

PRIVILEGE SPEECH OF REP. BRAVO (A.)

REP. BRAVO. Thank you, Mme. Speaker.

Mme. Speaker, distinguished colleagues, it is fundamental among the many roles of Congress the constitutional mandate involving the power of the purse. This is the platform whereby we are shaping the policy and exercising the time-honored checks and balances at the core of our political structure.

Today, I stand before this honorable Assembly to air out some issues and concerns on the Motor Vehicle Users Charge or MVUC. The MVUC is the third largest source of tax revenue in the country today with P11.3 billion collection in 2015 alone, as reflected in the Budget Expenditures and Sources of Financing or the BESF for 2017. The other top tax revenue collectors are Bureau of Customs with P367.5 billion and, of course, the Bureau of Internal Revenue with P1.4 trillion tax collection.

Before I present the issues surrounding the MVUC, it is important for us to revisit the historical evolution of the laws on motor vehicle registration and taxation system until the MVUC Act was promulgated in the year 2000. More than half a century or 52 years ago, the Land Transportation and Traffic Code was enacted on June 10, 1964. The code provided control over the registration and operation of motor vehicles, and the licensing of owners, dealers, conductors and drivers. Collections under this Act were considered “registration fees.”

After 20 years, Presidential Decree No. 1598 or the Private Motor Vehicle Tax was promulgated on October 10, 1984 to modify the inconsistent provisions of Republic Act. No. 4136. The decree was an emergency measure to revive the national economy and was intended to finance road maintenance. The Private Motor Vehicle Tax was restructured during the time of Pres. Corazon Aquino when she issued Executive Order No. 43 on August 22, 1986, rationalizing the structure of the motor vehicle tax based on the owner’s ability to pay. Finally, on June 27, 2000, Republic Act No. 8794, otherwise known as the Motor Vehicle Users Charge Law or the MVUC was signed into law by Pres. Joseph Estrada. It is under this light that the Department of Transportation, through the Land Transportation Office, has been collecting annually from vehicle owners during registration an item called “MVUC.” The MVUC fee is 88 percent of the total vehicle registration fee that we pay to the Land Transportation Office.

The implementing rules and regulations of the MVUC Law mandated the establishment of the Road Board, the DPWH Road Program Office and the DOTC or the Department of Transportation and Communications then, Vehicle Pollution Control Fund Committee. The Road Board is the implementing body of the MVUC and is composed of seven members such as the Secretary of the DPWH as ex-officio head, the Secretaries of the Department of Finance, the Department of Budget and Management, and the Department of Transportation and Communications, which is now the Department of Transportation, as ex-officio members, and three other members from transportation organizations recommended by the DPWH and the DOTC. The Road Board is mandated to supervise projects and activities, impose control on auditing and accounting procedures, monitor income and expenditures, approve and review programs of work and bidding procedures, monitor the use of Special Funds, and raise awareness on the MVUC Special Funds. The Road Program

Office meanwhile monitors and reports the annual needs of road maintenance and road safety, disbursement of funds, progress of work, use of Special Funds and other functions related to the operations and maintenance of roads. The DOTC Special Vehicle Pollution Control Fund Committee is subject to the supervision of the Road Board.

The committee administers and manages the Fund, provides directions to the projects and activities, and monitors and ensures the proper implementation of the approved Vehicle Pollution Control Program.

The Land Transportation Office, under the DOTC, collects the MVUC registration fees, Mme. Speaker. The LTO then remits the MVUC collections to the Bureau of Treasury, which deposits the MVUC Funds to four different special accounts, according to their corresponding percentage provided for under the MVUC Law. Eighty percent of the MVUC Fund goes to the Special Road Support Fund under the DPWH to be used for national primary roads and national secondary roads; five percent to the Special Local Road Fund, also under the DPWH to be used for local roads traffic and safety devices for cities and provinces; 7.5 percent to the Special Road Safety Fund, again under the DPWH for installation of road safety devices throughout the country; and the remaining 7.5 percent goes to Special Pollution Fund, under the DOTC for prevention and control of air pollution from mobile sources, Mme. Speaker. In other words, Mme. Speaker, the DPWH has the majority share of the MVUC collections equivalent to 92.5 percent while the DOTC gets the 7.5 percent.

After only one-and-a-half years of the MVUC implementation, the government collected P3.2 billion in 2001, Mme. Speaker. Then, five years later, collections doubled to P7.2 billion in 2005. Total collections in a span of five years were P27.5 billion.

