Cebu BPOs seek exemption from on-site work rules, cite continuing typhoon impact

By Arjay L. Balinbin
Senior Reporter

CEBU'S information technology and business process management (IT-BPM) industry is seeking an exemption from a government order to return to office work starting April 1, noting that the region continues to be affected by December's Typhoon Odette.

"If they really want to implement it nationwide, maybe they can exempt Cebu because of the typhoon," Cebu IT-BPM Organization (CIB.O) Executive Director Buddy R. Villasis told *BusinessWorld* in a phone interview last week.

The Fiscal Incentives Review Board (FIRB), which regulates industries eligible for incentives, particularly those that operate in economic zones, has declined to extend an old order allowing the industry to conduct the bulk of its work with home-based employees. The denial of the extension effectively means the industry's workforce must revert to on-site work starting April 1.

Mr. Villasis said Cebu's IT-BPM workforce of about 200,000 remains dispersed all over Mindanao, Samar, Leyte, Bohol, and Negros, to which employees with roots in those places returned during the pandemic.

Government policy has centered on increasing the proportion of on-site work in order to propel the recovery of the transport industry and small businesses that depend on spending by office workers.

"Is the city ready? Is the transport sector ready? Are all the telecommunications facilities fully restored? Are all the boarding houses ready to accommodate the thousands of people who will be coming back to Cebu? These should be considered," Mr. Villasis said.

Cebu, he said, will need about two more months to get ready for the returning workers, with pending tasks including preparing offices and allowing their workers to look for accommodation.

Finance Secretary and FIRB Chairman Carlos G. Dominguez III said on Wednesday that the board, at a Feb. 21 meeting, rejected a petition by the Philippine Economic Zone Authority (PEZA) to extend work-from-home arrangements for workers in IT-BPM companies registered for incentives.

Mr. Dominguez said the increased vaccination rate wallows "safe measures for physical reporting of employees, including those working in the IT-BPM firms operating within economic zones (ecozones) and freeports."

Work-from-home arrangements were only meant to be temporary in response to the pandemic, he said. The IT-BPM industry's entitlement to incentives is tied to their use of premises located in economic zones.

Asked to provide comment, PEZA Director General Charito B. Plaza said in a phone message: "We're negotiating" the FIRB ruling and preparing "a letter of reconsideration."

"The companies are not against returning to sites fully but not that fast. It will take them some time to bring in everybody back to onsite," Mr. Villasis said.

CIB.O members met with officials of the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF)-Cebu and other government officials on Thursday to "lobby... for Cebu to delay the full implementation of the return-to-office order, otherwise it will be problems," he added.

"We got our power and telco (connections) back five days after the typhoon, but not all. Losses reached P500 million per day of no operations. So that's a major headache," Mr. Villasis noted.

Energy official calls for pricing reform in natural gas market

THE critical role of natural gas as a "transition fuel" en route to achieving the world's environmental objectives warrants a new pricing system decoupled from the volatility of most energy commodities, an energy department official said.

Energy Undersecretary Gerardo D. Erguiza called for a system of "fair pricing" for natural gas, demand for which has grown because of the Russian invasion of Ukraine. Fear of sanctions on Russia, a major gas supplier to Europe, has sent Europe scrambling for alternative sources of supply, making energy more expensive overall.

At a March 9 panel discussion for Cambridge Energy Research Associates Week (CERAWeek) in Houston, Mr. Erguiza argued for a pricing system that makes natural gas affordable in order to ensure a smooth transition to clean energy.

The Philippines "is currently in a transition stage from fossil fuel to clean energy and our transition fuel is natural gas. Along with other fuel prices, natural gas prices also unexpectedly rose," Mr. Erguiza said separately via Viber.

Manila Electric Co., which sources most of its natural gas from the offshore Malampaya field, warned consumers on Thursday that the impact of the Russia-Ukraine crisis will be felt by power consumers in May.

Energy prices are set globally and tend to move in unison based on calculations of the equivalency of each form of fuel in generating a given amount of energy.

As of March 10, Dubai crude oil is at $114.13 per barrel, according to Bloomberg.

"Expensive natural gas doesn't serve its purpose," Mr. Erguiza added.

Separately, Atlantic Gulf & Pacific Company (AG&P) is set to open the Philippines' first integrated liquefied natural gas (LNG) import terminal in Ilijan, Batangas, in July, marking the Philippines' transition to gas importer after decades of tapping Malampaya, which is approaching commercial depletion by 2027.

Alexander P. Gamboa, managing director and global head of business development for AG&P Manila, Inc., said the terminal will help service the gas market that had been created by Malampaya.

Mr. Gamboa has said that high demand for LNG has exerted upward pressure on prices but has also created arbitrage opportunities as more sites store gas, effectively making prices less volatile overall.

