FedEx Clark capacity seen expanding five times

TRADE SECRETARY Ramon M. Lopez said FedEx Corp.'s Clark capacity is expected to expand around five times amid plans to use Clark as a transshipment base.

In a statement issued out of Washington, DC, the Department of Trade and Industry (DTI) said transshipment status will mean FedEx will conduct hub-and-spoke operations at Clark. Hub and spoke means packages arriving in Clark will be reloaded to other aircraft that will proceed to their specific regional destinations.

FedEx discussed its plans with DTI officials, Presidential Adviser on Flagship Programs and Projects Vivencio B. Dizon. Representing the company at the April 18 meeting was Vice-President Ralph Carter.

Mr. Dizon was in attendance to address FedEx concerns about the processing of documentation that will enable speedy transfers at the hub.

Mr. Carter said FedEx is looking to initiate Phase 2 of its project in Clark as soon as possible. FedEx's Phase 1 facility is 7,000 square meters.

He also cited the need for clear and flexible rules to ensure that transit goods that come into the Philippines are not stopped and inspected.

In February 2022, FedEx executives met virtually with Board of Investments (BoI) Managing Head and Trade Undersecretary Ceferino S. Rodolfo to discuss FedEx's expansion plans and to seek assistance in getting the Bureau of Customs to agree to rules governing transshipments.

Animal feed, cooking oil tax differential suspected of encouraging palm oil smuggling

THE ZERO-TARIFF status of palm oil used in animal feed is believed to be a factor in encouraging smuggling by importers, who instead use the commodity for making cooking oil, the Department of Agriculture (DA) said.

"We have been investigating the alleged smuggling of palm oil as animal feed (which is instead) processed as cooking oil for human consumption... Palm oil as animal feed is imposed zero tariff and is not classified as a product to be imposed a 12% e-VAT," the DA said in a statement.

During a hearing of the House Committee on Ways and Means on Tuesday, Albay Representative Jose Ma. Clemente S. Salceda estimated foregone revenue as a result of palm oil smuggling at about P45 billion. The mechanism for tariff evasion is the misdeclaration of palm oil for use in animal feeds, a trade which he said is worth P300 billion.

"As the DA has no police power to apprehend and prosecute suspected smugglers, it sought the assistance of the Anti-Red Tape Authority (ARTA) which conducted an investigation in January 2022," the DA added.

The DA said there were discrepancies in the volume certified by the Bureau of Animal Industry (BAI), which processes import permits, and the Bureau of Customs (BoC), which tracks the volume of landed shipments.

"BAI's data on volume certified are much higher than those in the accounts of the BoC," the DA said.

In 2020, the BoC tallied imports of 55.49 million kilograms, while the BAI's count was 40.63 million kgs.

The DA said the steps it has taken to address possible smuggling include the monitoring of sanitary and phytosanitary import clearances (SPSICs). — **Luisa Maria Jacinta C. Jocson**

Varying ecozone fees imposed on POGOs flagged by fiscal body

THE Fiscal Incentives Review Board (FIRB) said investment promotion agencies (IPAs) need to harmonize the fees for locators from the Philippine Offshore Gaming Operator (POGO) industry, after finding wide disparities in the charges collected by various economic zones.

Finance Secretary and Fiscal Incentives Review Board (FIRB) Chairman Carlos G. Dominguez III ordered the FIRB Secretariat to rationalize fee structures across the industry, the Department of Finance (DoF) said in a statement.

"Clearly, there is no uniformity in the fees charged by the IPAs to their registered POGO companies when in fact, they all fall under the same type of project," according to Assistant Secretary and FIRB Secretariat Head Juvy C. Danofrata.

According to IPA reports to the FIRB Secretariat, the Cagayan Economic Zone Authority (CEZA) charges POGOs a $200,000 application and processing fee and $500,000 for a master license for interactive gaming and land-based casino operations.

Other IPAs charge application, processing, and renewal fees for e-casino and sports betting of between $10,000 and $25,000.

For POGO service providers including those offering business process outsourcing (BPO) and information technology (IT) support services, the application, processing, and renewal fees range between $10,000 and $50,000.

According to Secretariat data, CEZA has 32 registered POGO licensees and service providers. Three service providers are registered with the Authority of the Freeport Area of Bataan (AFAB), five with Clark Development Corp. (CDC), and one with the Subic Bay Metropolitan Authority (SBMA).

Ms. Danofrata added, "The FIRB Secretariat has been instructed by Secretary and Board chairman Dominguez to look into the inconsistent charges set by the IPAs, which most likely does not only apply to the POGOs registered under them, with the end view of streamlining the collection and use of such fees charged investors or locators."

