



## ***Essays on Decentralization and Demonopolization***

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### **Introduction**

Below are my recent articles submitted to “People’s Brigada News” ([www.peoplesbrigadanews.com/wordpress](http://www.peoplesbrigadanews.com/wordpress)), a weekend tabloid based in Pasay City, Metro Manila. I started writing a weekly column there since February this year and my column is entitled “Privatizing Responsibilities”. I want to highlight the fact that if individuals and parents want greater freedom for themselves, then they must assume more personal and parental responsibilities in running their own lives, their own households and their own communities.

Decentralization is the transfer of some political power and authority from the central or national government to local government units. Demonopolization is the break-up of monopolies towards greater market and enterprise competition. But as I argued in my first article, decentralization is not the end-goal in achieving more individual liberty. It is reaching a state of “civil society” where citizens are mature and responsible enough in taking care of their own lives and government is kept to the minimum, a “lean State”, to do some tasks that the individuals and their voluntary organizations cannot handle.

Below is the outline of these papers.

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**Nonoy Oplas' articles in**

## **(1) Decentralization and privatization**

February 13, 2010

Decentralization and devolution of power from the national or central government to local government units (LGUs) is a favorite topic and advocacy of many LGU leaders and academics. The main reason is that LGU leaders know more about the needs and priorities of their citizens than those in the national government and in Metro Manila.

In October 2008, I went to Gummersbach, Germany, to attend the international seminar on "Local Government and Civil Society", sponsored by the Friedrich Naumann Foundation (FNF) at the Theodor Heuss Akademie. One of our readings prior to flying to Germany was a paper by a German political scientist, Dr. Monika Ballin, entitled "Local Government and Civil Society".

Dr. Ballin made a number of definitions and points that I liked very much. Among these are the following:

*One*, local government is a local, non-national authority, with local responsibility and limited autonomy and is part of the organizational structure of the State. But local government with a high degree of autonomy is always in strong opposition to centralistic political movements and authoritarian structures.

*Two*, the principle of subsidiarity applies. Responsibilities as much as possible should be done at the lowest level, and only when a responsibility exceeds the capacity of one level that the next higher level should be entrusted.

*Three*, decentralization and privatization. Responsibilities need to be shifted from the top down, and responsibilities which are not in the national or local sphere have to be privatized. Local authorities must have their own sources of funding to assert their fiscal autonomy.

And *Four*, civil society is the final stage of a functioning local government. If all means of decentralization, deregulation and privatization have been implemented and citizens have been involved as comprehensively as possible, civil society has emerged. There will be a "Lean State" where State structure exists only where it is absolutely necessary, and the State at any level is not

carrying out any task and duty which private businesses or citizens themselves can do for society.

The purpose of political decentralization and devolution is to shift some responsibilities from national to local governments. Unfortunately, for many countries, this did not result in greater individual freedom and citizen empowerment and self-administration, but greater power, regulation and intervention by local governments.

Most LGUs got drunk with the new regulatory powers vested on them by decentralization policy. Thus, while various national government agencies have already imposed a number of taxes and fees for businesses and ordinary citizens, LGUs also created and imposed their own new set of taxes and fees. The main reason given by LGU leaders why they did so is because they also assumed more responsibilities and expenditures that used to be funded by the national government.

What was overlooked by many LGU leaders and their supporters in the intelligentsia, is that the smallest unit to assume responsibility for the citizens is not the barangay or village, a political unit and is part of the entire State apparatus. Rather, it is the individual, the households, as well as their voluntary organizations – like neighborhood associations, sports clubs, civic and rotary clubs, student organizations, labor unions, and so on.

Thus, if the principle of subsidiarity is to be applied strictly, then most responsibilities should fall on private individuals, parents, firms, and citizens' voluntary organizations, not on either national government or LGUs. This is part of a transition from decentralization to privatization. And by privatization I do not mean the transfer of function from a government unit to a private corporation only. Not exactly. It can be an NGO, a cooperative, a sports and civic club, a church organization, and so on.

There are certain functions that are better handled by the national government, and not by LGUs or by individuals and their voluntary organizations. This includes the promulgation of the rule of law. A law against killing applies whether the crime happened in Luzon or Visayas or Mindanao. The heavy hands of the State should run after criminals, murderers, rapists and kidnapers. Another law, the law against stealing. It should apply whether the theft is the President or a Governor or the poorest of the poor.

Most social welfare functions for special cases are better handled by LGUs. Like public education for the very poor and those with physical and mental disabilities, especially if the parents are poor.

But the bigger challenge to raise responsible individuals who understand their rights and responsibilities as citizens of a particular society, rests with the parents and guardians of minors, the private individuals, not government. We may call this as "privatization of citizen responsibility."

