFRB). The central research question guiding this inquiry is: *How can LGUs be empowered in the provision of public transport services? What reforms to the CPC issuance process are necessary to enable such empowerment?* This investigation is especially timely given ongoing policy discussions on the devolution of functions from the national to the local level, a process intended to bolster local autonomy and improve service delivery across sectors, including public transport (Perez et al., 2022).

2. LITERATURE REVIEW

This study examines the question of how LGUs can be empowered to play a more active role in public transport service provision in the Philippines, and what reforms to the CPC issuance process are necessary to facilitate such empowerment. To situate this inquiry, we draw on three pertinent strands of literature that provide conceptual and empirical grounding for our analysis. First, we engage with the literature on the re-municipalization of public service delivery, which examines the growing trend of local and regional governments reclaiming control over services previously outsourced to private entities. This body of work offers insights into the conditions under which local governments can effectively reassert authority in service provision. Second, we review frameworks on regulatory regimes in public transport, which categorize governance models based on the structure of state-market relations and the degree of public control over service delivery. These frameworks help clarify the range of institutional arrangements available for regulating transport services. Finally, we examine the existing literature on the involvement of LGUs in public transport service provision in the Philippines, a topic that remains underexplored despite the growing recognition of LGUs' potential roles under the country's decentralization and modernization policies. Together, these strands provide a comprehensive lens through which to understand the institutional, regulatory, and policy environments that shape LGU participation in public transport governance.

2.1. Re-municipalization in the delivery of public services

In the broader literature on municipalization, there has been a notable trend wherein local and regional governments reclaim control over services that were previously outsourced to private or semi-private entities (e.g., Voorn et al., 2021). Historically, concerns about the efficiency of public service delivery led to growing interest in alternative models that reduced the role of traditional public bureaucracies. Policymakers explored service delivery mechanisms that introduced or simulated market competition, aiming to enhance performance and reduce costs. This trend was particularly evident at the local level, where practices such as privatization and contracting out became increasingly widespread.

Since the 1980s, much of the scholarship on public service reform has focused on the shift toward privatization. This movement was largely influenced by management philosophies and economic rationales collectively known in public administration as "New Public Management" (NPM). Over time, however, privatization and outsourcing under NPM revealed significant challenges. By the early 2000s, evidence of mixed outcomes emerged, prompting a growing number of local governments—particularly in Europe—to reconsider privatization and return certain services to municipal control. This reversal has been termed "re-municipalization" or, in some cases, "reverse privatization" (e.g., McDonald, 2024; Warner, 2024). Re-municipalization refers to the process of transferring services back to public ownership and administration after a period under private sector management (McDonald, 2024).

In the United States context, the primary drivers of re-municipalization include poor service quality (54%), inadequate cost savings (46%), and improvements in local government capacity (34%) (Warner, 2024). Factors such as the nature of the service, market dynamics, institutional capacity, and regulatory frameworks influence whether governments choose to re-municipalize (Warner, 2024). These dynamics are also relevant in the realm of public transport, where some jurisdictions are moving away from privatized models and reinstating public sector control.

Recent cross-country data confirm that re-municipalization is no longer confined to isolated cases but has occurred across more than a thousand documented instances worldwide. Using the *Public Futures* database, Albalate et al (2024) report 1,052 re-municipalization cases across 52 countries, with the largest concentrations in Germany (257), France (168), Spain (117), the United Kingdom (105), and the United States (91). By sector, the most frequent transitions from private to public management occurred in water (333 cases), energy (208), waste (94), health and social services (91), and transport (57). Notable examples include the water systems of Paris, Berlin, and Buenos Aires; energy utilities in Hamburg and Munich; and waste and transport services in several German and French municipalities.

These experiences reveal that the drivers of re-municipalization are largely pragmatic rather than ideological—typically responding to poor private-sector performance, limited cost savings, or the need to align service provision with climate and social objectives (Warner 2024; Albalate et al. 2024).

2.2. Regulatory regimes

Public transport regulation varies significantly across countries and cities, shaped by historical legacies, institutional capacities, and prevailing policy ideologies. Two influential frameworks help make sense of this diversity: Dementiev and Han (2020) and Currie (2016). These frameworks offer typologies that classify regulatory regimes according to market structures, degrees of government intervention, and institutional reform pathways, enabling comparative analysis across contexts.

