

# The Great “White Elephant” Stampede<sup>1</sup>

By the Freedom from Debt Coalition



There is today a “great stampede of white elephants”; shaking and eroding the very foundations of the society we live in. We are not literally talking here of animals, for animals are certainly of use and are clearly beneficial to our balance of life. We are talking here rather of a different kind of animal--an animal that sucks taxpayers' money, an animal that dries our national coffers, and deprives our people of needed social services.

We are talking here of cost, value and maintenance liabilities to the Filipino whose potentialities of overwhelming. We are talking here today of the controversial \$ 329 million ZTE National Broadband Network (NBN) project.

the great stampede of controversial loan agreements whose far exceeds its usefulness and relevance and are therefore people. Specifically, we are talking here of loan agreements becoming wasteful projects or of becoming 'white elephants' are

But what is a white elephant? White elephants are usually considered as both a blessing and a curse in some parts of Southeast Asia. It is a blessing because it is associated with peace and prosperity, while it is a curse because the animal could be put to no practical use outside of its usual territory. In contemporary usage, the term is used to define properties, projects or loans which are supposedly valuable but whose cost, particularly its cost of maintenance, surpasses their usefulness, thus rendering them disadvantageous.

And why do we say the ZTE deal is a potential white elephant? All the necessary ingredients to make it one are in the project.

- There is no existing financial analysis and plan for the said project.
- The implementing agency is blind to any feasibility studies and has not initiated any detailed engineering studies, plans, specifications and design for the said broadband project. This entire aspect was tasked to ZTE alone.
- It suffers from a crisis of transparency. It is alleged that there is a lack of competitive bidding which led to the overpricing of the project. A similar project proposal by the Amsterdam Holdings Inc. at US\$240 million costs a lot cheaper than the ZTE's offer.
- It also suffers from a crisis of relevance. The question is, do we really need it in the first place? It was reported that the Philippine government already owns two broadband networks—the Philippine Administrative Network Project (PANP) supposedly to modernize our government's news and information network and the Philippine Research, Education and Government Information Network (PREGINET) tasked to interconnect academic institutions, government offices and research and development centers in the country. Why do we need a third one? Whatever happened to these two networks? Have they become white elephants as well?

<sup>1</sup> FDC's partial contribution to Senator Allan Peter Cayetano's Blue Ribbon Committee investigation of the ZTE National Broadband Network deal last September 18, 2007.

We should have learned our lesson from the mothballed Bataan Nuclear Power Plant (BNPP). Lest we forget, it took us thirty years to finish paying off this power plant—a power plant that was constructed on an earthquake fault and an energy-generating facility that never produced a single watt of electricity. It cost us a total of US\$2.67 billion, three decades of burdensome debts, with the last tranche of \$ 15 million paid last April 2007.

If the Arroyo government decides stubbornly to pursue the broadband project, the ZTE deal will clearly become the white elephant of all white elephants, the leviathan of all useless, yet expensive projects, the fixer and the middleman's ultimate retirement dream and the envy of racketeers and profiteers. It clearly dwarfs to the point of embarrassment the original white elephant—the Bataan power plant.

Clearly, the ZTE deal sets a dangerous precedent for more white elephant projects in the future. It opens the gate for intensified ramifications from creditors and loan-pushers like China. However, while this perspective is important, the paramount issue that we should never forget is ZTE's contribution in increasing our already enormous debt stock. The project itself is a debt-creating agreement.

As of June 2007, the National Government debt is P 3.78 trillion or \$ 81.6 billion. Recently, a \$ 1.8 billion loan facility fund was inked by our government with the Chinese Export Import Bank. Our government said this may or may not be used for the repayment of the ZTE deal, as the credit facility fund gives our government the discretion where to use it. However, many are saying otherwise. But let's say this is the case, then we will end up with a whopping 2.21% increase in our national government debt.

Repayments start five years after the release of the loan. Based on the 3 percent interest of the repayments scheme, the project will cost us US\$9.88 million annually or US\$197.4 million in twenty years in interest payments alone. Adding the principal amortization, taxpayers will be forced to pay US\$26.35 million a year under the automatic appropriations law.

At the end of the repayment period, the total amount of this reeking project will be a whopping US\$527.2 million.

Without doubt, something must be done to address our continued plunge into this deadly debt trap. We can start by refusing this rotten, 'lutong macao' ZTE deal. The Freedom from Debt Coalition (FDC) calls for the cancellation of this agreement and the direct accountability of all those involved in this issue. Let us not permit the ZTE deal to make its way into our national government budget and public expenditure books. Let us wipe out all illegitimate debts—unnecessary debts that are being claimed by our governments, debts incurred due to corrupt practices and fraudulent contracts or loans that were used to finance flawed development projects detrimental to people and the environment.

**Let us stop the stampede  
of these 'white elephants.' Let us  
permanently close our gates  
to all illegitimate debts!**



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