## **(2) Health is a right, health is personal responsibility**

February 19, 2010

The concept of “Health is a basic human right” is popularly supported by many people. Both for its emotional appeal and for some international agreements, like the International Covenant on Economic, Social and Cultural Rights.

A sub-set or sub-topic then are the formulations, “Access to medicines is a basic right”, “Access to hospitals and healthcare is a basic right”, and so on.

Thus, others would extend them further and say, “Education is a basic human right”, “Decent housing is a basic human right”, “Cheap and abundant food is a basic human right”, and so on.

The term “right” implies and connotes entitlement. That is, regardless of the circumstances why one person or household or community has/have become sickly, they should be entitled to decent healthcare to be provided at a low cost if not free by the government, local or national.

This can be a big source of public debate between those who demand entitlement and those who question it. For the latter, for every “right” there is a concomitant “responsibility.” Thus, while people can demand that health care is their basic right, they are also expected to assume certain responsibilities about their bodies and their lifestyles

I personally believe that healthcare is first and foremost, a personal and parental responsibility. People should not over-drink, over-smoke, over-eat, over-fight, over-sit in sedentary lifestyle. People should not live in dirty places and should observe basic personal hygiene like washing hands carefully before eating.

Health inequity results not just because of income and social inequity, but also because of people’s unequal inputs in taking care of their body. A person may be poor but if he does not over-drink and over-smoke and observe personal hygiene in his daily life, he will have a better health outcome than a rich person who over-drinks, over-smokes, over-eats and over-sits. The former, even without a private health insurance, all other things being equal, will less likely develop lifestyle-related diseases like hypertension, high cholesterol and obesity.

These topics are timely as the drug price control policy of the government is now more than six months old, and there is no formal assessment made by the Department of Health yet, on whether it has achieved its goal or not – to make essential but deemed expensive medicines become more affordable to the poor.

In the absence of such formal study and assessment by the DOH, some sectors and industry players – drugstore operators, pharma companies, some NGO leaders – have already produced their own findings: the answer is No. The policy, supposed to help the poor, did not benefit the poor.

The main reason is that there was a relatively healthy competition among pharma companies in the country already, among innovator companies and among generic producers. So while the rich and middle class were looking at a branded amlodipine, for instance, at P44 per tablet, there were cheap amlodipine generics already, sold as low as P8 per tablet. When price control was imposed, the P44 became P22. But the poor did not buy the P22 a tablet, because it is still high compared to what they are buying at P8 a tablet. So the poor did not benefit, the rich and middle class did.

Instead of forcing private companies to give the discounts, the government should force itself to procure essential medicines at no-corruption price and dispense these for free to the really poor, especially children of poor households who have been exposed to dirty environment for several years, who now have weaker lungs and other internal organs. This is where government can possibly put its limited resources – giving essential medicines for free to these patients.

The best form of healthcare is preventive, not curative. People should not abuse their body simply because alcohol, tobacco and fatty foods are more available and more affordable compared to several decades ago. But should they abuse their body, then they should suffer some consequences later.

Meanwhile, the damage to the country's investment environment as a result of no-time table drug price control policy should be big by now. Many revolutionary drugs, new disease-killer drugs that are available in other countries around the world, may no longer be introduced and sold in the Philippines. The most adversely affected then will be the poor and some middle class patients. The rich, the politicians and government administrators who pushed the price confiscation policy, will have the means and network to buy such drugs from abroad.

That is one example of the “law of unintended consequences.”

### **(3) Laws and the individual**

February 26, 2010

In judging candidates whether they will become good President or not, one usual criteria that many voters demand, is the number of laws that a legislator-candidate has authored. That is,

More laws authored = good legislator = good President (or Mayor/Governor)

There are practical reasons for this kind of reasoning. One of which is that legislators (Senators, Congressmen/women, Provincial or City Councilors) who were once showbiz and sports superstars, those considered “less cerebral” but got elected because of their popularity, tend to craft the least number of (national or local) laws and were just silent and passive in various debates being considered by the (national or local) legislature.

While this observation is valid, it is also important to ask questions like:

What are laws, in the first place?  
Are all laws beneficial to individuals?  
Is having plenty of laws good for society?

I offered this approach, or asked those questions, because I want to offer an alternative definition of laws. Here it is:

Laws are prohibitions. They are restrictions that individuals are not supposed to commit; otherwise, there are certain penalties for not obeying the laws.

For instance, there are no laws (no prohibitions) against breathing or flying in the air, but there are laws (and prohibitions) against polluting the air. There are no laws (no prohibitions) against eating, but there are laws against selling expired or poisonous food.

