

Builders see project cost projections in disarray

By Arjay L. Balinbin
Senior Reporter

BUILDING costs that were based on estimates from before the current rise in fuel prices are in danger of spiralling, according to construction companies, which said end-users will eventually need to help them recover the costs.

"Previous projects won were based on old fuel prices... We are now buying at higher prices to feed our trucks, excavators, graders, etc. Moving forward, construction cost will increase," according to Levi B. Agoncillo, Aboitiz Construction's vice-president for business generation and technical services.

"The increasing fuel cost will definitely affect Aboitiz Construction particularly in equipment-intensive projects like site development," Mr. Agoncillo said in an e-mail responding to a *BusinessWorld* query.

He said that the cost of about 50% Aboitiz Construction's op-

erations is directly linked to fuel prices.

Last week, prices of gasoline, diesel, and kerosene products fell by P5.45, P11.45, and P8.55 per liter, respectively, after a decline in the crude oil benchmark for Asia, which is set in Dubai, putting an end to a run of 11 weeks of steadily-increasing pump prices.

But fuel costs are expected to climb again this week, according to Energy Undersecretary Gerardo D. Erguiza, citing the increase in the Dubai crude benchmark. An oil company has estimated that diesel prices will rise by P7.95-P8.15 per liter this week while gasoline prices will increase by P2.95-P3.15 per liter.

"Fuel and electricity costs represent a significant part of our production costs," Holcim Philippines, Inc., a supplier of cement and aggregates, said in an e-mail last week.

"Surging commodity prices are definitely affecting cement production costs," it added.

Megawide Construction Corp. said increasing fuel prices are affecting everything across its supply chain.

"For Megawide, this directly comes in (the form of) delivery costs for construction inputs as well as raw materials ordered from suppliers needed by the different sites," the company said in a statement to *BusinessWorld*.

"Also, this could be reflected in higher electricity costs if power plants supplying electricity are oil-fired, which makes renewable energy the perfect alternative at this time."

It added that some of the higher costs will be mitigated by its practice of operating "mobile and on-site batching plants located in major projects." With such facilities, "the impact is less pronounced compared with other players which do not operate mobile plants."

Holcim said that it "cannot fully absorb" the cost increases and will have to pass these on to customers.

"For the past years, our company has stepped up operational ef-

iciency measures and alternative fuel and raw material consumption to help manage volatility of energy commodity prices and as part of our overall sustainability direction. However, these are not enough to offset the unprecedented price surges we are experiencing," the company added.

Aboitiz Construction's Mr. Agoncillo said the cost of building factories to produce goods and infrastructure to deliver the goods will be higher, and cost increases will be "indirectly passed on" to consumers.

REAL ESTATE PRICES

Claro dG. Cordero, Jr., director and head of research at Cushman & Wakefield, said one key component of construction costs — real estate prices — "will likely increase as fuel or energy prices remain on an upward trajectory."

"Currently, the recovery of demand for construction materials (as economies further open up) and the persistent global supply chain disruption resulting in

port blockages are factors that aggravate the increasing cost of fuel/energy — likely increasing the cost of construction materials in the short- to medium-term," he said in an e-mail replying to a query from *BusinessWorld*.

Joey Roi H. Bondoc, associate director for research at Colliers Philippines, said in an e-mail that rising fuel prices "could lead to increase in interest rates and result in higher mortgage rates."

"Property investors should be wary of rise in mortgage rates and changes to payment terms and (promotional offers) implemented by developers at the height of the pandemic in 2020," he noted.

"Tweaks to promos and discounts are likely to be implemented especially once the appetite for residential units starts to rebound," he also said.

PROPOSED GOVERNMENT ACTION

The government can mitigate higher fuel prices by lowering the tax on fuel temporarily in order

to soften the disruptive effect on business, Aboitiz Construction's Mr. Agoncillo said.

"It's difficult to bid for projects now because we cannot guarantee our prices for a longer period of time," he noted.