Now, Mme. Speaker, let us ask what I believe to be a significant question: How much has been collected of the Motor Vehicles User's Charge up to this date, for 2015? It is an astonishing P124.8 billion, Mme. Speaker, distinguished colleagues. If we are to apply the provisions of Republic Act No. 8794 on the usage of these MVUC collections, it means that P99.8 billion will be allocated for national primary and secondary roads; P6.2 billion for local roads traffic and safety devices; P9.4 billion for installation of road safety devices in the country; and P9.4 billion for the prevention and control of pollution. But how did the government utilize the P124.8 billion MVUC Funds, Mme. Speaker?

As per 2017 Budget of Expenditure and Sources of Financing Report, the MVUC has a remaining balance of P11.3 billion as of December 31, 2015, which means that the utilization of such funds since its implementation in 2001 totals to P113.4 billion. The big question now, Mme. Speaker, is, where did this huge amount of money go?

Reports of the Commission on Audit over the years have raised red flags on the irregularities in the use of the MVUC Funds. In 2004, the COA found out that there was misuse of the MVUC Funds in the amount of P273.5 million from unsubstantiated obligations; overstated receivables due to cash advances; understated inventory balance; understated plant, property and equipment; and undocumented accounts payable and expenses, not related to maintenance. In the same year, the COA reported that there were unrelated expenses of P145.7 million, Mme. Speaker. In 2005,

the COA findings, again, reflected questionable use of MVUC Funds amounting to P282.5 million. The bulk of this amount went to overstated repairs and maintenance; P124.4 million to unreliable report on inventories; P71 million in expenses not related to road maintenance in the amount of P537.3 million.

Again, in the 2009 COA report, we find, as they said—we find these strongly worded findings of the Audit Commission, which states:

The audit concluded that MVUC funds were not properly accounted for and effectively utilized. The total MVUC collections and deposits could not be accurately established due to errors in recording, among others, which resulted in unreconciled differences between the LTO and the BTr records of P1.288 billion as of December 31, 2008. Substantial amount of MVUC Funds released to agencies covered in the audit were also used for other purposes and in implementing a number of projects without due regard to economy and effectiveness.

The use of funds for other purposes is evident in the utilization by the implementing agencies of about P297.538 million for administrative and miscellaneous expenses contrary to the provisions of RA 8794 requiring funds to be used exclusively for road maintenance and safety projects, and air pollution control programs.

These COA reports tell us that a substantial amount of MVUC collections were used for purposes other than road maintenance and road safety projects and that the fund is perhaps mismanaged. The irregularities in MVUC fund utilization persist, Mme. Speaker. In the latest audit for 2015, the COA reported that fund transfers to various national government agencies and local government units in the amount of P1.1 billion remain unliquidated. Also, the COA said that unrecorded purchases and issuances of inventories and direct recording of unissued inventories as expenses resulted in an overstatement of reported assets by P2.4 million.

The COA further stated that there is the:

unrecognized depreciation and erroneous reclassification of a completed infrastructure project to an expense account, resulting in the understatement of the Depreciation Expense, Accumulated Depreciation, and Road Networks accounts by P1,952,095.06, to be exact, and P15,068,516.77, respectively, and the overstatement of the Repairs and Maintenance – Road Networks account by P15,068,516.77

In summary, the COA found out that only 80.34 percent of the P14.4 billion MVUC Fund for 2015 was obligated, thus, P2.8 billion allotments for road repair and maintenance, road safety and vehicle pollution control were reverted back to the National Treasury.

The COA also pinpointed inconsistencies in the MVUC Accomplishment Reports which showed that out of 520 MVUC projects for implementation in 2015, 127 were completed, 150 are ongoing, and 243 were not completed as of December 31, 2015.

The COA's sample validation of 16 ongoing projects and eight completed projects, however, showed that only two projects are ongoing within the contract schedule while the implementation or completion of 22 projects were delayed due to inefficient planning and supervision. Moreover,

the COA found out that 146 projects covered by additional allotment were not included in the MVUC report. Elevators installed in pedestrian overpasses costing P44 million were not utilized due to the absence of adequate funding for the necessary parts, maintenance costs, and wages of staff to operate. This resulted in wastage of government funds, Mme. Speaker. Motor Vehicle Inspection System equipment costing P200.5 million remained unproductive, as well and the Road Board Secretariat continued to implement infrastructure projects which are beyond its mandated functions under the MVUC Law.