The most famous laws are the laws against killing, stealing and rape. There are harsh penalties for committing such crimes.

Some laws are not outright prohibitions, but more on appropriating a budget or giving subsidies or exempting from certain taxes, fees and regulations. to certain sectors of society. Or issuing price control or profit control of companies in a particular sector. Still, there are penalties for not giving the stated subsidies or exemptions, or not following the price control. So in the end, they still fit in the original definition that “laws are prohibitions.”

So now that we establish the simple definition of laws, is it good and desirable if there are plenty of laws in society? Will people be happy if there are plenty of prohibitions in our communities, schools and offices, more prohibitions in

our lives?

It is doubtful that people will desire to have plenty of laws and prohibitions in their lives. Take the case of owners of land and houses. First there is a law on real property tax (RPT). RPT is the government's way of saying, "all lands belong to the government", that is why people, including owners of land and small lots, must pay a tax or "rent" to the government. Failure to do so will empower the government to expropriate a private land and use it for its own use, or sell it to other people.

Second, in a few cities and municipalities in the country now, there are prohibitions for people to introduce changes or renovation inside their own house or office, unless they first get a "permit to renovate" from the city or municipal hall. And after they finish the renovation, they need to secure a "permit to occupy" their own house or office. Somehow, this is strictly enforced only in big office buildings. But let us wait in the future for this law to be strictly enforced in our own houses as well, when local governments have better monitoring and spying capabilities.

Another negative impact of having too many laws, both national and local, from more "hardworking" legislators, is that it is becoming more difficult for the ordinary citizens to know and remember all those laws and prohibitions. Is there a law against spitting in the streets? If so, in what cities or municipalities? Is there a law against smoking inside jeepneys and tricycles? Is there a law against drinking outside your house? Is there a law against hitting the butts of children if they violate certain rules set by their own parents? Is there a law against keeping dogs that occasionally bark at midnight?

It is important to keep a few laws that really protect everyone. Like the laws against killing, stealing and rape. But when there are too many laws and restrictions, individual freedom is compromised, and more people will be tempted to evade, if not break laws. And this erodes respect for the rule of law.

So, we go back to the original issue: is a legislator-candidate who has authored many laws, a good and desirable candidate for President, for Mayor, for Governor?

This should be a good mental exercise for voters. But for me, my vote is NO. I will go for a candidate that has crafted the least laws and prohibitions. But this is not to support lazy legislators either, who do practically nothing and hence, enacted nothing. Because such lazy legislators have also allowed and did not block the enactment of new laws and more prohibitions from the more "hardworking" legislators.

Let us support candidates who will give us the least restrictions, the least taxation, the least subsidies and regulations. Because such candidates will give us more leeway to better work and plan for our own lives.

#### **(4) Plate number and power trip**

05 March 2010

A car's plate number is that vehicle's identity and hence, points to the accountability of the owner and/or driver of that car. When something bad happens, say a car has hit a person or another vehicle and it speed away, witnesses can only identify the vehicle's brand, color and most importantly, its plate number. Then it becomes easier for government investigators to identify the owner of that vehicle. When a car has a different plate number or no plate number at all and that car was involved in an accident or in the commission of a crime, then identifying the owner and/or user of that car is difficult, if not impossible.

The Metro Manila Development Authority (MMDA) and local governments in Metro Manila also use the plate number for vehicle restriction, aka "number coding" one day every week. Vehicles with plate numbers that end in numbers 1 and 2 are banned from Metro Manila's streets on Mondays from 7am to 7pm except on holidays.

A few years ago perhaps, MMDA revised this restriction and allowed vehicles that are supposedly banned in the streets on certain days, and allowed them from 10am to 3pm, except in Makati and San Juan, probably in another city. Thus, vehicles with plate numbers that end in 3 and 4 are banned on Tuesdays from 7am to 10am, allowed in the streets from 10am to 3pm, and banned again from 3pm to 7pm, and allowed from 7pm to the rest of the night. A bit difficult to remember especially for motorists who come from neighboring provinces and have to go to the capital region.

An order or law is most effective when it makes not a single exception. That is, the order or regulation applies to all – governors and governed, administrators and administered – and exempts no one. This is the essence of the "rule of law". Once an exemption is given to a particular sector or group of persons, then other people will also seek other ways to be exempted from whatever regulation and restriction that was ordered by the government.

At the onset of the "number coding" restrictions of the MMDA and local governments in Metro Manila, a number of exemptions were already given. These are for low-number plates reserved for high government officials like 6 (Cabinet Secretaries), 7 (Senators), 8 (Congressmen/women), 9 (Supreme Court Justices), and so on. Of course the exemption applies to unique plate numbers 1 (President), 2 (VP), 3 (Senate President), 4 (House Speaker) and 5 (SC Chief Justice).