Megawide said a shift to renewable energy could be a solution to reduce dependence on imported energy sources.

"Localization of supply chain among contractors can also help manage the impact of higher transportation costs," it added.

Cushman & Wakefield's Mr. Cordero said one effective way to achieve stability in real estate prices is to employ data-driven forecasting on the movement of prices of construction inputs, adding that hedging against price movements may be needed.



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OPINION

Corporate dissolution made easy

The Philippines, it's often easier to incorporate a new entity than to dissolve an existing corporation. Investors face the tedious and long process of closing their businesses, which requires the cancellation of various registrations with regulators, including the Securities and Exchange Commission (SEC) and the Bureau of Internal Revenue (BIR). The difficulties of dissolution — and eventual liquidation — are one of the factors that affected the country's ranking in the World Bank's ease of doing business report in recent years.

To address the challenges of corporations contemplating dissolving and eventually liquidating, the SEC recently issued the guidelines on corporate dissolution consistent with the provisions of Republic Act 11232 or the Revised Corporation Code (RCC).

DIFFERENT TYPES OF CORPORATE DISSOLUTION

SEC Memorandum Circular No. 5, Series of 2022 prescribes the procedures and requirements for the different types of corporate dissolution, namely voluntary dissolution with or without creditors affected under Secs. 134 and 135 of the RCC, respectively; involuntary dissolution pursuant to Sec. 138; and dissolution by shortening of corporate term provided in Sec. 136.

Of the three types, dissolution by corporate life shortening is by far the most common, with

a corporation determining at the outset the end of its existence. This is done through the filing of an application for amendment of the Articles of Incorporation (Aol) with the SEC indicating the shortened term or the last day that it operates as a juridical entity.

An entity can propose an expiration date of less than one year from the SEC approval or one year or more from such approval. The chosen

timing also has a significant impact on the corporation. If the dissolution period is less than a year, the applicant has to submit, among others, a tax clearance certificate from the BIR. On the other hand, if the shortened term is a date that is more than one year from the Commission's green light, the BIR tax clearance will not be required.

While the procedure and process are essentially the same for both options — with the same applications lodged with the same government agencies — the difference is in the sequencing.

Under the first option, the company will file and process the application for BIR tax clearance and undergo a rigorous tax audit process prior to filing an application for Aol amendment.

The second option allows for the filing and processing by the SEC of the application for shortening of the corporate term without waiting for the BIR tax clearance. After the SEC approves

the application, the company continues to operate as a juridical entity until the expiration of the corporate term. The corporation is not yet dissolved until after the last day of its shortened term.

Until the release of SEC MC 5, these options were not officially provided in any SEC rulebook, although they were applied in practice. Numerous registered companies have taken advantage of the alternate route, effectively steering clear of the need to first secure the BIR tax clearance prior to the processing of the dissolution application. However, getting the clearance is still required for a corporation to officially close its business operations in the Philippines. In this regard, the BIR will still conduct the mandatory closure audit, which is a condition precedent to the grant of the tax clearance.

Under the old rules, the SEC may approve the dissolution provided the end of the corporate term must be at least one year from the filing of the application. In the recently promulgated issuance, it is clear that the end of the corporate existence must be at least one year from the actual approval of the SEC.

SEC MC 5 specifically provides that the application must contemplate a future date, and not a date that had already lapsed at the time of the filing of the application.

TIMELINE AND COSTS

A regular BIR tax audit covering a fiscal or taxable year may take at least one year to close,

or longer depending on the complexity of the issues raised by the examiners. In a mandatory closure investigation that will cover the last two to three taxable years, the audit may be completed in approximately two years.

Given that the completion of the BIR tax audit may be difficult to estimate, the timeline for the dissolution under option 1 is indefinite and will largely depend on the pace and workload of the assigned BIR examiners.