"The ability of LNG to be moved through a growing network of terminals gives developing countries in Asia effective access to global arbitrage and (and the ability to diversify) supply. In turn, this reduces dependence on global gas reserves, not to mention coal, and mitigates geopolitical trading risk," he said.

AG&P's LNG terminal will store and deliver LNG to power plants. It is expected to have an initial annual capacity of 3 million tons of regasified LNG.

"Without the safety net of natural gas, renewable energy would struggle to establish itself as the backbone of stable energy systems," Mr. Gamboa said. — **Marielle C. Lucenio**

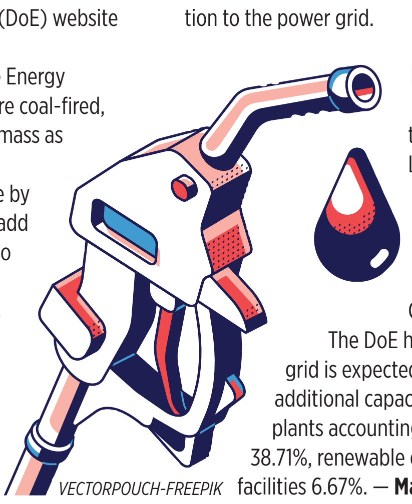
Diesel power plants dominate DoE's endorsements to ERC

POWER PLANTS endorsed to the regulatory commission for five-year operating permits included 12 diesel-powered facilities out of 17 overall, according to a list posted to the Department of Energy's (DoE) website five years.

Of the other plants endorsed to the Energy Regulatory Commission (ERC), three are coal-fired, one hydro-powered and one using biomass as feedstock.

If issued a Certificate of Compliance by the ERC, the 17 plants are expected to add 1,495.41 megawatts (MW) of capacity to the power grid.

Mariveles Power Generation Corp.'s Mariveles Coal-fired Power Plant and SMC Consolidated Power Corp.'s new Kimay Circulating Fluidized Bed Coal-fired Power Plant had the largest capacity of any plant on the list at 600.1 MW each.


VECTORPOUCH-FREEPIK

The DoE endorsement paves the way for the grid operator to conduct a system impact study, which will generate a finding that a plant is suitable for connection to the power grid.

Eleven of projects are being developed by the National Power Corp. and the remaining six by South Luzon Thermal Energy Corp.; DMCI Power Corp., Mindoro Grid Corp., SMC Consolidated Power Corp., Mariveles Power Corp.; and Cleangreen Energy Corp.

The DoE has said that the energy grid is expected to have 7,910.96 MW of additional capacity by 2027, with coal-fired plants accounting for 46.68%, natural gas 38.71%, renewable energy 11.39%, and oil-based facilities 6.67%. — **Marielle C. Lucenio**

Pag-IBIG declares record-high P31.79B as 2021 dividends; Regular Savings at 5.5%, MP2 at 6%

The Pag-IBIG Fund Board of Trustees has approved the dividend for members' savings for 2021, declaring a record-high amount of over P31 billion which shall be credited directly to its members' savings accounts, top executives announced on Friday (Mar.11).

"During the Pag-IBIG Chairman's Report last February 24, I announced that the rates of Pag-IBIG Savings remained higher than other instruments in the market. This announcement came with a caveat that these were to be approved by the Board. And now, I'm happy to announce once again that the Pag-IBIG Board has approved dividends for our members' savings in the amount of P31.79 billion – the highest declared amount in the history of Pag-IBIG! The Board also adjusted upwards the previously announced indicative rates. The final dividend rates are now 5.5% for the Pag-IBIG Regular Savings and 6% for MP2. Giving higher returns on members' savings is part of our efforts to give the best benefit to our members, especially as they face economic challenges due to the ongoing pandemic, while ensuring the Fund's sustainability and stability", said Secretary Eduardo D. del Rosario who heads the Department of Human Settlements and Urban Development and the 11-member Pag-IBIG Fund Board of Trustees.

Meanwhile, Pag-IBIG Fund Chief Executive Officer Acmad Rizaldy P. Moti explained that the higher rates are a result of a higher dividend payout ratio approved by the Board. He said that while the agency is required to give back to members only at least 70% of its annual net income as dividends, the Management and the Board always sought to give back more.

"Pag-IBIG Fund has always looked out for the wellbeing of our members. And when we perform well, it's our members who benefit the most. For 2021, I'm glad to say that the Board decided to retain the highest payout ratio of 92.15%. We are able to do this for the second consecutive year because of our strong financial position and improving loan portfolio despite the economic effects of the pandemic. We, the Management, thank all members of the Board for recognizing the Fund's efforts to maintain a stable Fund. We also recognize that the members themselves - their trust and confidence in the Fund's programs - helped us deliver a great performance year after year. This is your Lingkod Pag-IBIG at work when you need us most," Moti said.