Other plate numbers that are exempted are diplomatic vehicles (blue plates, 4 or 5-digits), vehicles driven by physicians, government vehicles (red plates), a few others.

This means that the restriction and prohibition to be on the road one day a week, quite difficult for some motorists, apply on private vehicles and public (for passenger) vehicles.

Seeing the difficulty of many motorists, certain government agencies created special plate numbers that give certain privileges to private vehicles that exempt them from “number coding” restrictions and flaunt some “connections” to some government agencies, so that the motorists can break certain traffic rules like “beating the red light”, “no left turn”, etc. and expect that traffic enforcers in the area may turn a blind eye for such violations.

Such plate numbers are for sale, of course, and the issuing government agency makes additional revenues by exempting motorists from certain restrictions that were created and implemented by the same government agencies. This is clear double standard and making a mockery of “number coding” and related traffic rules.

Lately, among the most visible “special plates” are LEAP (law enforcers’ association of the Philippines), PNP-CSG (Phil. National Police), PNPA-PMA (PNP Academy-Phil. Military Academy). These car plates seem to be increasing everyday. Other minor and less frequently-used plates are House of Representatives, IMMIGRATION, LAWYER.

All such plates are irritating for ordinary motorists like this writer. We try to obey certain rules set by the government like “number coding” in order to reduce the number of vehicles on the streets and hence, reduce the traffic congestion. But many private motorists and government agencies are flaunting their powers that they are exempted and have the power to grant exemptions, to those rules that government enforcers are supposed to implement without favoritism.

Promulgating the “rule of law” is still far out from this country. Government agencies that are supposed to implement certain rules and restrictions are among the first and worst violators of those rules.

If we are to develop as a mature and responsible society, a single most important factor that must be done is the promulgation of the rule of law.

## **(5) Local fees and decentralization**

March 11, 2010

Political decentralization does not automatically mean less government in the lives of the average citizens. Rather, it could mean less central or national government but more local government taxes, fees and regulations in the lives of ordinary citizens.

Last weekend, I went to Cebu City to speak in a forum organized by the Economics Department of the University of San Carlos (USC). Among the things that I noticed in Cebu were the high prices of fuel products. As of March 7, 2010, the price of diesel there was P37.81/liter, unleaded gas was P48.20/liter. That same day when I went back to Manila, the price of diesel was P33.80 a liter, unleaded gas was P44.20 a liter. In short, fuel prices in Cebu City were P4.00 more expensive compared to Manila prices. Why is this so?

Fuel prices in provinces north of Metro Manila are usually P0.50 to P1.00/liter more expensive, for both diesel and gasoline. In Bacolod and Iloilo cities, prices are usually P1.00/liter more expensive than Manila prices. Such price differential is usually due to transportation cost of bringing the fuel products to the provinces.

But why is the price differential in Cebu up to P4 a liter? This is grossly unfair for the Cebuano motorists and passengers.

My hypothesis is that the Cebu provincial and/or City governments imposed a separate fuel tax or fuel surcharge on top of existing import tax + excise tax + VAT by the national government.

Another thing that I noticed in Cebu, was the multiple fees that the local government imposed on passengers who enter the Cebu south bus terminal. I went there on my way to visit my relatives in Barili, a town south of Cebu City. Here are the fees that I observed:

- a) taxi/car entrance fee P10,
- b) passenger terminal fee P5,
- c) toilet fee if one will pee P2,
- d) buses parking fee, I do not know how much it is now, but more than a year ago, it was around P80/bus.

Of course the terminal operator -- the provincial or city government -- also collects from the rental of many stalls and food shops inside the terminal. The local government, therefore, collects lots of money from the bus terminal alone. In fairness, the terminal is relatively clean, not air-con but with electric fan, with tv in some sections. But the collections seem to be many, I think.

A friend from Cebu told me that the various fees are also being collected at the provincial Capitol. Like parking fee for cars, and blood pressure fee inside the Capitol clinic, P10/person, if the person is not an employee of the Capitol, for people undergoing some medical check up.

If one will check Cebu's city and provincial revenue codes, one might be surprised at the long list of government services with fees. Like marriage fee, marriage certificate fee, annulment fee, birth certificate fee, baptism fee, death certificate fee, burial fee, and so on. From womb to tomb, there is a fee!

Of course the local governments there will counter that they also provide free services to the poor, like free hospitalization or free coffin to the really poor. And the practice of collecting local taxes and fees from womb to tomb is also being done by other big cities and provinces in the country.

