

EV production to hinge on vehicle takeup levels

THE possibility of domestic electric vehicle (EV) production will depend on the market reaching critical mass in both adoption and the number of charging stations, according to the Department of Trade and Industry (DTI).

"We will come to a stage where we will assemble the vehicles here (in the country). But we're not yet there because there's so many preconditions to bringing in EVs here. You need a critical number so you can have charging

stations along the way. Otherwise, there will be no buyers if users cannot bring their EVs out of Metro Manila," Trade Secretary Alfredo E. Pascual said on the sidelines of the Management Association of the Philippines general membership meeting in Taguig City last week.

He did not provide an estimate for which levels of adoption might make investors believe critical mass has been achieved.

Mr. Pascual said that the DTI is aiming to build a parts ecosystem

for EVs from among medium-sized Philippine suppliers.

"I want Philippine manufacturers, particularly, medium-sized companies, to become suppliers of parts and components, to be part of the global value chain," Mr. Pascual said.

In April, former Trade Secretary Ramon M. Lopez proposed the issuance of an executive order that would grant the remaining slot for local manufacturing under the Comprehensive Automotive Resurgence Strategy

(CARS) program to a domestic EV producer.

Asked to comment, Mr. Pascual said that he is pushing for the CARS program, but maintained that some issues should be dealt with before EVs can be included in the initiative.

"We need to address the fundamental issues. It will take time to set up charging stations and the price of electricity in the country is high," Mr. Pascual said.

The CARS program offers fiscal support to participating

car manufacturers domestically producing at least 200,000 units within six years.

The program was supposed to have three car manufacturers, but only two companies enrolled — Toyota Motor Philippines Corp. (TMPC) and Mitsubishi Motors Philippines Corp. (MMPC).

TMPC manufactures its Vios small sedan while MMPC produces the Mirage under the program. The deadline for MMPC to achieve the Mirage production quota is 2023 while TMPC has

until 2024 to manufacture the required number of Vioses.

The DTI has also proposed a zero-tariff policy for EV imports to reduce purchase prices and encourage broader adoption.

The Philippines recently passed Republic Act No. 11697 or the Electric Vehicle Industry Development Act. Under the law, companies, public transport operators, and government units are required to maintain vehicle fleets that include at least 5% EVs. — **Revin Mikhael D. Ochave**

Supermarkets see goods not subject to price controls becoming more expensive

SUPERMARKETS said prices are rising for goods not subject to government price ceilings.

Steven T. Cua, Philippine Amalgamated Supermarkets Association, Inc. president, said such price behavior has been observed in grocery items not covered by the suggested retail price scheme.

"Prices continue to surge for (grocery) items not monitored by the Department of Trade and Industry (DTI). These products belong to all categories especially if imported, repacked, or re-canned but manufactured abroad such as bread spreads and luncheon meat," Mr. Cua told *BusinessWorld* via mobile phone.

"(The) increases would range from 5% to 10% for local goods and 12% to 25% for imported items during the last few months. This is due to the cost of bringing in imported raw materials, intermediate goods which need repacking or processing, and finished goods," he added.

Under Republic Act No. 7581 or the Price Act, the DTI issues suggested retail prices (SRPs) for basic necessities and prime commodities that it monitors.

The DTI defines basic necessities as products deemed important to the needs of consumers for their sustenance, while prime commodities are products not considered basic necessities but otherwise deemed essential.

Some of the basic necessities covered by the DTI include bread, canned fish, detergent, processed milk, and locally manufactured instant noodles, while prime commodities include flour, toilet soap, vinegar, and soy sauce.

The latest SRP bulletin was issued in May, which reflected price increases ranging from 2% to 10% for 82 stock keeping units (SKUs) such as bread and coffee, while 136 SKU prices were maintained.

On July 12, the DTI said that the current price hike petitions by makers of canned meat, coffee, bread, and detergent are in the

final review stages and may take a few more weeks before obtaining approval.

It added that the proposed price increases were caused by rising input costs, which are thus far being absorbed by manufacturers.

