Republic of the Philippines
Department of Trade and Industry
Securities and Exchange Commission
SEC Bldg. EDSA, Greenhills, Mandaluyong City

IN THE MATTER OF:

SEC Admin. Case No. 12-01-44
For: Revocation of Certificate of Registration

AMERICAN AUTOMOBILE INTERNATIONAL INCORPORATED

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DECISION

For consideration is the *Petition* dated 19 November 2001 filed on 22 November 2001 by the Compliance and Enforcement Department ("CED", for brevity)[1] of this Commission praying that the certificate of registration of American Automobile International Incorporated ("AAII") be revoked for serious misrepresentation as to what the corporation can do or is doing and for defiance of the lawful orders of the Commission.

The facts are:

AAII is a domestic stock corporation registered with the Commission on 17 June 1999 under SEC Registration No. A199908512[2], with registered purpose(s) being, to wit:

"xxx xxx xxx

Primary Purpose

To carry on Printing Service Business for International Identification Card for International Driver's Permit, to work and undertake lithographer, stereotype, photo printers, and any other business similar or analogous to the foregoing, or any of them.

Secondary Purposes

1. To carry on business to translate Identification Card for International/Tourist Driver's Permit.
2. To conduct seminars from time to time and to inform holder of Driver's Permit of Traffic Rules and Regulations promulgated by duly constituted authority.

xxx xxx xxx"[3]

The incorporators of AAII and their respective nationalities as appearing in the Commission's record are as follows: (1) Veronica C. Nambio – Filipino; (2)

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[1] Now Enforcement and Prosecution Department.
[2] AAII's Certificate of Registration, Annex "A" of the *Petition*.
[3] AAII's Articles of Incorporation, Annex "B" of the *Petition*.

Milagros C. Partolin – Filipino; (3) Vadim Partolin – Latvian; (4) Neil F. Nambio – Filipino; and (5) Leonila B. Cortez – Filipino. As stated in its Articles of Incorporation, the company's principal office is at Rm. 922 Herrera Tower, Herrera Street, Makati City.[4]

On 14 August 2000, Police Chief Superintendent Cecilio R. Penilla of the Philippine Center on Transnational Crimes ("PCTC") filed with the then Prosecution and Enforcement Department ("PED"), the predecessor of CED, a referral letter requesting the immediate investigation of AAII[5], on the strength of a report from Interpol Saipan[6]. According to the said report, a Korean national was selling International Driver's/Driving Permits ("IDPs") or International Driver's/Driving Licenses out of a store in Saipan. The documentary requirements submitted by the applicant-buyers were sent or delivered, through DHL, to the Philippines, specifically at Rm. 922, Herrera Tower, Herrera Street, Salcedo Village, Makati City. The IDPs were printed in the Philippines and showed the corporate seal of AAII and the signature of a certain David Partolin. The report likewise stated that the document sold is not a driver's license and that the holder will not be able to legally drive in the United States or its territories. Officer Penilla likewise attached to his letter several advertisements made by AAII for issuance of IDPs for Asia, USA, Canada and Europe, and for the hiring of representatives for the distribution of IDPs.[7]

On 6 October 2000, PCTC forwarded supplemental documents[8] substantiating AAII's lack of accreditation permit to issue IDPs.

On 9 October 2000, a certain Edwin A. Quilates filed a complaint-affidavit against AAII dated 6 October 2000, stating that: (1) he read an advertisement in the papers that AAII is issuing an IDP that will authorize a local resident to drive a vehicle in foreign countries; (2) on 19 September 2000, he went to the office of AAII and secured an IDP for the amount of Four Thousand One Hundred Pesos (Php4,100.00); and (3) when he attempted to use the IDP in Malaysia, the same was rejected by the Malaysian authorities.[9]

Based on the foregoing, a Cease and Desist Order ("CDO") dated 24 January 2001 was issued against and served upon AAII directing it, its officers, directors, agents, representatives and any and all persons claiming and acting under its authority to cease and desist from further engaging in the printing, distribution and sale of IDP without the required authority to do so.

AAII then filed a *Motion for Reconsideration and Lifting of the Cease and Desist Order* ("Motion to Lift") dated 2 February 2001 filed through its therein indicated counsel, Atty. George Z. Vitug. In an Order dated 17 April 2001, the

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[4]Supra, Note 3.
[5]Annex "C" of the *Petition*.
[6]Annex "D" of the *Petition*.
[7]Annexes "E" and "F" of the *Petition*.
[8]UN Economic and Social Council List of Associations Authorized to Issue International Driving Permits, UN Convention on Road Traffic 1968, and Certification from LTO.
[9]Annex "I" of the *Petition*.

motion was denied for having been filed out of time and the CDO was made permanent.

In a Memorandum dated 17 May 2001[10], CED investigators Edwin Florida and Freddie Agsalon reported that based on their investigation, AAII was still selling IDPs despite the permanent CDO.

On 25 May 2001, CED issued an Order ("Show Cause Order"), addressed to AAII and its counsel, directing the company, its officers and directors to show cause why they should not be cited for contempt and why no administrative sanctions or criminal action should be brought against the individuals responsible for the continuous violations of the permanent CDO. On 23 August 2001, a second Show Cause Order was issued, this time to AAII's incorporators and/or directors on record.