But it is baffling to think how come that so many “government services” are now not free, that average citizens have to pay many local taxes and fees, on top of national taxes and fees. Isn't collecting just a few taxes and fees a form of public service already, so that average citizens will be able to keep more of their earnings for themselves and their family.

I am not really a fan of political decentralization or devolution, although I am not a fan either of centralization of powers by the national government. Bus terminals can be operated by private enterprises at a lot more passenger-friendly way with zero additional cost to passengers, compared to government operators. Look at those malls. People can enter and exit those malls anyday anywhere, zero entrance fee and zero toilet fee. And still the mall operators make money.

But then some local governments are not after better services to the public, but to collect more revenues from the public. A number of bureaucracies just exist for themselves.

## **(6) On oil price hikes and fare hikes**

March 19, 2010

With the series of local oil price hikes recently as world oil prices keep rising, there are growing voices and lobbying to demand higher fare for jeepneys, taxi and buses. While it is understandable that movement of fares (upward or downward) should follow movement in petroleum prices, I find it irrationale that politics should be used in determining when and how much, such fare movement should happen.

It is chaotic and politically complicated if government transport officials will always call for public hearing. Supporters and opponents to come, including those who ride on the issue so they will get good media coverage, which helps in their political work and lobbying, like those running in the forthcoming elections.

It is possible to detach politics from fare setting. Here are some mechanisms that may be worth considering by the various stakeholders.

One, encourage corporate brands of jeepneys and taxis. Jeepney drivers and operators will become conscious of the corporate brand that they carry and passengers will remember the corporate brand of particular jeepney and taxi groups. Thus, some passengers will remember and avoid taking a particular jeepney or taxi corporation where drivers are discourteous and road maniacs that get into frequent accidents. And passengers will remember those jeepney or taxi corporations where drivers are courteous and friendly, give the exact change, and maintain their units in good running conditions. Competition among various jeepney and taxi corporations, not among single units, will give more comfort and safety to the passengers.

Two, deregulate fare-setting. Some jeepney or bus lines that do not maintain their units well will be forced to charge lower fares per kilometer while those jeepney or bus lines that give passengers comfortable and safe rides can charge higher fare. For instance, some bus lines can field buses with only 40 seats instead of the usual 60 seats, and charge minimum fare of P20 to P25 for the first 4 kms. Other bus lines can dispatch crammed buses (say 70 seats or more) and charge only P10 minimum fare for the first 4 kms. If fares are deregulated this way, some ugly and not regularly-maintained jeepneys will either slowly vanish from the road, or they will be forced to charge only P5 minimum fare for the first 4 kms., because passengers will have other options to ride the more comfortable jeepneys or buses even if they pay a higher fare.

Three, deregulate routing. Some jeepney or bus lines can dispatch their vehicles near the gates of big private villages in the suburbs (say Novaliches, Fairview, Antipolo, Las Pinas, Bulacan, etc.) to Makati, Ortigas, Eastwood, Manila, and so on. Then people will be encouraged to leave their cars in their

house when they go to their offices or schools as they will take only one or two rides, not four or more rides.

At the moment, people who will not bring their cars from say, a village in Fairview, Quezon City to Makati, will take 4 rides or transfers. First, tricycle from their village gate to the main road. Second, jeepney or air-con van to MRT station. Third, MRT to Buendia or Ayala station, and fourth, jeepney or bus or taxi to Ayala or Buendia avenue. If one is wearing proper corporate attire and/or carrying a laptop and other important documents, it is very inconvenient and unsafe to be moving from tricycle to jeepney to the train and back to jeepney again. So even if there is heavy traffic and parking is expensive, people are forced to bring their cars to work or school, which exacerbates road congestion and parking nightmares in major commercial and business districts. The national government, through the LTFRB, and the local government created mini-monopolies on certain routes, like tricycle monopoly and jeepney monopoly.

Just encourage competition among bus or jeepney lines, also taxi lines or corporations, so that passengers will have plenty of options. If people will find that such options are safe, comfortable and economical, then they will not insist on bringing their cars everyday to their offices or their kids' schools. There will be less traffic congestion, less air pollution, less parking problems, and more savings for the public.

And we will avoid politicized fare setting. No need for any public hearing, no need for any political and media lobbying, no need for any intervention by politicians and government transport officials.

Driver and operators of jeepneys, buses and taxi will be forced to maintain their units in good conditions, they will be forced to become more courteous to their passengers. Passengers need not even complain to the government if the service of a particular bus or jeepney line is lousy. Passengers will just stop riding that particular corporation and let their friends and acquaintances know about their bad experience. This kind of passenger boycott is worse than being reprimanded and penalized by any government transport agency.

