

Business in Government, and Government in Business

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The government has embarked on a two-pronged approach to justify the continued operation of the government corporate sector. The "government in business" aspect involves the identification and disposition of government corporate entities that should not be subject to government control. The other aspect which is "business in government" concerns the complementary task of improvement, both in operations and monitoring of government corporations that must be retained. However, a number of questions arise in the debate for clear-cut criteria which shall be used to operationalize the approach. Several related issues and questions are also left unresolved including a clear definition of what a government corporation should be.

Introduction

One of the most useful, yet at the same time more worrisome institution of government is the government corporation. The very nature of the corporation is both a plus and a minus for government operations: it provides for much greater flexibility and autonomy on one hand, but on the other, the very same characteristic of autonomy can be a source of difficulty in monitoring if not influencing the operation of the government corporation.

At present, the government is engaged in an interdependent two-pronged approach towards the rationalization of the government corporate sector. One thrust concerns the identification and disposition of government corporate entities which are inappropriate for government control. This particular process presupposes that criteria have been developed with respect to the sectoral and functional areas in which the government should continue to be directly involved, and on the basis of which the pass-fail decision for evaluating each existing government corporation can be made. This forms the "government in business" aspect.

The other complementary task involves improvements in both the operational and monitoring aspects of the retained government corporations, as well as for new corporations which might be created in the future. If the corporate form has been chosen for undertaking some "governmental" task—however that still needs to be defined—an important reason would be to take advantage of the ability to respond promptly which is inherent in the corporate form. Aside from improvement in corporate operations themselves, certain questions may be posed, among them the extent of autonomy which might be

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desirable, and the monitoring system by which the operational status of the corporation might be known to higher authorities. This forms the "business in government" aspect.

The Definition of a Government Corporation

When is a government a corporation? How far does the term "government-owned or -controlled corporation" go, in defining and identifying such corporations in general? Initially, it would clearly seem to include all corporations which are wholly or majority owned by the government, whether created by special charter or under the Corporation Code (although the Constitution does make a distinction for purposes of coverage by the Commission on Audit). What about those corporations organized under the Corporation Code, but the majority of the board members of which are nominated by the government: does that not constitute government control? What about those corporations where the government owns a substantial but minority share of voting stocks? What about those formerly privately owned corporations which had been taken over by government financial institutions under foreclosure proceedings for non-payment of loans (so-called "non-performing assets") and those sequestered by government?

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It may be useful to undertake a classification of the areas in which the government should directly participate and the residual areas where the government should desist from participating. Natural monopolies are present in several areas, the most obvious of which are the immovable public utilities such as electricity and potable water. The arguments for these are usually anchored on the very substantial capital requirements, the duplication in the same sites of which would represent a more inefficient and less economical use of scarce resources. Yet, not all public utilities should necessarily be government-owned, discrete mass transit systems and telephone networks are the two common examples.

There are other more shadowy areas which are inappropriate for direct government participation. There are the defense industries: should the production of military small arms, ammunitions and propellants be left to the private sector? There are the so-called "commanding heights" arguments of British socialists: the classic steel, petroleum, and heavy industries areas, and their cousins in the service sectors, banking and insurance. In sum, the determination of those sectors where government corporations could or should participate, reflect the economic ideology of the State, the real nuts and bolts of commitment to private enterprise—if such should really be the case at all.

Other policy issues raised are: should the government espouse the practice of countervailing power, that is, enter into direct competition with the private sector in certain critical areas to offset "socially undesirable" private sector pressures? Should the government maintain a trading presence in basic cereals to influence the price of rice?

Thus, it is not only the question of which sectors the government could participate in, it is also the question of the precise functions of the government corporation in that sector. Some principles are relatively easy to answer: the government should avoid engaging in directly physical production of goods, but what about services?

It is interesting to note that the present steps being undertaken by government already represent a significant and substantive implementation of government corporate rationalization. More than a hundred government corporations have already been approved for privatization by the Committee on Privatization created under Proclamation No. 50 (it is always more soothing to suggest the privatization of a government corporation rather than the traumatic alternative of outright abolition). However, the detailed and explicit criteria upon which these decisions were based remained a proposal, in the form of a draft issuance pending with the Office of the President. There are no official guidelines, not even a current policy statement, on the preferred or limited areas of government corporate operations, and it would seem that one is badly needed, hopefully in the form of an immediate comprehensive policy statement by the executive branch, and presumably, subsequently, and ultimately, legislation by the Congress.

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The other side of the coin, so to speak, concerns the more efficient, effective and economical use of the government corporations, at least, those which are retained. Again, questions can be raised.

How does one determine if a government corporation is operating satisfactorily? An obvious prerequisite is financial viability, that is, the corporation should not go about its business losing money—a principle more observed in the breach—and the arguments of "public service" and "social needs" have no place in the corporation, with perhaps the exception where the government corporation is provided with explicit funds from the National Government to cover subsidy operations, as should have been the case in rice and corn.

However, a prerequisite of financial viability is not the same as familiarity with its current operations: an effective monitoring mechanism is nec-

essary, at two levels at least. The first is an awareness by the supervising line department of the activities of the government corporation: where the department secretary or his representative sits on the board of the government corporation. The second is more of a global concern, namely, the impact and thrust of government corporations in a more aggregative manner: what effects do they have at national levels? It may be noted that where government secretaries are chairmen of certain government corporations, they make sure that such government corporations are in conformity with departmental priorities; on the other hand, they are fiercely defensive when pressures on the corporations come from outside the department. A possible solution has been put forward with the establishment of the Government Corporate Monitoring and Coordinating Committee.

How does one ensure that the government corporation operating in a monopoly situation does not have a disadvantage over its private sector counterparts, so that real and effective conditions of market competition are maintained? Again, there are somewhat more obvious answers. For one, there should be no hidden subsidies; for example, the government corporation should not enjoy any preferred tax treatment not available to the competition. For another, the government corporation should not be in a position of being both competitor and regulator; in fact, as a general rule, the government corporation should not possess adjudicatory or regulatory powers.

The matter of relative autonomy is perhaps one of the peskiest questions to answer. If the government corporation is to be truly flexible, should it be subject to "guidance" or "interference" by higher authority? How does one ensure that its operations are in conformity with national policies? There are those who feel that representation on government corporate boards should be limited to private sector talent; while others argued that ex-officio presence of either or both the Cabinet departments and the legislature should be ensured.

These are only a few of the many questions that still have to be officially resolved. One can go on and on: should government corporation employees be paid more than their National Government counterparts, as is the present case, or should they be paid the same? Should government corporations, with their greater flexibility, be subject to the same rules and regulations as the National Government entities with respect to audits, to personnel policies, and procurement practices, to name a few? Again, a possible solution which has been put forward is a legislated set of uniform government corporate charter provisions which would be applicable to all government corporations, supplanting whatever specific provisions their respective individual charters may have on the matter.