During the instant proceeding(s) for revocation, or on 4 July 2002, AAII, through its new counsel, Abrenica Duque Sicat Law Office, filed an *Offer of Compromise*, agreeing "*to have its franchise suspended for six months from June 30, 2002 until December 30, 2002, to afford them time within which to meet all the legal requirements.*"[11] The *Offer of Compromise* was granted by the Commission by way of its Order dated 10 July 2002.

In view of the lapse of the suspension of AAII's primary franchise, a clarificatory hearing was called and set on 9 September 2003. The hearing was attended by CED, which requested the filing of a Position Paper, but not by AAII despite due notice.

On 7 June 2004, CED filed its *Memorandum*, in compliance with the 25 May 2004 Order of the Commission, while AAII failed to comply.

We rule for CED.

Under Section 6(l) of Presidential Decree No. 902-A, the Commission has the power to suspend or revoke the certificate of registration of a corporation on the grounds of, among others, (1) serious misrepresentation as to what the corporation can do or is doing to the great prejudice of or damage to the general public, and (2) refusal to comply or defiance of any lawful order of the Commission restraining commission of acts which would amount to a grave violation of its franchise.

SERIOUS MISREPRESENTATION AS TO WHAT THE CORPORATION CAN DO OR IS DOING TO THE GREAT PREJUDICE OF OR DAMAGE TO THE GENERAL PUBLIC

[10] Annex "R" of the *Petition*.
[11] AAII's *Offer of Compromise* dated 3 July 2002.

There exists no absolute right to drive. On the contrary, it is a mere privilege, which is heavily regulated.[12] No doubt, the issuance of a driver's license or permit is a means by which the State guarantees safety in the use of roads and thoroughfares. It is an exercise of police power which exclusively devolves upon the State.

An IDP is an official document permitting a person to drive a vehicle in a country other than his/her own.[13] It is slightly larger than a standard passport and is essentially a multiple language translation of one's own existing driver's license, complete with photograph and vital statistics.[14]

The 1968 Vienna Convention on Road Traffic ("the Convention"), to which the Philippines is a Contracting Party, provides rules on IDPs, Article 41 of which states:

> "1. Contracting Parties shall recognize:
>
> (a) Any domestic permit drawn up in their national language or in one of their national languages, or, if not drawn up in such language, accompanied by a certified translation;
> (b) Any domestic permit conforming to the provisions of Annex 6 to this Convention; and
> (c) Any international permit conforming to the provisions of Annex 7 to this Convention, as valid for driving in their territories a vehicle coming within the categories covered by the permit, provided that the permit is still valid and that it was issued by another Contracting Party or subdivision thereof or by an association duly empowered thereto by such other Contracting Party. xxx.
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> xxx xxx xxx
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> 5. An international permit shall be issued only to the holder of a domestic permit for the issue of which the minimum condition laid down in the Convention has been fulfilled. It shall not be valid after the expiry of the corresponding domestic permit, the number of which shall be entered in the international permit.
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> 6. The provisions of this Article shall not require Contracting Parties:
>
> (a) xxx xxx xxx
> (b) To recognize the validity of permits as aforesaid issued to drivers whose normal residence at the time of such issue was not in the territory in which the permit was issued or who since such issue have transferred their residence to another country."[15]

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[12]Mirasol, et al. vs. DPWH, G.R. No. 158793, 8 June 2006.
[13]Secretariat's Note, Thirty-First Session, 1-4 September 1998, of the Working Party on Road Traffic Safety, Inland Transport Committee, Economic Commission for Europe, United Nations Economic and Social Council.
[14]http://en.wikipedia.org.
[15]Annex "4" of the *Answer* dated 4 April 2002.

The Convention is very clear: an IDP must be issued by the State, through the government or any subdivision thereof, or through an association duly accredited or authorized by the government. For example, the U.S. State Department authorized only two (2) organizations to issue IDPs, namely, the American Automobile Association and the American Automobile Touring Alliance.[16]

In recent years, there have been cases of fraudulent issuances of IDPs, by-passing the legal authority and its authorized agency. [17] This prompted a proposal to draw up a list of associations authorized by their Governments to issue, in their respective countries, IDPs, so that there would be rapid verification by the authorities concerned of the sales offers appearing on the "market".[18] Hence, the UN Economic and Social Council made such list ("the List"), according to which, the only entity authorized to issue IDPs in the Philippines is the Philippine Motors Association, now Automobile Association Philippines.[19]

CED was able to establish that AAII has been advertising itself as an issuer of IDPs and has been actually issuing IDPs, without legal authority and capacity to do so, to the detriment of the general public. AAII is not recognized in the List[20]; neither was it granted by the Land Transportation Office an accreditation permit to issue IDPs.[21] Not surprisingly, the IDP issued to Quilates was rejected by the Malaysian authorities: (1) the Automobile Association of Malaysia found that the IDP "*is not genuine and therefore not acceptable*", and required Quilates "*to contact the Philippine Motor Association (PMA) for further assistance on this matter*"[22]; and (2) the Road Transport Department of Malaysia confirmed that it was not obligated to recognize the IDP for purposes of driving in Malaysia because the same does not conform to the format prescribed by the Geneva Convention on Road Traffic.[23]