## **(7) On airport terminal fees**

March 26, 2010

Many Filipinos are moving to and from the provinces or abroad this week and next week as the Holy Week and its long vacation will commence this coming Monday. In addition, almost all classes from elementary to universities have also ended this week, so families and friends can travel together where they wish to go.

And many Filipinos now fly instead of taking the boats in visiting various islands and provinces in the country. There are more budget airlines now than before, so that flying has become more affordable to more people. And this is where the government makes lots of money, foremost of which is the collection of airport “terminal fee” of P200 per person for domestic flights, and P750 per person for international flights.

Except in Thailand and Vietnam I think, government airport administrators in many airports in Asia, the US and some European countries do not collect “terminal fee”. Perhaps for some of those airports, the “terminal fee” is included in the plane ticket costs. Passengers do not need to check their wallets if they have the local currency to pay for the last-minute fees. Besides, those airports are very big, modern and beautiful, compared to the airports in Manila (terminals 1, 2 and 3), Clark, Cebu and other provincial airports.

For me, the P200 per person domestic terminal fee is big, even unnecessary. For one, passengers normally do not stay long inside the airport terminals. After queuing for security check-up and to check in their airline, passengers just wait for about 30 to 45 minutes before they board their plane. There are not even drinking fountains in the biggest terminal, terminal 3, so people will have to buy bottled water or soda/juices inside the shops, and the prices there are expensive as those shops and tenants pay a handsome fee for their lease and monthly rental at the airport.

Mall owners can give the public equally comfortable air-conditioned place for hours for free, and the food and drinks are cheaper.

The government, through the various government-owned airport authorities, makes plenty of money as a monopoly airport operator. Among these revenue sources are:

1. Passenger terminal fee, as discussed above.
2. From the various airlines - landing fee, navigation fee, ground handling fee, etc.
3. Lease and rental from shops inside the airport terminals.
4. Lease and rental from taxi and transport operators, hotels, that occupy spaces at the passenger arrival area.

5. Advertisers inside and outside the passenger terminals.
6. Car parking fee.
7. Franchise or related fee for the two airport-based taxi lines (yellow taxi and “Bayan ko” taxi).
8. Passengers’ waiting area in the case of NAIA terminal 1.
9. Other revenues.

While plane fares are dynamic and changing, depending on the season, day and time of flights, government terminal fees are fixed. Sometimes budget airlines give promo fares of only P10 on a few seats in each flight, the terminal fee plus other fees (aviation security fee, fuel charges, etc.) are fixed.

Aside from revenues by airport administrators, the government also collects more revenues from the airlines and other tourism-related investments. These include more fuel taxes (excise tax and VAT), more corporate income taxes and VAT.

I believe that to encourage domestic tourism and investments, airport terminal fees should be abolished. As enumerated above, the airport administrations have plenty of other revenue sources to recover the “foregone” revenues of terminal fees. Passengers include the cost of terminal fee (P200 each way or P400 per passenger for domestic flights) in deciding whether to visit a particular place or not. With this additional cost to passengers, there should be fewer than potential number of passengers that actually fly. Which adversely affect domestic tourism, domestic trade and investments.

When there are more investments and jobs in the provinces, there will be less poverty, less government expenditure for social and economic services, less social tension and unrest and less political and economic instability.

## **(8) Small-scale monopolies**

April 2, 2010

When we talk of monopolies and oligopolies, people often think of the large ones, like power and energy monopoly, airline and shipping monopoly, telecommunications and water monopoly, and so on. People seldom talk, even "forgive", small-scale monopolies. Like jeepneys, tricycles, and pedicabs or "trisikad".

It is true that there is no single jeepney (or tricycle and trisikad) operator that monopolizes the industry. But they as a group monopolize a particular route. That is, jeepneys from various owners/operators and drivers monopolize a particular route, buses and vans are banned there. Tricycles from various owners/operators and drivers also monopolize a particular route (usually from village gates to the main road), jeepneys, vans and buses are banned in that route.

When a route is granted by the government to be monopolized by buses or jeepneys or tricycles (ie, only one of them can take that route, all other public transportation except taxis are banned), commuters have no other choice except to bring their own cars, or take the cab. Both options are expensive considering the high prices of fuel products, traffic congestions, high parking fees, and dangers of carnapping or towing by some local governments, if one brings his/her own car.

The monopolists almost always do not strive to improve their vehicles anymore. Even if their units are old and dilapidated, smelly and mutilated, they often do not care. They know that non-rich riders and commuters have no other option but take their dilapidated and/or over-loaded vehicles, so why bother and spend money to improve their vehicles? Better use the money to bribe government officials so they will keep the route monopoly and keep away competition from more modern, more comfortable public transpo like air-con vans, new and more modern bus lines.