Meanwhile, the timeline under option 2 is definite as to when the corporation is deemed legally dissolved. Upon the expiration of the shortened term, as stated in the approved amended Aol, the corporation is considered dissolved for SEC purposes without any further proceedings. Thus, dissolution automatically takes effect on the day following the last day of the corporate term, without the need for the SEC to issue a certificate of dissolution.

The costs for both options are relatively the same, including the filing fees, regulatory fees, and deficiency taxes that may be assessed and paid at the close of the BIR tax audit. However, the simplified dissolution process will result in lower overall costs and time as there is no need to comply with certain requirements, such as filing of audited financial statements, which will save the corporation on professional fees. There will also be fewer personnel expected to be retained on the payroll, particularly those who will be in charge of the BIR tax audit and the related

liquidation process. Likewise, the corporation is not required to maintain the office lease.

Under Sec. 139 of the RCC, a dissolved corporation will continue to exist for three years after the effective date of dissolution to generally wind up its affairs, including the disposal of its properties and distribution of its assets.

Notably, given the expected time lag between the SEC approval and the BIR tax clearance, corporations in the process of liquidation often opt to maintain a bank account for the settlement of any deficiency tax assessment by the BIR.

As the SEC has clarified the two available options in the shortening of the corporate term, registered entities have the opportunity to carefully weigh the method that will better address their needs, taking into consideration the processing period, available administrative resources, and the targeted timeline for the dissolution.

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Spectrum, Wilcon Depot team up to invest in a more sustainable future

Spectrum, a wholly owned subsidiary of the Manila Electric Company (Meralco), has partnered with Wilcon Depot, Inc. to support the latter's push for sustainability through the utilization of solar energy.

Spectrum was tapped by Wilcon to install a total of 1,306.46-kilowatt peak of solar photovoltaic (PV) systems for its branches located in Antipolo, Rizal; General Trias, Cavite; Tayabas, Quezon; Jaro, Iloilo; and Makato, Aklan.

The solar panels will have a combined annual generation capacity of 1.7 million kilowatt-hours of clean energy and are expected to reduce Wilcon's carbon footprint by 1,222 tons annually. This is equivalent to 2.5 million trees planted.

The solar PV systems will also allow Wilcon to save as much as P5.15 million in energy costs every year.

The project forms part of Wilcon's plan to power its entire store network with solar PV systems aligned with its goal to become a more sustainable company.

Top officials from Spectrum and Wilcon on March 22 led the launch of the solar project in one of Wilcon's stores in Antipolo City.

"Wilcon Depot has partnered with Spectrum in support of our sustainability journey as they speak



Spectrum President & CEO Ferdinand O. Geluz (left) presented a Plaque of Appreciation to Wilcon President & CEO Lorraine Belo-Cincochan (right) during the ceremonial launch of the solar project held on March 22, 2022 in Antipolo City.

quality, character, and excellent service in each project. We are thankful to have such an outstanding organization in enabling Wilcon to achieve our sustainability goals." Wilcon President and CEO Lorraine Belo-Cincochan said during the event.

For his part, Spectrum President and CEO Ferdinand O. Geluz said: "We are also thankful for the opportunity to develop Wilcon's solar facility requirements in five stores. We admire that Wilcon had the foresight on how to contribute in easing the impact of unstable prices of fuel, low supply from generation companies, and harnessing the power of the sun through the use of idle roof space. Not only does it reduce carbon footprint, it

also lessens energy costs which drives operational efficiency."

"What we offer at Spectrum is a one-stop shop solar solution-supporting Meralco's promise to customers of being their trusted end-to-end energy solutions provider," said Geluz, who is also Meralco FVP and Chief Commercial Officer.

Through its customer-centric approach, Meralco paved the way for this partnership by introducing Spectrum upon hearing Wilcon's plan to take a big leap towards sustainability.

The project weaves the country's largest distribution utility into Wilcon's sustainability story. Prior to entering a partnership with Spectrum, Meralco provided its expertise in addressing power quality concerns in Wilcon's stores, helping ensure business continuity which became even more crucial amid the pandemic.