Dementiev and Han (2020) identify five core regulatory regimes in public transport: private oligopoly, private monopoly, outsourcing, regulated monopoly, and public monopoly. Each regime reflects distinct relationships between the state and service providers. In a private oligopoly, multiple private operators compete with minimal regulatory oversight or formal contracts. This closely describes the Philippine jeepney and UV Express sectors, where, despite the existence of formal franchising, enforcement is weak, and operations remain highly fragmented and competitive. A private monopoly arises when a single private firm dominates the market, often in the absence of competition or active state regulation. Outsourcing refers to arrangements where the government contracts private operators to deliver services, typically through competitive tendering, focusing on contract management rather than direct operational oversight. The regulated monopoly model features one or few private operators functioning within a strong regulatory framework that guides service standards and fares, with the state retaining significant control despite private ownership. Finally, the public monopoly represents full state ownership and operation of transport services.

Complementing this, Currie (2016) classifies regulatory models according to institutional reforms, including economic deregulation, privatization, competitive regulation, negotiated contracting, and regulated public monopoly. These classifications reflect varying policy strategies to balance liberalization with public control. In the Philippine context, economic deregulation became prominent post-EDSA, especially in the 1990s, when jeepney and bus operations were liberalized. Route planning, service levels, and quality were largely dictated

by private initiative, with minimal state planning or intervention. Subsidies were sometimes used to support unserved routes, but the market operated without comprehensive oversight.

Privatization involves transferring assets or operational responsibility to private entities, often under public-private partnership (PPP) arrangements. A leading example is the Light Rail Manila Corporation (LRMC), which assumed the operations and maintenance of LRT Line 1 under a PPP, while the government retained ownership of the infrastructure. This reflects a broader global trend of mobilizing private capital and expertise while maintaining public oversight.

Competitive regulation entails the state defining service standards, routes, and fares, while private operators are selected through competitive bidding. An example is Quezon City's service contracting program for buses, where contracts were awarded to operators who met technical and quality criteria. The forthcoming Cavite Bus Rapid Transit (BRT) project also illustrates this model, structured as a PPP using a Swiss Challenge procurement method to competitively select private partners based on their capacity to meet predefined standards.

Negotiated contracting bypasses competitive bidding, relying instead on direct agreements with operators, often linked to performance-based payments. The national government's service contracting program under the Department of Transportation exemplifies this model, particularly during the COVID-19 pandemic, when rapid deployment of public transport services was necessary without the delays of formal tendering.

Lastly, the regulated public monopoly refers to corporatized state entities with operational autonomy but governed within public policy constraints. The now-defunct Metropolitan Manila Transit Corporation (MMTC), which operated Metro Manila's public bus services from 1974 to 1995, is an example of this model.

Together, the frameworks of Dementiev and Han (2020) and Currie (2016) provide a comprehensive lens for analyzing transport governance models in the Philippines and internationally. They reveal the coexistence of diverse regulatory arrangements within a single country, shaped by historical evolution, policy choices, and capacity constraints. In the Philippine context, the gradual shift from fragmented deregulation to more structured forms of service contracting, competitive regulation, and PPPs reflects a rethinking of the government's role—not just as a regulator but as an active enabler of equitable, efficient, and accountable public transport services.

While these frameworks provide useful typologies, several critiques emerge when assessing their real-world application (Finn and Behrens, 2025). Privatization and outsourcing, though often justified by efficiency and fiscal discipline, have faced criticism for weak contract enforcement, limited accountability, and poor service quality, especially in contexts with fragmented regulation and information asymmetry. Competitive regulation can align incentives and improve transparency, but it demands strong local institutional capacity and reliable performance monitoring—conditions not uniformly present across Philippine LGUs. Conversely, regulated public monopolies or corporatized public entities may ensure continuity and public control but risk inefficiency or politicization if not subject to clear performance benchmarks.

2.3. Involvement of LGUs in public transport service provision in the Philippines

The present research builds on and extends our previous studies on LGU involvement in public transport service provision.

Mirabueno et al. (2025) examined LGU experiences with the institutionalization of service contracting programs (SCP). Among the six LGUs surveyed, half supported institutionalization, citing potential benefits such as financial sustainability and improved

accessibility. However, they also identified challenges, including limited capacity and funding constraints. Through interviews with eight LGUs, Sunio et al. (2025a) developed five models that illustrate potential LGU roles in public transport provision in the Philippine context: (1) Co-implementation of Service Contracting, (2) LGU-Operated or Tendered Services, (3) Fare Collection Oversight, (4) Local Economic Enterprise (LEE), and (5) Public Transit Authority (PTA). These models were assessed for feasibility and stakeholder support.