Take the Ayala-Washington route in Makati, for instance. Ayala Avenue is the country's prime financial district. While there are buses and air-con vans from the northern part of the metropolis that pass this road, there are none coming from the southern part. So passengers from the south get off from the MRT Ayala station and take the jeepneys that ply the Ayala-Washington route. There are no alternative air-con vans, only taxis and the often rickety and smoke-belching jeepneys.

So you can see in the country's prime and famous financial district, sometimes dilapidated side by side with new model and expensive cars, competing for road space. What is worse is that jeepney drivers overload their vehicles. A jeepney that can comfortably seat 8 passengers on one side is being packed with 9 passengers, otherwise the driver will not move the vehicle. Again,

jeepney owners and drivers do not bother if their jeepneys are smelly and ugly, they are aware that passengers who have no cars and cannot afford to take taxis, have no other alternative but ride their jeepneys.

Some people propose that government should phase out jeepneys and tricycles in many areas of Metro Manila. I do not agree with this proposal because this will involve coercion and charges of government "favoritism". A better option is that the government will (a) not grant or create monopoly franchises to jeepneys and tricycles in particular routes, (b) allow various options of public transpo, the air-con vans and buses in particular, to compete with jeepneys and tricycles, and (c) deregulate fares. This way, it will not be the government that will phase out -- or at least force the improvement -- of those jeepneys and tricycles, but the passengers themselves. When many people will not ride jeepneys and tricycles, the latter will be forced to either improve their units, or bring down their fares to attract passengers, or abandon the route and bring their jeepneys and tricycles to areas and routes where the vans and buses are either absent or have weak presence yet.

Many countries with big population do not have jeepneys and tricycles, only buses and trains. Even for rich countries with small population, like Singapore, Hong Kong and Malaysia, they do not have small-passenger public transpo like jeepneys and tricycles. They only have buses and trains.

The Philippines need not jump into the extensive and expensive train system. The government needs only to step back a little and de-monopolize certain routes to allow the entry of more comfortable vehicles to serve passengers who do not have cars and are poor enough to take the taxi everyday. Competition among various public transpo providers will empower passengers.

## **(9) Profit and taxes**

April 16, 2010

April 15 every year is the deadline for filing of income tax returns for individuals and corporations without penalties. If a corporation is delayed by just one day, say it files its taxable corporate income by April 16, there are 3 penalties to pay on top of the taxes on income and profits: (a) surcharge of 25 percent of taxes due, (b) interest of 20 percent of taxes due, and (c) compromise penalty. These are indeed harsh penalties.

But more than the penalties, it is the high taxation of corporate income that is unfair and unjust. In some rich countries, the corporate income tax could be as high as 50 percent, in the Philippines it is 30 percent, in developed Hong Kong and Singapore it is only 16 percent, and in a growing number of countries, it is at flat 10 to 12 percent only.

A corporation's profit is an indicator of its being useful to society and its being efficient and not wasteful in its operations. An enterprise that sells high prices for its lousy products or services will soon lose its consumers and clients, forcing that company to improve its efficiency or become bankrupt. A bankrupt company is an indicator of its inefficiency, wastefulness, and lack of sensitivity to the needs of its customers.

If people cannot make profit on providing transportation, we shall have no buses, taxis, jeepneys, airlines, shipping lines, etc. If people cannot make profit on cooking and selling food, we shall have no restaurants, food shops, carinderias and ambulant food vendors. If people cannot make profit on selling rice, chicken, meat, fish, vegetables and fruits, we shall have no farmers, fisherfolks, animal growers. If people cannot make profit on education, we shall have no private schools and universities. Government colleges and universities survive only because of the money from taxpayers, including private universities, their instructors, officials and employees.

Profit is good, it is not evil. The important thing is to make the economy competitive, so that enterprises, from single proprietorship to partnerships to corporations, are competing with each other in attracting customers. In the process of competition, they are forced to produce good quality products and services, and not to price their products too high that will turn off their clients, nor too low that will bring them close to bankruptcy. Thus, competition among producers and sellers provide welfare to the consumers, to you and me, because we are empowered to have more choices, we can compare prices, quality, shops' location, warranty of service, and so on.

Of course, there are profits which are abnormally high because of a monopolistic or oligopolistic market structure. This is the kind of "gargantuan profits" that many people dislike. But almost all monopolies are created by governments via franchising. Thus, certain routes are monopolized by

tricycles only because the government did not allow franchise to jeepneys and air-con vans to operate there.