"It could take us probably a couple of weeks for us to complete and submit our recommendation for approval, and another couple of weeks probably for the Secretary to approve and for us to (move to) publication," Trade Undersecretary Ruth B. Castelo said.

Meanwhile, Mr. Cua said foot traffic in supermarkets has increased despite the new surge in coronavirus disease 2019 (COVID-19) cases.

"There is a need for continuous urging of the population to get their COVID-19 booster shots," Mr. Cua added.

On Saturday, the Health department announced that there were 2,578 new COVID-19 cases, bringing the country's case count to 3,730,545. — **Revin Mikhael D. Ochave**

May debt service bill rises nearly 52%

THE National Government paid P57.44 billion to service its debt in May, up 51.96% from a year earlier, with both interest and amortization components rising, the Bureau of the Treasury (BTr) said, citing preliminary data.

In May, around 58.9% of debt repayments serviced interest, while the rest went to amortization, it said.

Overall interest payments rose 16.93% to P33.83 billion in May, with interest paid on domestic debt up 19.74% year on year at P28.87 billion. This consisted of P19.41 billion for Treasury bonds, P7.94 billion for retail Treasury bonds, and P1.53 billion for Treasury bills.

Interest paid on foreign debt rose 2.86% to P4.96 billion.

Amortization payments rose 166.3% to P23.61 billion in May. All payments of principal during the month went to foreign creditors. The BTr settled no outstanding principal with domestic lenders.

The five-month debt service bill dropped 33.6% year on year to P414.07 billion, with around 53.24% going towards interest payments, and the rest to amortization.

Principal payments from January to May stood at P193.61 billion, down 56.49% from a year earlier. This consisted of P153.02 billion in domestic debt and P40.59 billion in foreign obligations.

Interest payments rose 23.43% to P220.46 billion in the five months. These included P172.36 billion worth of payments to domestic creditors and P48.11 billion to external creditors.

The government borrows from foreign and local sources to fund its budget deficit as it spends more

than the revenue it generates to support programs to stimulate economic growth.

The government wants to raise P2.47 trillion to help fund its budget deficit this year, with about 77% coming from domestic sources. — **Diego Gabriel C. Robles**

FULL STORY



Read the full story by scanning the QR code with your smartphone or by typing the link bit.ly/Debt071822

CONCEPCION, ABALOS ADOPT "ISA PA" AS RALLYING CRY FOR RAISING BOOSTER RATES



DILG Sec. Benhur Abalos met with Go Negosyo founder and MSMED Council Vice Chair Joey Concepcion. With them were members of the private sector Advisory Council of Experts (L-R) Dr. Guido David (OCTA Fellow), Jopin Romero (Go Negosyo Senior Adviser), Dr. Ted Herbosa (UP PGH, formerly NTF), Fr. Nic Austriaco (UST, OCTA Fellow), Sec. Abalos, Concepcion, Dr. Michael Tee (UP Manila Vice Chancellor, OCTA Fellow), Dr. Tony Leachon (formerly NTF), Prof. Ranjit Rye (OCTA Fellow). ACE members not in photo are Dr. Rontgene Solante (San Lazaro Hospital, Vaccine Expert Panel), Dr. Nina Gloriani (Vaccine Expert Panel Head), Dr. Maricar Limpin (Philippine College of Physicians), Dr. Benjamin Co (OCTA Fellow) and economist Romy Bernardo (Global Source Partners and T3).

"Kailangan ng isa pa. Isa pa para sa mga pamilya, isa pa para sa komunidad," said Department of Interior and Local Government (DILG) Sec. Benhur Abalos as he highlighted the importance of booster vaccinations in a private sector-initiated proposal for the Philippines' post-pandemic transition strategy.

The DILG Secretary's statement inspired Go Negosyo founder Joey Concepcion to adopt "ISA PA" as the rallying cry to push booster vaccinations. "Complacency is the problem. People don't see what might happen if our wall of immunity starts to weaken," he said.

Sec. Abalos met recently with Concepcion and members of the Advisory Council of Experts (ACE) to discuss their proposal for easing the country into normalcy and encouraging economic activity without risking the public's health. He thanked their initiative and the emphasis of the proposal on raising booster vaccination rates to at least

70 percent among the eligible population.