Mme. Speaker, the COA revealed that the Road Board Secretariat had seven programmed infrastructure projects for implementation during the year. Out of the seven projects, only two are currently being implemented within contract schedule, three have not been started, one was completed beyond the scheduled time frame, and one has not been completed despite lapse of the scheduled completion date. In addition to the seven projects, two projects funded out of the calendar year 2014 allotments were suspended in calendar year 2015. These National Road Lighting Program projects, namely: Supply and Installation of Luminaries Package 7 and Package 6 were suspended because the proposed civil works to be implemented by DPWH regional offices and district engineering offices have not been completed.

Mme. Speaker, the following excerpts from the COA report regarding the 2015 MVUC auditing need no further clarification:

The Road Board Secretariat does not have the technical capacity necessary to implement infrastructure projects considering that its plantilla included only seven engineers; hence, all civil works of the National Road Light Program or the NRLP were still done by the regional offices and district engineering offices.

Consequently, the suspension or delay of NRLP projects was attributed to the delays in the completion by the regional offices or district engineering offices of the civil works component for the projects, which constrained the Road Board Secretariat from immediately implementing the supply and installation of luminaries nationwide.

It should be pointed out that the supply and installation of luminaries could have also been implemented by the regional offices or district engineering offices themselves, thus, raising the issue on why the said program had to be split into two projects, with the construction of the lamp post implemented by the regional offices or district engineering offices and the supply and installation of the luminaries implemented by the Road Board Secretariat or the RBS.

We also reiterated our recommendation that the RBS refrain from bidding and implementing special projects that are beyond its capability in terms of the availability of personnel with technical expertise in infrastructure projects. Instead, the secretariat should focus on its core mandate of assisting the board in managing the MVUC Fund and simply delegate the implementation of infrastructure projects to the DPWH being the main engineering arm of the government.

It is therefore clear, Mme. Speaker, in the COA's recommendation that the DPWH and the DOTC offices should refrain from utilizing the MVUC Fund other than those enumerated and within the confinement of Republic Act No. 8794.

Mme. Speaker, the reality is, the MVUC is not even part of the DPWH nor the DOTC regular budget under the General Appropriations Act, meaning, the MVUC does not undergo the annual budget deliberation and the appropriate budget processes.

In our budget system, the MVUC is classified as earmarked revenue, Mme. Speaker. Earmarked Revenues are either tax or non-tax revenues especially set aside in whole or in part for specific expenditures or programs. As an earmarked revenue, the MVUC is merely reported annually in the Budget of Expenditures and Sources of Financing and making it part of Special Accounts in the General Fund. This leaves us clueless, Mme. Speaker, honorable colleagues, if the Fund is being properly dispensed of according to its intended use. It deprives the Congress of its control of the expenditures of this particular public fund.

I would like to reiterate, Mme. Speaker, that the MVUC involves a huge amount. As I mentioned earlier, P113.4 billion was already utilized for the period of 16 years and the current balance stands at P11.3 billion. Is there a report on the breakdown of the MVUC Fund? Is there full disclosure of all the transactions? Sadly, Mme. Speaker, there is none. This humble Representation fears that a huge part of the MVUC Fund is lost to graft and corruption as there are no check and balances for this public fund. So, how do we make the Road Board, the DPWH and the DOTC accountable, Mme. Speaker?

Mme. Speaker, my recollection tells me that the MVUC under Republic Act No. 8794 was enacted by this illustrious Body in the year 2000 in order to support the maintenance and improvement of all roads all over the country. Hence, the tax revenues from the MVUC should be used for such purposes. But the COA findings tell us that this is not the case.

Right now, the MVUC Fund could not be properly reviewed by Congress because it is not reflected in the General Appropriations Bill. It does not appear in the items under Special Purpose Funds. Under this prevailing condition, MVUC funds and releases could therefore be easily overlooked, or worse, concealed, Mme. Speaker.

I would like to propose, Mme. Speaker, that there should be transparency in the utilization of the MVUC Fund so that it will not be lost to corruption and other irregularities. Congress should play an oversight function over this very important special fund. It is worth mentioning, Mme. Speaker, Section 29 (1) Article VI of the Constitution which says: "No money shall be paid out of the Treasury except in pursuance of an appropriation made by law."

Mme. Speaker, honorable colleagues, I call your attention: let us explore this gray area. It is high time that we take closer scrutiny of the expenditures of the DPWH and the DOTr, relative to the utilization of the MVUC Fund so as to stop further wastage of public funds.

Let me leave this floor with this noble assertion: aside from our political mission, we have social, moral and economic responsibility to the Filipino people. We need to enable this country through our legislative actions, to grow as a progressive nation, free from the bondage of poverty and graft and corruption.

Thank you, Mme. Speaker. Thank you, distinguished colleagues.