Telecom companies Smart and Globe for instance, were enjoying spectacular profits that the sector has attracted Sun Cellular to join the fray. With about 50 million mobile phone subscribers, a 4<sup>th</sup> or even 5<sup>th</sup> player and competitor is still possible and such new entrants will introduce similar services offered by the leading companies at a much lower cost to the public.

There is a proposal by some economists from the University of the Philippines School of Economics, to raise the value added tax (VAT) from the current 12 percent to 15 percent, in exchange for bringing down corporate income tax from 30 to only 18 percent, and individual income tax from the top rate of 32 percent to a flat 18 percent.

Personally, I am in favor of this proposal, to introduce drastic reduction in income taxes, both personal and corporate incomes. Government should not penalize profit and hard work by individuals by imposing high income tax rates and various consumption-based taxes (VAT, excise tax, travel tax, amusement tax, vehicle registration tax, real property tax, and so on).

Government can pursue its social welfare objectives to the people by encouraging the entry and formation of more profit-oriented private enterprises, which create jobs and produce various goods and services needed by society and the people. When people have productive and stable jobs, they themselves can pull themselves and their households from poverty. The government can focus its personnel and other resources at running after various criminals who sow fear and extortion in the minds of the public.

## **(10) Party-building vs Personality building**

April 21, 2010

A friend articulately wrote an article, "Why \_\_\_\_\_ is the Best for Philippine Democracy and Development?" Among his main arguments are:

1. Candidate's program is the "politics for God and country".
2. His promise of "Walang Korapsyon"
3. His ability to mobilize the spirit of volunteerism.
4. His 7E's platform for democracy and development (Eradicate bad governance, Energize the economy, Empower the people, other motherhood calls).

In the upcoming Presidential elections, there are at least 4 candidates from small political parties. While they all have something useful to contribute to Philippine politics as they expand the choices for the voters, there is something problematic with their insistence to run for President.

The purpose of elections is to allow the most organized political party or coalition to capture political power, nothing less than that. So some politicians sell their souls (and their family members' souls) to the devil, just to capture political power. Other politicians use charisma, emotions, political pedigree, etc., to achieve the same objective.

My main critique of politicians from small political parties running for President, is that they are weak, if not lousy, in political party building. They focused on personality-building, highlighting the personal achievements, beliefs and advocacies of their "standard-bearer."

The main vehicle to capture political power is through a political party. The party offers a particular political and social philosophy or ideology to the voters and the public. Another party offers a different, if not opposing, political and social philosophy. A winning or victorious party or coalition should implement what it promised to the voters. Its victory can be seen as a reflection of the dominant political philosophy embraced by the voters.

If the political party is not strong and big enough, it should build an alliance or coalition with other smaller political parties that share the same political philosophy on major concerns, so that the coalition will win and capture political power.

The politicians from small parties did little to develop a broad-based political party from the grassroots between 2004 and 2010. They just shot up from somewhere a few months before the elections and offer themselves as the "best" leader with no sufficient leadership to show in actual political party-building or coalition-building. They cannot even coalesce and unite among themselves, none of them would give way to support the other principled-but-

small groups. They all want to be proclaimed the "best", or the "most honest" or what have you, presidential candidate.

The process of party-building, rather than personality-building, is also a good measurement of how transparent and how accountable the politicians of a particular party are. Those with dictatorial tendencies or those who do not stick to the party philosophy and ideology would see their political party thinning out and breaking apart soon.

My personal bias is to vote for a presidential candidate or political party who will promise or plan to have a smaller government, smaller and fewer taxes, allow bigger role for personal responsibility, individual liberty and market competition. Since I cannot find such political party now, and I am lazy to put up my own political party or work with other individuals to push such advocacies at the political party level, then I will go for candidates and a political party that approximates my personal bias and philosophy. I will vote for candidates who have the least record of heavy state intervention, those who enacted the fewest laws, regulations and prohibitions. This option is a hundred times better than offering myself or some friends to the public as the "best" or "most honest" or "savior" or what have you adjectives.

A citizens' movement for bigger personal responsibility, lesser government responsibility in exchange for fewer and smaller taxes, regulations and prohibitions, should start now and the coming months. The pressure to politicians during campaign period would push them to become more welfarists and subsidy-giving, with the implicit and inevitable consequence of retaining the existing high and multiple taxes, fees and charges. Or raising taxes later on.

Such citizens' movement need not be centralized. In fact, it is better that such movement will be decentralized to allow greater leeway and dynamism for individuals and groups that advocate the philosophy for greater personal responsibility and greater individual freedom. Party-building can start from such initiatives. Personality-building should be minimized. The idea should prevail over the personality. Ideas can last for years and centuries while personalities can last for only a few years or decades.