Ms. Danofrata cited Section 297 (A) of the National Internal Revenue Code (NIRC) of 1997, as amended by the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, which grants the authority to the FIRB to exercise policy-making and oversight functions on the administration and grant of tax incentives. Its authority in this case derives from the IPA fees forming part of the incentives regime.

CREATE allows the FIRB can review and rationalize fees imposed by IPAs on their registered locators, she added. — **Tobias Jared Tomas**

BW FILE PHOTO

NGCP budgets P160-B capex for grid upgrades

THE National Grid Corp. of the Philippines (NGCP) said it set a capital expenditure budget of P160 billion for 2021-2025, in capital expenditure for transmission projects and facility improvements.

It said in a statement that the investment plan was filed with the Energy Regulatory Commission (ERC) as part of its submissions for the 5th Regulatory Period (2021 to 2025).

Of the total, P111.4 billion will go to transmission projects, with the remainder paying for information technology infrastructure development, substation and transmission line enhancements, and system operations expansions.

The NGCP plans to develop three major 500/230 kilovolt (kV) drawdown substations in Taguig City; Marilao, Bulacan; and Silang, Cavite to support expected load growth in Metro Manila.

Other 230/115kV substations will be buit in Antipolo City, Navotas City, and Pasay City, along with two new transmission corridors — the Taguig-Silang 500kV and Taguig-Taytay 230kV lines.

Transmission projects within and around Metro Manila include the Pasay 230kV Substation, Manila 230kV Substation, Marilao Extra High Voltage Substation, New Antipolo 230kV Substation, Taguig Extra High Voltage Substation, Taguig-Taytay 230kV Transmission Line, and Taguig-Silang 500kV Transmission Line.

"NGCP continues to invest in undertakings for the improvement of the power transmission grid. We are also working on applying smart grid technologies to ensure reliable, efficient, and safe operations and create a world-class transmission network," it said. — **Ram Christian S. Agustin**

Few farm items seen affected by RCEP trade liberalization

THE liberalization of trade resulting from participation in the Regional Comprehensive Economic Partnership (RCEP) is expected to affect only a limited number of agricultural commodities, the Department of Trade and Industry (DTI) said.

Trade Assistant Secretary Allan B. Gepty said in a statement on Thursday that the market opening RCEP calls for the additional liberalization of 33 tariff lines to four trade partners, with most other commodities already subject to other free trade agreements (FTAs).

"In RCEP, basically, the Philippines has only offered 33 agricultural tariff lines for further liberalization or improvement specifically for Australia, New Zealand, China, and South Korea... This is only equivalent to 1.9% of the total agricultural tariff lines. Out of these 33 agricultural tariff lines. Seventeen tariff lines are raw materials, 8 tariff lines are inputs, and only 8 tariff lines are final goods," Mr. Gepty said.

The commodities opened up to more import competition include an offer to Australia and New Zealand of reduced tariffs for fish fillet products dried, salted or in brine but not smoked. The tariff on such products will fall to 0% after 15 years from the 5% stipulated in the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA). Frozen mackerel tariffs will fall to 3% from 4% under AANZFTA. Celery tariffs will fall to 15% under RCEP from 16% in AANZFTA. Sausage tariffs will fall to 23% from 32%.

"We really ask the agricultural sector to look at RCEP as a platform of more and bigger opportunities ranging from improved market access in the RCEP region, cheaper access to raw materials, wider cumulation area, trade facilitative measures, and even investments in smart agriculture and research and development," he added.

Mr. Gepty said trade remedies are available in the form of an RCEP transitional safeguard, on top of the mechanisms available via the World Trade Organization (WTO).

"There may be cases wherein commitments made in the RCEP Agreement need to be adjusted or addressed due to exceptional circumstances that affect our economy and industries, as well as our farmers. For this reason, the RCEP agreement provides various mechanisms that serve as safety nets to address these circumstances. These are on top of the available remedies under the WTO agreements," Mr. Gepty said.

RCEP, which started taking effect on Jan. 1, involves Australia, China, Japan, South Korea, New Zealand and the 10 members of the ASEAN.

The Philippines has yet to enter RCEP as the Senate was unable to ratify the agreement before adjourning on Feb. 3. President Rodrigo R. Duterte signed the trade agreement on Sept. 2. — **Revin Mikhael D. Ochave**

New shopping habits seen roiling FMCG industry

THE fast-moving consumer goods (FMCG) industry needs to consider how the pandemic has transformed shopping habits, according to data and consulting firm Kantar.

Kantar Philippines Worldpanel Expert Solutions Director Ledz Lim said in a virtual briefing on Thursday that FMCG companies need to adapt to the new consumer emphasis on value for money, e-commerce and sustainability. Return to school goods are also a focus area because of the lifting of restrictions on face-to-faces classes, while the industry must also adapt their channel strategy to the way mobility restrictions trained consumers for two years to patronize sellers within their immediate vicinity.