OPINION

Opportunities for tech companies to seize in 2022

(Second of two parts)

As the digitalization of the world economy further accelerates, the technology sector will likely continue to grow, especially now that vaccines and proactive health and safety measures are helping manage the pandemic. In line with this, EY ranks the top 10 opportunities from its annual report that technology companies should seize for growth while navigating volatility and risks in 2022.

In the first part of this article, we discussed the first five opportunities: attracting and retaining more motivated people in a hybrid workplace, strengthening growth profile with M&A, securing business continuity by de-risking supply chains, embedding security in new activity designs, and leading in ESG to strengthen stakeholder relations.

SUITS THE C-SUITE
ROSSANA A. FAJARDO

In the second part of this article, we continue by discussing the remaining five: transforming the business for consumption-based sales, realigning tax organizations with digital business models, streamlining operations and increasing agility, cultivating customer trust to drive digital engagement and anticipating the transition to 5G technology.

TRANSFORM BUSINESS FOR CONSUMPTION-BASED SALES

During the pandemic, consumption-based business models offered a higher valuation from investors and better protection against economic volatility compared to traditional one-off payments. With more and more customers preferring the flexibility of cloud-based services and software, subscription payments are expected to rapidly replace traditional license payments over the next five years.

In order to enable this shift, companies need to change their pricing tools, transform their sales organizations, adopt new incentive schemes, realign their major business processes and track different performance indicators. Though the transition will be challenging, companies will be rewarded with more time to build customer relations, recurring revenues, and the opportunity to generate higher revenues from each user through upselling and cross-selling.

REALIGN TAX ORGANIZATIONS WITH DIGITAL BUSINESS MODELS

Taxation and legislation changes are targeting the technology sector worldwide, with governments looking to shift the taxation base to capture more value from the growing economic contributions made by digital services. Sudden changes are caused by trade disputes and governments who are looking to protect or strengthen their key industries, and this often includes technology segments.

Tech companies need a robust approach to global trade and taxation with regard to their large international footprints as well as their large base of assets, both material and immaterial. This approach has to be built on early planning, real-time insights and an agile operating model.

STREAMLINE OPERATIONS AND INCREASE AGILITY

With the current unprecedented economic uncertainty and volatility, customer preferences are shifting overnight and causing large swings in demand. This is especially true in the technology sector. The risk profiles in the sector have also changed due to supply chains getting stretched and geopolitical factors influencing trade. This further increased the need for organizations to transform.

To remain competitive, tech companies need to match operational agility with the future levels of volatility in their business. This can be achieved by leveraging data analytics, cloud capabilities and automation tools, streamlining business processes, and identifying ways to simplify the organization.

CULTIVATE CUSTOMER TRUST TO DRIVE DIGITAL ENGAGEMENT

Digital companies rely on trust to keep driving customers to visit, interact and share the necessary data to create a business and drive growth. Because alternatives are a click or two away, a lack of trust can instantly send customers to competitors.

EY research has found that the main drivers of trust and distrust include transparency, ethics, security, regulatory compliance and content. To gain the trust of customers, companies must prioritize protecting customer data and maintain clear policies on dealing with issues that include fake content, discrimination and online abuse. A digital trust strategy that incorporates all the elements of trust has to be established.

PREPARE FOR 5G ADOPTION

The tech industry is gearing up for large-scale implementation with the rollout of 5G driving revenue across the entire technology stack. According to **Reimagining industry futures**, an EY survey of attitudes across multiple enterprises worldwide, a little over half of enterprises at 52% are more interested in 5G now compared to before the pandemic. This shows that 5G is not just a new connectivity standard, it is also expected to change how objects and devices interact as well as how machine learning and data analytics can be used to improve logistics, identify supply chain bottlenecks and reshape customer interaction.

As many as three out of four enterprises in the survey believe that 5G will be integrated into their business processes over the next five years, but for this to happen, tech companies need to prepare adoption roadmaps and use cases to stay ahead.

EMBRACING OPPORTUNITIES FROM VOLATILITY AND RISK

Although the world is still experiencing uncertainty from geopolitical issues and the pandemic, these risks reshape the opportunities that can help tech companies develop new markets and increase their competitiveness. Regrouping organizations around security and trust to increase stakeholder commitment as well as organizational transformation and the adoption of new business models can help drive market relevance and agility.

This article is for general information only and is not a substitute for professional advice where the facts and circumstances warrant. The views and opinions expressed above are those of the author and do not necessarily represent the views of SGV & Co.

ROSSANA A. FAJARDO is the EY ASEAN business consulting leader and the consulting service line leader of SGV & Co.