Spectrum offers tailor-fit solutions for industrial, commercial, and residential customers through an in-depth understanding of energy consumption behaviors and strategic partnerships with world-class technology partners.

Meanwhile, Wilcon is a listed home improvement and construction supplies company with 74 stores nationwide, of which 39 branches are already powered by solar PVs.

Hybrid work arrangement is the 'only compromise' — BPO workers

THE implementation of a hybrid work arrangement is the only viable compromise for employees in the information technology business process outsourcing (IT-BPO) sector, according to the Alliance of Call Center Workers (ACW).

"We are welcoming the opportunity to discuss possible ways with which to support the industry going forward, but right now, hybrid is the only healthy compromise we see," ACW Communications Committee Representative Brien Matthew M. Benitez said in a Facebook Messenger message sent to *BusinessWorld*.

The group's stand comes after the work-from-home (WFH) arrangement for IT-BPO workers in companies within economic zones is set to expire by March 31 as provided under Resolution 19-21 of the Fiscal Incentives Review Board (FIRB). The resolution, implemented in response to the coronavirus disease 2019 (COVID-19) pandemic, allowed IT-BPO firms to adopt a WFH arrangement for up to 90% of their workforce while still enjoying tax perks.

Starting April 1, employees of IT-BPO firms registered with the

Philippine Economic Zone Authority (PEZA) are mandated to conduct on-site work or the companies will risk losing tax incentives. The government has been encouraging the return of employees, including BPO workers, to help the country's economic recovery.

According to Mr. Benitez, the government should give a choice for BPO workers to either have a WFH arrangement or an on-site arrangement due to rising fuel prices and traffic.

"The government should be proactive — allow workers the capability to decide whether they want to work from home, or on-site," Mr. Benitez said.

Further, Mr. Benitez said compromises such as providing subsidies and financial assistance will depend on the BPO firms and may not be uniformly implemented.

"Compromises can be good, granted that they are mandated or supported by the government. Assistance in the form of subsidies or what not will most likely be shouldered by the companies we work for. We highly doubt the government will consider assisting the BPO industry at this point. This will also depend on the

company itself, and won't likely be approached in a uniform manner, if it does happen," Mr. Benitez said.

"The only compromise here is to let people who want to work from home, stay at home. The hybrid option provides the best for all parties involved," he added.

In a recent press briefing, ACW disclosed that there is a significant number of workers willing to resign due to the hard transition from a WFH arrangement to on-site work.

The group also mentioned that many of their members have returned to their provinces since the lockdown was implemented in 2020, adding that the on-site directive puts an additional burden to employees.

Previously, Akbayan party-list suggested that the government should give commuter subsidies and free COVID-19 testing to workers who will be mandated to have on-site work.

PEZA also recently announced that registered IT-BPO firms will return to allowing 70% of its work force to conduct on-site work while the 30% will have remote work beginning April 1. — **Revin Mikhael D. Ochave**

Transcom opens support space for Davao WFH workers

DAVAO CITY — Swedish-owned outsourcing firm Transcom Worldwide Philippines, Inc. has opened a new office here that will serve as a support center and back-up space for its work-from-home (WFH) employees.

Transcom Managing Director for Asia-Pacific Kenneth F. Juarez said the "T.Space" will be a venue for training, collaboration, and equipment deploy-

ment for workers who will be delivering services from their own home.

At the same time, it will have available workspace for those employees who encounter connectivity problems or other issues at home that could affect their output.

"Investing in our people and our culture of support will continue to fuel growth for us and for those we serve,"

Mr. Juarez said during the T.Space launching ceremony on March 24.

Mark Lyndsell, Transcom's regional chief operating officer, said T.Space, located at the Matina IT Park, aims to ensure business continuity and provide quality, uninterrupted service to clients while its employees have a safe, reliable work environment. — **Maya M. Padillo**

FULL STORY



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