"With the return to neighborhood stalls (*sari-sari* stores), brands that can get themselves into the limited shelf space will be the ones who stand to gain the most," Kantar Shopper and Consumer Insight Director Laurice Padlan-Obana said.

Kantar also noted that e-commerce will continue to grow, particularly as an avenue for selling personal care products.

"With only 8% of Filipino homes shopping online, there is a huge opportunity for brands to leverage this platform. However, the e-Commerce category will truly take off when shoppers turn to online channels to purchase their food and beverage needs," Ms. Obana said.

According to Kantar, consumers will continue to switch to brands that offer greater value.

"With more than half of the 156 categories monitored by Kantar raising their prices by more than 5% in the last two years, shoppers will continue to switch to brands that offer them greater value. This search for such products that offer their money's worth, especially among the lower socioeconomic classes, will continue and brands that are able to address this need can join the ranks of other growing and fast rising value brands," Kantar said.

Kantar said the return to face-to-face classes will also boost FMCG categories that saw little action during the virtual classes era.

"This (categories) include those that will keep children safe and fresh (sanitizers, baby powder and colognes), while also ensuring that they have nutritious lunchboxes and are properly hydrated while in school. Moreover, households may see an increase in demand for laundry detergents with more instances of children changing outfits," Kantar said.

"82% of shoppers said they are personally affected by environmental problems, while 68% admitted to not buying certain products which they feel greatly impact the environment and society. Moreover, Filipino shoppers believe that various stakeholders, including FMCG companies, (should play a) bigger role in taking action and pursuing a more sustainable path," Ms. Lim said.

Lourdes Deocareza-Lozano, Kantar Philippines Worldpanel Division new business director, said shopping frequency is expected to rise in the coming months following the easing of mobility restrictions.

According to Ms. Deocareza-Lozano, overall FMCG spending during the last two years dropped 11%. The D income class posted the sharpest decline in spending of 12%, followed by the E category with 11%, C2 9%, and ABC1 2%. — **Revin Mikhael D. Ochave**

Gov't, private sector urged to implement immediate energy conservation measures

THE problem of thinning power reserves must be addressed by both the government and private sector with the immediate adoption of energy conservation measures to ensure a problem-free election on May 9, the Management Association of the Philippines (MAP) said Thursday.

In a statement responding to forecasts of thin power reserves over the next 30 days, MAP called for the adoption of energy efficiency practices at the household, office, or business level, while urging government agencies to implement conservation measures for air-conditioner use. It also recommended the use of compact fluorescent lamps (CFLs) for lighting, and coconut methyl ester-blended diesel fuel for vehicle operations.

It urged energy stakeholders, specifically distribution utilities, electric cooperatives, the National Grid Corp. of the Philippines (NGCP), and the Energy Regulatory Commission (ERC), to roll out measures like the Interruptible Load Program (ILP), especially in areas with increased power demand.

The ILP allows major users with their own generation facilities to opt out of using grid power to help the system service elevated demand.

In March, the Manila Electric Co. (Meralco) urged more eligible companies to sign up for its ILP.

Meralco currently has 122 companies registered for its ILP, with a total committed de-loading capacity of approximately 560 megawatts (MW).

MAP urged the NGCP to contract more reserve power and accelerate the connection of power plants not yet linked to the grid. It also asked the ERC to suspend the Secondary Price Cap (SPC) at the Wholesale Electricity Spot Market (WESM).

"The government should treat the protection and sustainability of the country's energy infrastructure as a national security concern and thus increase the (focus) on longer-term development," it said, citing the need for an energy transition plan configured for climate equity and energy security. — **Ram Christian S. Agustin**

Online platform targets more collaboration among innovators

THE NATIONAL Innovation Council (NIC) said its new online platform hopes to improve collaboration among innovators and investors by encouraging more networking within the innovation ecosystem.

Carlos Bernardo O. Abad Santos, National Economic and Development Authority (NEDA) assistant secretary, said during the virtual celebration of the National Innovation Day on Thursday that the online platform, called Filipinnovators that the system "will allow innovators and investors to expand their network, upgrade their knowledge and skills, learn from field experts, and collaborate for more innovative solutions. It serves as a knowledge recognition and co-creation portal and it also aims to be a venue for innovation policies and trends."

Mr. Abad Santos said the online platform has a landing page on the NIC website, a profile creation page for innovators, a forum for exchange of ideas, and a section on training available to participants.

The NIC is a policy advisory body comprising 25 members from the public and private sectors. It is chaired by the President of the Philippines while the NEDA Secretary serves as the vice-chair.

In February, NEDA announced that the NIC is drafting the National Innovation Agenda and Strategy Document which include a 10-year plan and outline strategies for achieving innovation goals. — **Revin Mikhael D. Ochave**