In a separate study, Sunio et al. (2025b) proposed another set of five models of LGU involvement: (1) Route Planning and Service Standards Enforcement, (2) LGU-Operated Services, (3) Public-Private Partnerships for Transport Operations, (4) Fare Collection Oversight, and (5) Service Contracting. These models reflect varying degrees of government participation, ranging from regulatory oversight to direct service provision. These models were evaluated for feasibility, and findings indicate that implementation faces several challenges, including resistance from incumbent private operators, fare disputes, and the frequent turnover of elected officials.

Across these studies, common themes point to the absence of enabling national–local policy frameworks as a binding constraint to LGU participation. Mirabueno et al. (2025) observed that while several LGUs expressed willingness to institutionalize service contracting, progress was limited by the lack of formal authority to issue franchises, unclear delineation of regulatory functions between national agencies and LGUs, and insufficient fiscal support mechanisms. Similarly, Sunio et al. (2025a, 2025b) noted that even the most feasible models—such as co-implementation of service contracting and PPP-based operations—require legal and financial enabling conditions that are currently absent. Their respondents emphasized that the LTFRB's continued centralization of franchise power, coupled with short-term project financing, undermines local ownership and long-term sustainability. These findings demonstrate that institutional reform, rather than technical design alone, is crucial for advancing LGU-led transport initiatives.

These findings have important implications for the present study. First, they highlight the need for regulatory reforms that directly address the institutional and political barriers identified in earlier work. Second, they underscore that without enabling policies—particularly in areas such as franchise issuance, regulatory authority, and financial sustainability—even the most promising models of LGU involvement may remain difficult to operationalize. Finally, these studies suggest that a more systematic alignment between national policies and local capacities is essential to empower LGUs to take on expanded roles in public transport provision. This paper seeks to advance this agenda by specifically examining the constraints of the current franchise system and proposing reforms that can unlock the potential of LGU participation.

3. DATA AND METHODS

3.1. Selection of cases

As part of a larger study on the extent of LGU involvement in public transport service provision, the authors conducted interviews with several LGUs. However, since the present study focuses specifically on franchise issuance reform, we only report findings from LGUs that identified—either explicitly or implicitly—the current franchising system as a pain point.

Table 1 presents a subset of the LGUs interviewed, including the dates and duration of the interviews, as well as the LGUs' initiatives in public transport service provision. The majority of interviews were conducted virtually, with the exception of Cavite Province, where an on-site interview and field visit were carried out. We also include Clark, which, although

not formally an LGU, functions as a quasi-LGU and has its own public transport service initiative. Respondents are from the transport planning, traffic management, or PPP unit of the (quasi) LGUs.

Table 1. A subset of the list of relevant (quasi) LGUs interviewed

LGU or quasi-LGU	Date/s of interview and duration	Public transport service initiatives
Clark (quasi-LGU)	December 23, 2024 (1 hour); January 17, 2025 (1 hour)	Direct operation (Clark Loop Program)
Quezon City	January 16, 2025 (1 hour) July 2, 2025 (1 hour)	Service-contracted buses and directly operated electric buses (Q City Bus)
Iloilo City	January 3, 2025 (2 hours); January 17, 2025 (1 hour); July 9, 2025 (1 hour)	Electric bus (proposed) - Private-Public Partnership
Cavite Province	January 7, 2025 (2 hours) May 7, 2025 (3 hours)	Cavite BRT (proposed) – Private-Public Partnership
Bataan Province	July 15, 2025 (1 hour)	Free electric shuttle Local public transport route plan

3.2. Brief description of cases

3.2.1. Clark

The Clark Freeport and Special Economic Zone (CFZ) is a 4,400-hectare economic hub in Central Luzon, managed by the Clark Development Corporation (CDC). Given its strategic location and progressive development, the CFZ is known as a site for commerce, tourism, and aviation, with some 138,000 workers employed within the area.

