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MANNY VILLAR
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Of Trees and Forest

Creative Solutions

The Japanese people suffered a lot when they were hit by a triple whammy last March: A massive earthquake, a terrifying tsunami, and a nuclear near-meltdown. Fortunately, those disasters were a one-time catastrophe, and Japan is already recovering.

Filipinos, especially the low-wage earners, will soon be hit by “disasters,” although not as terrifying, physically, as those that the Japanese went through.

I am referring to impending rise in electric power rates, increase in prices of gasoline and diesel, raise in fare rates for light rail transit (LRT) and in collection of toll fees at both North and South Expressways.

Based on news reports, first, the Manila Electric Co. will raise rates by P0.03 per kilowatt-hour this month. This comes after the Energy Regulatory Commission allowed the company to recover P944 million in additional generation charges that it was not able to recover last year.

Second, gasoline prices in Metro Manila were recently raised by an average of 90 centavos per liter for gasoline and by 70 centavos for diesel. As of last September 6, domestic oil prices have been raised 24 times, compared to 12 price rollbacks. Gasoline prices have increased by a total of P7.85 per liter while diesel prices have gone up by P7 per liter. The price of diesel alone its price has gone up by 18% since January.

Third, the government says raising fares for the Light Rail Transit (LRT) system is “inevitable.” Thus, the current P20 fare rate for LRT Line 1 from Roosevelt Avenue in Quezon City to Baclaran will go up to P30, and the fare for Marikina to Legarda on LRT Line 2 will go up to P25 from the present P15.

Fourth, the Bureau of Internal Revenue will start collecting next month a 12-percent value-added tax on toll at the North and South Luzon Expressways, which will be added to the fees charged on motorists using both expressways.

But that’s not all. As soon as oil companies raised prices (by 90 centavos per liter for gasoline and by 70 centavos for diesel) on September 6, Energy Undersecretary Jose Layug says that consumers should brace themselves for another round of oil price increases within the week.

Socioeconomic Planning Secretary Cayetano Paderanga Jr. says the impending increase in LRT fares will raise consumer prices by just 0.22 percent.

But, as Trade Undersecretary Zenaida Maglaya put it, the increase in fares, will have minimal effect on the prices of vegetables and sardines.

Well, I say, why not talk to the families of minimum wage earners. Or, better still, why not listen to what the millions of Filipinos who are unemployed or underemployed will say. Let's hear them say the impact will be minimal.

The Department of Transportation and Communications says the good news that will result from the fare increases is the reduction of the government subsidy on mass rail transit by about P2 billion to P3 billion a year, which will be purportedly used to improve services.

So, it is the government, and not the Filipino people, that will benefit from the fare increase because it will have more money to spend. But, ironically, the additional money will come from the workers, who have not received any significant wage increase, including government employees who, according to Courage President Ferdinand Gaité, have salaries below the poverty level.

The government will also benefit from the imposition of the 12 percent VAT on toll. The Bureau of Internal Revenue says the estimated P1.2 billion to P2 billion additional collections will help the bureau achieve its revenue target.

The additional revenues, plus the savings from lower mass transit subsidies, will improve the government's finances. It will be in a good position to maintain payments for its borrowings, to narrow the fiscal deficit, and maybe receive a credit rating upgrade.

What do the Filipino people get? The seeming obsession to balance the fiscal position and improve the government's image has encouraged under-spending, which has been blamed for the slowdown in economic growth to 4.0 percent in the first half of 2011, nearly half the 7.0-percent growth for the same period in 2010.

Raising fares, to a certain degree, may be justified. But the government must take timing into account. Raising LRT and MRT fares is untimely when prices of consumer goods and services are going up, while wages remain stagnant.

The government should explore other options. I believe there are creative solutions to the problem of funding to improve the transport system or even to moderate the impact of higher oil prices on consumers (for instance, reviewing the Oil Deregulation Law).

The government must never, never lose sight of its mandated priority: the general interest and welfare of the Filipino people!

(For feedback: mbv_secretariat@yahoo.com)

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