AAII insists that it has the authority to issue IDPs as evidenced by the Certificate of Qualification issued by the State of California, the Certificate of Existence with Status of Good Standing issued by the State of Nevada, and the Permit given by the Republic of Latvia.[24] These documents, however, are of dubious character in that while they indicate the company as "*American Automobile International, Inc.*", they nonetheless refer to the same as a corporation organized and existing under the laws of the United States of America, specifically those of the State of Nevada. AAII, to stress, is a domestic corporation organized and existing under the laws of the Philippines, and hence, any authority to issue IDPs in the Philippines and for Filipinos must emanate from the Philippine government.

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[16] http://manila.usembassy.gov; http://www.crazydogtravel.com; http://www.drivers.com.
[17] Supra, Note 13.
[18] Ibid.
[19] Secretariat's Note, Thirty-Second Session, 13-16 April 1999, of the Working Party on Road Traffic Safety, Inland Transport Committee, Economic Commission for Europe, United Nations Economic and Social Council. (Annex "G-1" of the *Petition*).
[20] Ibid.
[21] Annex "H" of the *Petition*.
[22] Annex "M" of the *Petition*.
[23] Annex "N" of the *Petition*.
[24] Annexes "1", "2" and "3", respectively, of the *Answer* dated 4 April 2002.

We likewise agree with the assessment made by Interpol Saipan. The Convention is categorical: a Contracting Party shall not recognize an IDP issued to drivers whose normal residence at the time of such issue was not in the territory in which the permit was issued. If, as AAII asseverated, the act of translating the domestic permit into several languages is essentially what constitutes issuance of an IDP[25], then it can be said that the IDPs for the Saipan clients were in effect issued in the Philippines by AAII. Following the Convention, the said IDPs would not indeed be honored in foreign countries, the Koreans and Chinese clients in Saipan not being residents of the Philippines. This is not to mention the fact that the Korean national forwarding the applications in this jurisdiction was bereft of a business license, much less, an authority to issue IDPs from the Saipan authorities.[26]

To be sure, AAII failed to controvert the evidence of CED and to prove that it has the requisite legal authority or capacity to issue IDPs. This, it even practically admitted, by virtue of its agreement, *via* the *Offer of Compromise*, to suspend its certificate of registration pending compliance with all the legal requirements. However, the period of suspension had long lapsed without such compliance. There is, therefore, no other logical step but to revoke its certificate of registration.

REFUSAL TO COMPLY OR DEFIANCE OF ANY LAWFUL ORDER OF THE COMMISSION RESTRAINING COMMISSION OF ACTS WHICH WOULD AMOUNT TO GRAVE VIOLATION OF ITS FRANCHISE

The records reveal that AAII defied the permanent CDO when, despite such Order, it continued to print, distribute and sell IDPs without the required authority to do so.[27] Again, AAII failed to refute such a finding in the investigation report of the CED investigators, which enjoys the presumption of regularity in the performance of official duty.[28] The denial by AAII in its *Answer* of such a finding is self-serving, as it is unsubstantiated.[29]

AAII's propensity to ignore the processes of this Commission is palpable, as also evident in the following instances: (1) the first Show Cause Order issued and addressed to AAII in order to afford it an opportunity to explain itself on the matter of the violation of the CDO returned unserved because the company, according to the return, had already closed[30]; (2) the other addressee of the first Show Cause Order, Atty. Vitug (AAII's former counsel), was merely engaged on a limited capacity, i.e., only for the filing of the Motion to Lift, and had no more communication with AAII and its officers/directors[31]; and (3) AAII's new counsel, Abrenica Duque Sicat Law Office, eventually withdrew from the case as it likewise

[25] *Answer* dated 4 April 2002, page 5.
[26] Supra, Note 6.
[27] Supra, Note 10.
[28] Section 3(m), Rule 131, Rules of Court.
[29] Supra, Note 25, page 3.
[30] See return of the first Show Cause Order. As above adverted to, this prompted the issuance of a second Show Cause Order, this time to AAII's incorporators and directors.
[31] *Manifestation* dated 4 June 2001, Annex "T" of the *Petition*.

had no more communication with the officers of the company since the closure of its (AAII's) office and suspension of its primary franchise.[32]

Surely, we cannot countenance such mockery of the Commission.

WHEREFORE, premises considered, the instant *Petition* is hereby **GRANTED**. The Certificate of Registration of American Automobile International Incorporated is hereby **REVOKED**. Let a copy of this *Decision* be furnished the Company Registration and Monitoring Department of this Commission for its appropriate action.

SO ORDERED.

03 June 2010, Mandaluyong City.

FE B. BARIN
Chairperson

MA. JUANITA E. CUETO*
Commissioner

RAUL J. PALABRICA
Commissioner

MANUEL HUBERTO B. GAITE
Commissioner

ELADIO M. JALA
Commissioner

*on leave

[32] *Withdrawal of Appearance* dated 24 June 2004.