Recognizing the limited supply of public transportation for workers and visitors, CDC reinstated its bus service within the CFZ in September 2024, featuring a cashless payment system to enhance accessibility. The Clark Loop was initially launched in 2019 to support the 30th Southeast Asian (SEA) Games, offering free transport across two routes serving the Freeport Zone and New Clark City. The revived Clark Loop Bus now operates 10 fully air-conditioned buses, each with a seating capacity of 42 passengers, running every 15 minutes on both northbound and southbound routes. The service covers 25 designated stops between SM City Clark and Clark International Airport. The reintroduction aims to address the transport needs of passengers seeking direct access to the Clark International Airport, as well as major locators in the Freeport Zone (e.g. Texas Instruments, FedEx, Hilton, Nestlé, UPS, and Marriott) by improving mobility and reducing reliance on costly private shuttle services. Since its launch, the Clark Loop has served a daily average of 1,350 passengers. However, incumbent transport operators have expressed concerns, as the revived service overlaps with existing routes and could displace around 2,000 families of drivers who depend on these routes for their livelihood.

3.2.2. Quezon City

Quezon City, a highly urbanized city (HUC) located in Metro Manila, has a land area of 161.11 square kilometers and a population of over 3 million residents — the largest in the National Capital Region. The size of its residential population, coupled with the large volume of commuters coming into the city for economic and educational opportunities, necessitates a robust public transportation system.

The Quezon City Bus Augmentation Program (QCBAP) was launched in June 2020 to address transport shortages during the pandemic's general community quarantine in Metro Manila. Initially designed to ensure essential mobility amid restricted public transport, the program has since become a dependable service in the post-pandemic "new normal." QCBAP offers free rides across eight fixed routes within Quezon City, operating on scheduled trips with designated stops for efficiency and accessibility. The city contracts bus companies to operate these routes, providing modern amenities such as air conditioning and free WiFi. Operational guidelines, including route coverage and trip schedules, are defined by specific terms of reference effective through 2025. The program was initially implemented under a Memorandum of Agreement with the LTFRB and was institutionalized via city ordinance in June 2023, securing its long-term sustainability under the oversight of the Traffic and Transport Management Department. To date, QCBAP serves around 244,499 commuters weekly. Beyond offering free rides, the program aims to ease congestion by promoting bus use over private vehicles. While initially open to all, future access will prioritize Quezon City residents with a QCitizen ID.

3.2.3. Iloilo City

With a population of 457,626 residents, Iloilo City is a rapidly developing HUC that caters to a diverse mix of economic and cultural activities. As the city expands in population and urbanization, local officials have observed an increase in traffic congestion and private car use, highlighting the need for a more comprehensive public transportation program.

In February 2024, First Balfour Inc., a subsidiary of First Philippine Holdings Corporation, submitted an unsolicited proposal to the Iloilo City Government for a "High-Capacity Bus (HCB) System for the City of Iloilo," also referred to as an "Electric Bus Rapid Transit" project. The proposal covers the financing, development, operation, and maintenance of a high-capacity electric bus system that is intended to serve three major corridors in Iloilo City. It features an integrated, technology-enabled solution aimed at improving service efficiency and operational management. Key components include an electric bus fleet, charging infrastructure, dedicated bus lanes and stations, a bus depot, an operations control center, an intelligent transport system, and a fare collection system. The proposal envisions a joint venture between First Balfour and the Iloilo City LGU, with the joint venture holding the system's operating franchise. As an unsolicited proposal, it will need to undergo a Swiss Challenge, allowing other proponents to match or exceed the offer.

3.2.4. Cavite Provincial Government

One of the most populous provinces in the country, Cavite Province has a population of about 4.7 million residing across 16 municipalities and 8 component cities. The province is a site of rapid industrialization with 64 economic zones and 1,226 industrial establishments, drawing in an increasing number of residents and workers. Key infrastructure projects (such as the LRT-1

Extension) and the emergence of master-planned townships are also projected to drive population boom. Given these developments, the Provincial LGU foresees a growing need for road-based mass public transportation.

The Cavite Bus Rapid Transit (CBRT) project is a 42-kilometer BRT and point-to-point (P2P) system initiated by the Provincial Government of Cavite (PGC) in partnership with Megawide Construction Corporation and Maplecrest Group, Inc., which was granted Original Proponent Status on October 26, 2023. The CBRT is designed to improve connectivity across Cavite, linking the cities of Kawit, Imus, General Trias, Tanza, and Trece Martires to Metro Manila via the Parañaque Integrated Transport Exchange (PITX). The system will feature three terminals and 47 stations, providing a modern, efficient public transport alternative. The project will be delivered through a joint venture between the PGC and private partners, covering development, financing, design, construction, operation, and maintenance of the BRT and P2P network. Set to begin partial operations before the end of 2025, the CBRT is envisioned to ease travel times, reduce passenger fares, and encourage modal shifts from private vehicles to public transport.

