

**Column for Business Mirror**  
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## **The Entrepreneur**

### **No more compelling reason to sell public lands**

FOR many years, privatization served as an important tool for the government to generate revenues to augment tax collections, which were never enough to operate the bureaucracy and deliver public services.

Privatization was implemented in three waves beginning in 1986. The first wave was when President Cory C. Aquino issued Proclamation 50 and 50-A, which created the Asset Privatization Trust and the Committee on Privatization to handle the sale of government corporations and property. The large-scale privatization program auctioned off more than 100 government-owned or -controlled corporations and more than 300 non-performing assets.

The second wave of privatization, under President Fidel V. Ramos, generated P174 billion by 1996. During his term, he signed the build-operate-transfer law, or Republic Act 7718, which attracted private-sector investments in power generation, which, in turn, helped solve the power crisis that erupted during the latter part of Aquino's term.

The work of the Committee on Privatization and the Asset Privatization Trust was extended during the term of President Joseph Ejercito Estrada with the creation of the Privatization Council (policy-making body) and the Privatization Management Office (marketing arm).

The government intensified the privatization program during the term of President Gloria Macapagal-Arroyo, which began the wholesale privatization of the power sector—generation, distribution and transmission—in accordance with the Electricity Power Industry Reform Act.

In the past, privatization was brought about by necessity, such as the need for rapid investments in the power sector to ease the energy crisis, and the need for other sources of revenue to cope with the inadequate collections from taxes by the Bureau of Internal Revenue and tariff duties by the Bureau of Customs, among other revenue-generating agencies.

But there's a price to pay, which may be more costly than the revenues that privatization brings. For instance, the sale of Petron Corp. deprived the government of a strategic tool to cope with high oil prices. Initially, Petron was owned half by the government and half by Saudi Aramco. That arrangement gave Petron (and the country) a degree of assurance regarding oil supplies.

At the same time, the government's stake allowed it to use Petron, which accounts for the biggest share in the domestic market, to influence, up to a certain extent, the impact of world oil prices on the domestic prices of gasoline, diesel and other oil products. That strategic advantage was totally lost when Petron became a 100-percent privately owned company.

In the power sector, the sale of the generation and transmission assets of the National Power Corp. did not erase its huge debts, which remain in the billions today.

We have also been so eager in selling government-owned lands that we forget the generation of Filipino children still growing up, as well as future generations, which will need space to live, air to breathe, and school buildings, hospitals and other facilities for their increasing needs.

As I said earlier, the need for more revenues and a solution to an urgent crisis might have justified massive privatization in the past.

Today, however, these factors no longer exist. In the power sector, the profit motive, complemented by a huge demand, has been attracting private investments. And, in the fiscal sector, the government no longer suffers from dearth of resources. Instead, it even failed to spend billions last year.

The fiscal deficit, according to the Department of Budget and Management, stood at P197.75 billion in 2011, less than two-thirds the P314.5-billion shortfall in 2010 and way below the P300-billion ceiling set for 2011.

In fact, the underspending by the government was cited by economists as one of the primary reasons behind the slowdown in economic growth, from 7.6 percent in terms of gross domestic product in 2010 to 3.7 percent last year.

The administration has promised to increase spending for infrastructure this year to boost the economy. With a P1.8-trillion budget, plus its savings from last year, the government should have no problem with funds. In addition, the government expects huge investments from the private sector for its much-publicized Public-Private Partnership Program.

So, there's no need to sell more public lands, which should be kept public, or at least developed into parks for all Filipinos to enjoy, instead of being turned into concrete jungles and exclusive private enclaves.

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