

Elon Musk's SpaceX preparing to enter Philippine market — DTI

SPACE EXPLORATION Technologies Corp. (SpaceX) is preparing to enter the Philippine market, and is currently undertaking preparatory activities like site selection, the Department of Trade and Industry (DTI) said.

Trade Secretary Ramon M. Lopez said via Viber on Thursday that he hopes SpaceX, a satellite company controlled by billionaire Elon Musk that can beam broadband even to remote locations, can start doing business here “as soon as possible.” He said the company’s timeline for setting up shop falls within the remaining three months of President Rodrigo R. Duterte’s administration.

“(SpaceX is) still finalizing investment figures. But, (it is) selecting sites already for their gateways, (looking) both at major cities and suburbs,” Mr. Lopez said.

Mr. Lopez said the DTI will assist SpaceX in registering for

incentives with the Board of Investments (BoI). Its activities qualify under the Strategic Investment Priority Plan governing the granting of incentives. It also qualifies for expedited processing of permits under the Ease of Doing Business law.

According to the DTI, the Philippines is poised to be the first country in Southeast Asia to avail of SpaceX’s technology, which will bring high-speed satellite broadband connectivity to areas where connectivity has been difficult or impossible.

Mr. Lopez said the DTI met with SpaceX senior executives Rebecca Hunter and Ryan Goodnight, National Telecommunications Commission Deputy Commissioner Edgardo V. Cabarios, and DFNN, Inc. Executive Chairman Ramon C. Garcia, Jr. on March 30 to discuss the project.

SpaceX hopes to service the Philippines via a low Earth orbit (LEO) satellite network, known as Starlink.

Its network consisted of over 1,600 satellites as of mid-2021, and hopes to add thousands more mass-produced small satellites in LEO, which communicate with designated ground transceivers, the DTI said.

In a separate statement, the DTI said SpaceX is currently establishing a company in the Philippines that will serve as its wholly-owned subsidiary.

“(The company) is targeting to deploy three gateways in the first phase of the launch,” the DTI said.

Mr. Lopez said that the launch of SpaceX will raise broadband speeds, improve connectivity, and add capacity for telecommunications services and bring down rates.

According to the DTI, SpaceX is bullish on the Philippines’ growing consumer base and improved investment climate.

“The signing of the amended Public Service Act (PSA), which allows up to 100% foreign ownership of public services, was a critical factor in (SpaceX’s) decision to invest, as all its technologies are proprietary,” the DTI said.

The BoI and SpaceX discussed the latter’s entry into the Philippine market during an investment mission in November.

“This was followed by a series of online meetings with the company... an update session in February 2022, and another in early March to discuss further its business plans in the Philippines in line with the amendment of the PSA. At present, their application is being processed and the locations of their gateways are being visited,” the DTI said. — **Revin Mikhael D. Ochave**

PHL aircraft maintenance market seen growing as travel industry recovers

By Arjay L. Balinbin
Senior Reporter

DEMAND for aircraft maintenance in the Philippines is “growing strongly” as the airline industry sees a recovery in travel, according to Dornier Technology, an aircraft maintenance, repair and overhaul (MRO) company.

“We see the recovery in the commercial airline industry as a very positive development because, as airlines put their aircraft back into operation, it increases demand for both base maintenance (heavy maintenance) as well as line maintenance,” Nikos Gitsis, newly appointed chief executive officer of Dornier Technology, told *BusinessWorld* in an e-mail interview.

“We see demand for line maintenance growing strongly at Manila airport and other popular destinations such as Kalibo, Caticlan (Boracay), Bohol, and Davao,” he added. Dornier Technology’s operations in the Philippines are headquartered at Clark International Airport.

Mr. Gitsis said the domestic travel market is posting a solid recovery, particularly on the Boracay route, which the company expects to return to pre-pandemic levels by the end of the year.

“We are now also starting to see the Philippines outbound international market recover. We believe the recovery in the international market will start slowly but will very likely gain momentum as the current opening up and improved environment takes hold, especially for the Philippines’ destinations that are popular with international tourists.”

He said the MRO industry’s main challenges in the Philippines involve “airport space and costs,” which he described as “major hurdle.”

“Government and airport operators should encourage investment in the aviation MRO sector because MRO businesses create highly technical, well-paying jobs,” he added.

Mr. Gitsis said that while manpower remains a challenge, “Filipinos in particular are well-

trained and exposed to the industry internationally, and we are encouraging those expatriates or OFWs in Asia and the Middle East to come home again and help build up the industry here.”

He said the company has been targeting Filipinos with years of service overseas in aerospace maintenance jobs.

MRO base maintenance requires substantial investment in tooling, facilities, and expertise to meet the requirements of customers and regulators.

“Scalability comes in large blocks, and financing is also a challenge in an industry that awards work on a year-by-year basis. There are few long-term contracts with operators. For an independent MRO such as ours, however, after many years reaching this point, the basis of our ongoing success is continual feedback on customer requirements, and methodically moving to provide those,” Mr. Gitsis said.

Dornier Technology is certified by the civil aviation regulators of the Philippines, South Korea and Indonesia. The certification allows it to maintain aircraft registered in these countries.