3.2.5. Bataan Province

The Province of Bataan is populated by 855,718 residents spread across 11 municipalities and 1 component city. All but one of its municipalities (Dinalupihan) lie along coastal areas, while majority of its terrain is characterized by uplands, hills, and mountains; such a topography adds several challenges to the establishment of road-based public transportation, but the provincial LGU has taken significant strides in enhancing the local transport system.

Among the province's transport initiatives is its Electric Vehicle (EV) "Libreng Sakay" Program, which makes use of City Optimized Managed Electric Transport (COMET) minibuses developed by Global Electric Transport, a transport technology company with a proven track record of LGU engagement. The free-to-ride program plies two routes according to a set timetable, ensuring reliable transportation for Bataeños. While the minibuses are operated by GET personnel, the provincial and municipal LGUs provide charging stations across different towns. Aside from the Libreng Sakay Program, the LGU is also set to introduce Transport Network Vehicle Services (TNVS) before the year ends. In a board resolution, the LTFRB granted 150 TNVs slots within the Province of Bataan, solely for the application of EVs. Permits will only be granted to non-EVs if there are remaining slots after December 30, 2025. The prioritization of EVs for the TNVs is in keeping with the province's quest for sustainability.

3.3. Interview Protocol with LGU respondents

The semi-structured interviews explored three key areas: (a) initiatives and plans for increased LGU involvement in public transport services; (b) challenges and pain points encountered; and (c) reform proposals and policy recommendations. Following an overview of each LGU's initiatives, the discussion focused on their primary public transport program—such as the Clark Loop Program, Quezon City Bus, Iloilo City's electric BRT, Cavite BRT, and Bataan's EV Libreng Sakay (free rides) and Local Public Transport Route Plan (LPTRP)—to ensure a more in-depth and targeted conversation. Respondents were asked to identify technical, regulatory, financial, or political challenges faced in implementing these programs. Additionally, the interviews specifically addressed the issue of the CPC and the pain points associated with the current franchising system.

3.4. Interview and discussion with transport specialists

The research also involved a series of focused discussions with four transport specialists, held over three virtual sessions. In these meetings, the team shared the interview findings with LGUs, which served as the basis for the specialists to provide feedback and suggest policy directions. The resulting proposals were developed collaboratively through these internal consultations, where the identified pain points were examined alongside potential regulatory and policy solutions. The proposals presented in this paper are preliminary recommendations aimed at addressing the key constraints within the current franchising system, and may be refined further through validation with stakeholders – such as LTFRB, Department of Transportation, transport operators, legislators (Senate and House of Representatives), etc.

4. RESULTS AND DISCUSSION

4.1. Franchise-related challenges

Persistent problems of overcrowding, service unreliability, supply shortages, pollution, and congestion have plagued road-based public transport in various localities. This has spurred various LGUs in the Philippines to initiate public transport programs. Interviews conducted with LGUs that have initiated these programs reveal several regulatory and institutional barriers that hinder the formalization, sustainability, and scalability of their services, as summarized in Table 2. These challenges, whether explicitly stated or implied by the respondents, underscore the misalignment between existing regulatory frameworks and the evolving role of LGUs in public transport provision. This section discusses the challenges faced by the interviewed LGUs and our proposed policy reforms.

Table 2. Regulatory Challenges Affecting LGU-Initiated Public Transportation and Policy Recommendations

Challenge	Affected LGUs / quasi-LGUs	Policy reform recommendation
Regulatory Burden of CPC and Special Permit Requirements	Quezon City and Clark	Exempt LGUs from securing CPCs
Uncertainty in CPC Issuance for PPP Ventures	Iloilo City and Cavite Provincial Government	Automatically grant franchise after issuance of NOA in PPP
Franchises Tied to Specific Vehicle Units	Iloilo City and Cavite Provincial Government	Decouple franchise from specific units
Centralization of Franchise Issuance Authority	Bataan Provincial Government	Delegate franchise issuance to qualified LGUs

The variation in how these challenges were identified—or not identified—by LGUs does not necessarily indicate that certain issues are absent. Rather, it reflects differences in institutional maturity, local policy design, and program stage. For instance, Quezon City and Clark explicitly cited the CPC requirement as a constraint because their services are already operational and require formal franchise recognition. In contrast, Iloilo and Cavite, whose projects remain in the proposal or pre-implementation stage, have not yet experienced the burden of annual permit renewal but instead face anticipatory concerns about PPP-related franchise uncertainty.