The company aims to be certified by more countries, including those in the Association of Southeast Asian Nations, or markets within four hours’ flight time from the Philippines.

It hopes to be certified by regulators in Taiwan, China, Australia and Pacific-island nations such as Papua New Guinea.

“The Philippines is ideally positioned as a center for aircraft maintenance in the Asia-Pacific region, because (it) has a pool of skilled and qualified aircraft technicians and engineers. The Philippines is also cost competitive,” Mr. Gitsis said.

“Because the commercial aviation sector has suffered through this pandemic, we are highlighting to our price-sensitive customers the capabilities of the Philippines along with the lower man hour costs that we have here,” he added.

“The Philippines, including Clark airport, are centrally located, making us an ideal location for customers from around Asia-Pacific to bring their aircraft for airframe heavy checks.”

Spot power prices rise as quarantine eases

THE average spot market price on the wholesale electricity spot market rose 12.65% in late March, following to a pickup in demand to levels exceeding forecasts after the loosening of quarantine restrictions, which offset the return to operations of some power generators.

Rates rose to P6.97 per kilowatt-hour as of March 25, from P6.19 at the end of February, the Independent Electricity Market Operator of the Philippines (IEMOP) said at a virtual briefing on Thursday.

While the supply of power increased by 695 megawatts (MW).

“Demand also increased in March by 820 MW or 8.38% higher than the usage in February,” IEMOP Stakeholder

Communications Specialist Danyella Santiago said.

The market operator said the rise in demand may be attributed to the easing of the quarantine setting to Alert Level 1 in Metro Manila starting March 1. Other provinces followed with more relaxed quarantine measures starting March 16.

“So far, the peak demand of the year was recorded on March 23 which amounted to around 13,749 MW; thereby surpassing the peak demand of the previous month which was 11,985 MW,” it said in a statement issued after the briefing.

The March demand peak was higher than demand in the same month before the pandemic.

Demand typically rises about 40% in the dry season, peaking in May.

The National Grid Corp. of the Philippines had forecast a peak demand of 12,387 MW for Luzon this year for the last week of May. The actual 2021 peak was 11,640 MW on May 28 that year.

Meanwhile, demand in the Visayas grid is expected to peak at 2,528 MW, up from 2,252 MW recorded on Dec. 13, 2021. Demand in the Mindanao grid is expected to peak at 2,223 MW, against the 2,144-MW peak on Aug. 4, 2021.

Asked about the suspension of secondary price caps, IEMOP Chief Operating Officer Robinson P. Descanzo said the market is waiting for an order from the Energy Regulatory Commission (ERC).

“Until now, we don’t have an order for the market to suspend (the secondary price cap). Personally, I think there are other mechanisms that will allow the generators to at least recover their costs on the particular day or month,” he said.

Due to soaring oil and coal prices, power generators have asked the government to raise the P6.245 secondary price cap, which was imposed by the ERC to “protect the public and prevent the repetition of excessive and unreasonable high market prices.”

Mr. Descanzo said a suspension of the cap must be studied to find a resolution that allows generators to recover their costs while protecting consumers from any abrupt increase in prices. — **Marielle C. Lucenio**

HCL Technologies seeking to expand IT-BPM operations in Bacolod City

HCL TECHNOLOGIES Philippines, Inc., an Information Technology and Business Process Management (IT-BPM) company, is planning to expand its operations in Bacolod City, according to the Board of Investments (BoI).

In a statement on Thursday, the BoI said it met with HCL Philippines officials on March 28 to discuss the company’s expansion plans. The BoI gave no details about the planned expansion.

“The company’s pilot project, which is expected to commence by the third quarter of this year, brings in additional investment into the country. It will also provide job opportuni-

ties and the company’s current labor pool with talent upskilling,” the BoI said.

According to the BoI, HCL Philippines services clients in the telecommunications, banking and financial services, utilities, retail, media, publishing and entertainment, healthcare and life sciences, technology and manufacturing, and logistics industries.

HCL Philippines is a unit of Indian IT company HCL Technologies.

“The Philippine offices specialize in customer care; technical support; clinical support; order provisioning back office; finance and accounting; service desk; application

development and products support in seven languages: Filipino, Cantonese, Mandarin, Japanese, Korean, Thai, and English,” the BoI said.

The BoI has set a target of P1 trillion worth of approved investment registrations in 2022. In 2021, it took in P655.4 billion, well short of its P905-billion target.

The government is expecting more foreign investment following the easing of investment restrictions via amendments to the Public Service Act, Retail Trade Liberalization Act, and the Foreign Investments Act. — **Revin Mikhael D. Ochave**

Legislator calls on gov’t to issue investment priorities plan soon

THE continued delay in issuing the Strategic Investment Priorities Plan (SIPP) is not allowing Congress to exercise proper oversight over the implementation of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) law, a senior House legislator said.

Ways and Means Committee Chairman and Albay Rep. Jose Ma. Clemente S. Salceda said in a statement that he hopes the SIPP is released soon to facilitate more investment in high-value fields like technology.

He said the Fiscal Incentives Review Board (FIRB) and the Department of Trade and Industry (DTI) need to issue SIPP soon.

The SIPP is a key component of CREATE and identifies the industries that the government intends to support with fiscal incentives for investors.

“I am writing the DTI and the FIRB again since I gave an internal deadline of March 2022, before Ways and Means is forced to conduct oversight hearings,” Mr. Salceda said.

He said in December that the House tax panel cannot conduct its oversight function if the SIPP has not been released.

“Once you have that list, sectors with higher tech or higher

value can upgrade to up to 17 years of incentives. For very large investments, they can get up to 40 years from the President.”

“We are working with the FIRB and the DTI to have a provisional SIPP issued, so that the industries we are sure we want can (start investing),” he added.

CREATE is the second package of the Comprehensive Tax Reform Program. It reduces the corporate income tax rate from 30% to 20%, and makes fiscal incentives more time-bound and performance-based.

Mr. Salceda also noted that plans for Space Exploration Technologies Corp. (SpaceX) to enter the Philippines will be key in digitalizing the Philippines.

SpaceX, controlled by billionaire Elon Musk, provides satellite broadband services capable of reaching remote communities. The DTI has said that SpaceX is currently conducting preliminary activities in preparation for entering the market.

“Fiber internet tends to be more expensive when you have to link thousands of islands, and for small island provinces like Catanduanes, Dinagat, Biliran, or Camiguin, fiber connections may not make commercial sense at all,” he said. — **Jaspearl Emerald G. Tan**

Incoming administration urged to broaden citizen participation in budgeting process

NONGOVERNMENT organizations pressing for more inclusive spending said the next government needs to encourage broader public participation in the budget process, noting the need to make the recovery effort more “equitable.”

The People’s Budget Coalition (PBC) said in a statement that the budgeting process needs to be more transparent, and called on Presidential candidates to commit to fund P1.2 trillion in measures designed to effect a recovery and shield the public from high fuel prices.

“We call on the candidates running for the highest positions of government to open up space for meaningful citizen participation in the national budget process.”

“We ask the next administration to correct the deadly blunders we see in the national budget and invest in

P1.2 trillion for a just, equitable, and inclusive recovery,” it added.

The PBC last year also asked Congress to allocate P1.2 trillion or about one-fifth of the P5.024-trillion national budget for 2022 for programs addressing the public health crisis, such as cash aid during lockdowns and virus containment measures.

Only P118 billion or 10% of the P1.2-trillion recovery package it proposed was included in the approved 2022 budget, Zy-za Nadine Suzara of the PBC said at a virtual forum.

“Of the P118 billion included in the 2022 General Appropriations Act (GAA), only P69 billion — a measly 6% — of the coalition’s proposal was funded under the Programmed Appropriations of the 2022 GAA,” she said. “P49 billion or 4% of our proposal were

parked under the Unprogrammed Appropriations and has no guaranteed funding.”

Ms. Suzara said politics “took precedence” over inclusive economic recovery, estimating the election-friendly measures designed to shore up politicians’ popularity at P292 billion, much of it in the budget of the Public Works department.

“Not only were the coalition’s proposals disregarded, but other socio-economic programs were delisted from the regular budgets of various agencies,” she said, noting that regular and more urgent programs were parked under unprogrammed appropriations. “These do not have guaranteed funding.”

The coalition said its proposed economic recovery package was equivalent to about one-third of the

revenue the government is expected to collect this year.

Ms. Suzara said the next administration should strike a balance between human capital development and public infrastructure investment.

“Without which, it is difficult to imagine not only an inclusive and equitable society but more importantly, a competitive one,” she said.

The PBC also urged the government to collect major tax liabilities outstanding, including P23 billion in unpaid estate tax from the heirs of the late former President Ferdinand E. Marcos, whose son and namesake is running for President in the 2022 election.

The original P23-billion tax liability, which has been swelled by interest and penalties to more than P200 billion, can be used to fund social services. — **Kyle Aristophere T. Atienza**

PHL-Norway 2021 trade grows 120.90% amid greater use of FTA

TWO-WAY TRADE between the Philippines and Norway grew 120.90% in 2021, mainly in the form of imports from Norway, as both sides made greater use of a free trade agreement (FTA), according to the Department of Trade and Industry (DTI).

“Total trade between the Philippines and Norway re-

corded a growth rate of 19.53% and 120.90% in 2020 and 2021, respectively, despite the coronavirus disease 2019 (COVID-19) pandemic,” the DTI said in a statement on Thursday.

The DTI said exports to Norway increased by 36% and were valued at €7.8 million in 2021.

Imports from Norway rose 135% to €77.08 million in 2021. Angelo Salvador M. Benedictos, Bureau of International Trade Relations director at the DTI, said during an event organized by the Philippines-Norway Business Council on March 30 that both sides took advantage of the Philippines’ 2018 trade agreement with the European Free Trade Association (EFTA), a bloc of non-Eu-

ropean Union counties which includes Norway.

The other EFTA members are Switzerland, Iceland, and Liechtenstein. — **Revin Mikhael D. Ochave**

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