Meanwhile, Bataan did not report CPC-related difficulties because its "Libreng Sakay" program operates under a non-fare, non-commercial model supported by existing LTFRB special permits, effectively bypassing franchise barriers. These distinctions suggest that an LGU's apparent immunity to a particular regulatory challenge often stems from context-specific arrangements—such as direct coordination with national agencies, project structure (e.g., PPP vs. direct operation), or policy instruments (e.g., MOAs or provincial ordinances)—rather than the absence of regulatory constraint per se.

4.1.1. Regulatory Burden of CPC and Special Permit Requirements

A recurring challenge among LGUs operating or initiating public transport services is the requirement to secure a CPC or, alternatively, an annually renewed special permit. These requirements impose significant administrative burdens that limit the capacity of LGUs to formalize and sustain their initiatives. For instance, the Clark Development Corporation (CDC) operates the Clark Loop Bus Service under a special permit, which must be renewed annually, while Quezon City runs its Bus Augmentation Program through a memorandum of agreement with the LTFRB. Such arrangements create regulatory uncertainty, especially for services that require long-term planning and investment. Moreover, some LGU-operated services are unable to collect fares—not by policy preference, but due to the absence of a CPC, which legally authorizes fare collection. This restriction undermines the financial sustainability of these programs.

In light of this identified pain point, it is proposed that LGUs directly operating public transport services be exempted from the requirement to secure a CPC. This exemption would recognize LGUs as public service providers implementing transport programs to better general welfare, rather than commercial operators seeking profit, thereby streamlining regulatory compliance while encouraging formalization of services. The CPC is typically intended to regulate private operators that run public transport services as a business. In contrast, LGUs are not profit-driven enterprises but public entities focused on providing services for the welfare of their constituents. Given this distinction, LGUs may be reasonably exempted from the CPC requirement.

4.1.2. Uncertainty in CPC Issuance for PPP Ventures

LGUs that pursue PPP for transport service provision encounter another regulatory gap: the non-automatic issuance of a CPC even after awarding a private partner through competitive selection. Despite receiving a Notice of Award (NOA), private partners must independently apply for a CPC, a process that remains uncertain and disconnected from the PPP approval mechanism. This requirement is explicitly stated in Section 109 of the Public-Private Partnership Code's Implementing Rules and Regulations, which mandates that private partners apply for a franchise following the guidelines of the relevant regulatory body. This misalignment delays project implementation and introduces regulatory risks that discourage private sector participation.

It is recommended that PPP ventures between LGUs and private partners be automatically granted a CPC upon issuance of the Notice of Award. This would streamline the process, reduce regulatory ambiguity, and enhance the attractiveness of PPPs for public transport initiatives. This recommendation is particularly relevant for the proposed BRT projects in Iloilo City and the Cavite Provincial Government. Both are structured as PPPs; however, while Cavite's private partner has already been issued a Notice of Award, Iloilo City's partner has yet to

receive one. Despite this, both projects still require the private partner to apply separately for a CPC from the LTFRB. Streamlining this process would significantly improve the prospects for successful implementation of these initiatives.

4.1.3. Franchises Tied to Specific Vehicle Units

Another institutional constraint arises from the current practice of linking CPCs to specific vehicle units. In the CPC documents we reviewed, each certificate specifies the number of authorized units, along with detailed information for each vehicle, including the make, motor number, chassis number, plate number, and year model. The CPC also indicates the approved fare matrix and the certificate's validity period. This arrangement limits flexibility for LGUs that prefer to hold the franchise while outsourcing vehicle ownership and operations to private partners. Such rigidity hampers the development of hybrid service models where the public sector governs service standards and planning, while private entities manage operations.

In response to this challenge, it is recommended to decouple the CPC from specific vehicle units to allow for more flexible and adaptable service arrangements. This approach would allow LGUs or their joint ventures with private partners to retain control over the franchise and define service standards, while outsourcing vehicle ownership and operations to third-party providers through various contractual agreements. Such a reform would be particularly beneficial for the joint ventures of Iloilo City and the Cavite Provincial Government, should they opt to hold the franchise while delegating the procurement and operation of vehicles to private entities.

While decoupling CPCs from specific vehicle units would provide greater flexibility for LGUs and PPP ventures, its implementation would require a robust fleet monitoring and compliance mechanism. One possible approach is to shift the point of regulation from the vehicle to the operator or service contract, wherein the CPC or operating authority specifies the maximum allowable fleet size, service frequency, and performance standards rather than individual vehicle identifiers. Operators would then be required to register their fleet composition periodically (e.g., quarterly) and maintain real-time reporting through GPS-based tracking and electronic registries, enabling regulatory agencies to monitor compliance. However, this approach is not without challenges. It demands a digital information system and consistent data-sharing protocols between LGUs and the LTFRB, which smaller LGUs may not yet possess. There is also a risk of misuse, such as unregistered vehicles being deployed beyond the authorized fleet limit. Addressing these concerns would necessitate capacity-building programs, digital governance reforms, and a phased implementation beginning with LGUs that already operate modernized fleets or service contracting systems.

4.1.4. Centralization of Franchise Issuance Authority

Despite the policy direction under the Public Utility Vehicle Modernization Program (PUVMP) or the Public Transport Modernization Program (PTMP) that empowers LGUs to develop local route plans, the authority to issue CPCs remains centralized under the LTFRB. This creates a disconnect between local planning and the authorization of services, limiting the capacity of LGUs to match transport supply with local demand conditions. This centralization constrains the potential of LGUs to exercise a more integrated role in transport governance and limits the agility of local governments to address mobility needs in a timely manner.

It is therefore recommended that the authority to issue CPCs be delegated to qualified LGUs.

An accreditation system could be established, guided by clear criteria such as institutional capacity, technical expertise, and governance standards, to ensure that only capable LGUs are entrusted with this responsibility. Such decentralization of franchise issuance is consistent with the broader devolution efforts in the Philippines and would enhance the ability of public transport systems to respond to local mobility needs. This reform would be especially advantageous for LGUs like the Bataan Provincial Government, as well as others that have completed or are finalizing their local public transport plans, enabling them to directly issue franchises in response to emerging or fluctuating transport demands.

While the decentralization of franchise issuance is a logical extension of the ongoing devolution process, it raises legitimate concerns about routes that traverse multiple jurisdictions, such as inter-city and inter-provincial services. Interview findings reveal that most LGUs focused on local routes within their territorial boundaries, but a few - particularly Cavite and Bataan - recognized the challenge of regulating services that extend beyond their borders. The Cavite BRT project, for instance, envisions connectivity from Trece Martires to Metro Manila's PITX terminal, which would require coordination with the LTFRB and adjacent LGUs. Similarly, Bataan's provincial programs anticipate inter-municipal operations that cut across municipal lines.

To address this, multi-level coordination frameworks rather than full devolution for cross-boundary routes is suggested. One option is a tiered franchise system—where LGUs regulate intra-city and intra-provincial services, while the LTFRB or a regional body retains jurisdiction over inter-provincial or metropolitan routes. Another emerging idea is the establishment of metropolitan or inter-LGU transport councils, which can jointly plan and issue franchises for shared corridors.

These perspectives highlight that the appropriate level of localization must correspond to the service scale. Highly urbanized cities and quasi-LGUs (like Clark) are well-positioned to manage local circulators and feeder systems, whereas provinces may assume regulatory roles for inter-municipal mobility. A flexible, multi-tiered arrangement—where franchise authority is delegated but coordinated—would therefore be essential to ensure network coherence and avoid regulatory fragmentation.

4.2. Pilot Implementation of CPC reform in select LGUs

Not all LGUs possess the institutional, financial, or technical capacity to independently lead public transport programs. However, the case studies presented in this research demonstrate that some LGUs are both willing and capable of implementing sustainable and innovative transport initiatives. In this light, the recommended policy reforms should be introduced through a phased pilot approach, targeting select LGUs that exhibit readiness and represent a diversity of transport needs and governance contexts. Should legislation or executive directives be pursued to reform the franchising system, their initial scope could be deliberately limited to specific categories of LGUs, rather than applied universally.

We propose three broad categories for pilot implementation: highly urbanized cities (HUCs), provincial governments, and metropolitan areas. HUCs provide ideal conditions for testing reforms such as franchise decoupling and CPC exemptions, given their complex transport systems, higher levels of institutional capacity, and pressing urban congestion challenges. They can also better evaluate the impact of flexible service models in high-density corridors.

Progressive and fast-growing provincial governments, like Bataan, are well-suited to pilot the delegation of franchise issuance and the integration of PPPs. Operating at an intermediate scale, provinces play a pivotal role in connecting local and national transport networks, making them key sites for evaluating inter-jurisdictional coordination and regional mobility strategies. Provinces adjacent to Metro Manila—such as Bulacan, Pampanga, Rizal, Cavite, and Laguna—also present strong candidates for such pilots given their strategic location and growing transport demands linked to the capital region. Finally, metropolitan areas—such as Metro Manila, Metro Cebu, and Metro Davao—are critical pilot sites due to their unique governance structures that encompass multiple LGUs within a contiguous urban region. Testing reforms in these settings would provide insights into managing transport systems that span administrative boundaries, which is essential for integrated metropolitan mobility planning. Including metropolitan areas in the pilot phase is particularly important, as these regions experience the most severe congestion and fragmented governance, making them a vital proving ground for institutional innovations in franchising, service integration, and regulatory coordination.

5. SUMMARY AND CONCLUSIONS

This study identified key regulatory and institutional barriers that constrain the participation of local government units (LGUs) in public transport service provision in the Philippines. Drawing from case examples of (quasi) LGUs and such as Quezon City, Clark, Iloilo City, Cavite, and Bataan, we highlighted four main challenges: (1) the regulatory burden of securing a CPC or special permits, (2) uncertainty in CPC issuance for PPP ventures, (3) the rigid practice of tying franchises to specific vehicle units, and (4) the centralization of franchise issuance authority under the LTFRB.

To address these challenges, we proposed a set of policy reforms: exempting LGUs from CPC requirements for directly operated services, automatically granting CPCs upon the issuance of the Notice of Award in PPP arrangements, decoupling franchises from specific vehicle units to allow for operational flexibility, and delegating franchise issuance authority to qualified LGUs. These recommendations aim to align regulatory frameworks with ongoing efforts toward decentralization, enabling LGUs to respond more effectively to local mobility needs and support the development of sustainable and integrated public transport systems. It is also recommended that the CPC reform be piloted in a limited number of LGUs, specifically in highly urbanized cities, selected provinces with proven capacity—particularly those near Metro Manila—and designated metropolitan areas. Ultimately, enabling LGUs to take a more active role in delivering public transport services within their jurisdictions directly benefits ordinary Filipino commuters, who are their primary constituents.

It is worth noting that similar reforms have been successfully implemented in other jurisdictions, providing useful lessons for the Philippines. For instance, Chile's Transantiago reform and Colombia's TransMilenio system illustrate how gradual decentralization and service contracting can professionalize public transport operations when coupled with robust regulatory oversight (Gómez-Lobo and Briones, 2014). These international experiences reinforce that decentralization can work effectively when supported by clear legal mandates, financial sustainability mechanisms, and inter-agency coordination frameworks.

Nonetheless, the proposed reforms in this paper are not without challenges. Delegating franchise authority and decoupling CPCs from vehicles require digital monitoring systems, capacity development, and careful transitional safeguards to prevent regulatory fragmentation or misuse. Recognizing these practical constraints provides a more balanced view of the policy pathway—one that is both aspirational and grounded in institutional realities.

This study is limited in scope as it does not yet assess the feasibility or legal viability of

the proposed reforms, nor does it determine which policy instrument—such as a department order, executive order, or republic act—would be most appropriate or achievable. Future research could focus on evaluating the practicality and stakeholder acceptability of these proposals, engaging key actors such as the LTFRB, Department of Transportation, transport operators, and legislators from both the Senate and the House of Representatives.

Declaration of the use of Generative AI and AI-assisted technologies in the writing process

During the preparation of this work, the authors used ChatGPT. Specifically, AI was used to: (1) paraphrase the texts, quoted from our references; (2) help find relevant research materials; and (3) paper editing. After using this tool/service, the authors verified further and edited the content as needed and took full responsibility for the content of the publication.

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