ACE proposes an easy-to-understand alert level system based on the red-yellow-green traffic light signal system, using as metrics only the healthcare utilization rates and ADAR, or the number of infections per hundred thousand population. Moreover, it defines resulting activity restrictions based on their regional applicability, and incentivizes good pandemic status with relaxed rules on face masks. The proposal also lays down a plan to address the inventory and accessibility of Covid vaccines.

Moreover, the new system ensures transparency in government decision-making, and empowers people and local governments to take charge of their own community's health.

Sec. Abalos said that it is important to seek community-based solutions, and took note of how the private sector has become a partner in the country's recovery from the pandemic.

OPINION

Transforming with humans at center

(First of two parts)

Transformation has always been integral to the long-term success of a business. But for many years, the process by which businesses overhauled their operations to boost productivity and promote sustainable growth was sporadic. In many instances, changes in stakeholder expectations or market sentiment would prompt leaders to rethink their organizations from the ground up or make small changes to adapt.

However, both the nature and rate of transformation have changed in the past few years. In the EY 2021 Global Board Risk survey, as much as 82% of board members and CEOs stated that market disruptions have increased in frequency and severity. Companies have started to transform more regularly to keep up — amplifying the need to successfully transform and do so consistently.

A research collaboration established in 2021 between EY and the Said Business School of the University of Oxford determined the need for a more effective and contemporary means to sustain organizational change. Specifically, it has to employ a strategy that takes into account the sentiments of both leaders and workers to focus on human factors, which are frequently cited as one of the main reasons why transformations fail. Moreover, the research posited that apart from the transformation failure rate being too high, organizations can no longer afford the human cost associated with it.

HUMAN EMOTIONS AT THE HEART OF TRANSFORMATION SUCCESS

Leaders usually invest early to create the circumstances for a successful transformation on both an emotional and a rational level. The research observed that, along the way, confidence in the process may ebb as tensions arise, but also noted that the support usually increases to match the pressure. Workers will feel positive by the end of the transformation with proper and timely support. The study has found that positive worker sentiment increased by 50% after successful transformations.

The emotional state of both leaders and employees at the start of a successful transition is comparable, but there will be a point in the transformation when things start to go awry. This is where supportive intervention is needed as up to 66% of employees feel stressed with an underperforming transformation. The impact of a failed transformation can be severe, with up to 75% of the workforce experiencing negative feelings and an extreme of 31% feeling angry, depressed or sad.

This is particularly noteworthy in situations where a series of transformations is planned. While negative emotions in the workforce can rise by 25% during successful transformations, it rises dramatically to 130% during unsuccessful ones. Going into the next transformation with this negativity can be devastating for any new transformation efforts. This makes it even more important for organizations to revisit their transformation plans and keep humans at the center in order to better turn transformation failure into success.

Research findings from the study identified six key drivers that can help increase the likelihood of transformation success. In the first part of this article, we discuss the first three: adapting and nurturing the necessary leadership skills, creating a vision that everyone can believe in, and building a culture that encourages and embraces all opinions.

LEAD: ADAPT AND NURTURE THE NECESSARY LEADERSHIP SKILLS

Regardless of whether a transformation was successful or not, employees in the study ranked leadership as the most important factor. Interestingly, while leaders considered leadership as the primary factor in successful transformations, they also saw it as irrelevant when the transformation failed. Given the importance of personal emotional development, leaders must be aware of their own mental and physical limitations. Moreover, they must be absolutely open and honest about their worries, fears, and self-doubt regarding the transformation journey, as well as admit what they don't know and still need to learn.

Leaders need to have the courage to admit they may not have all the solutions and be willing to demonstrate the humility to search both inside and outside the company for such solutions. For instance, compared to respondents in low-performing transformations, respondents in high-performing

transformations were more likely to say that leaders embraced ideas from more junior staff.

To demonstrate that the entire team is participating in the transformation together, leaders must take responsibility for both the good and the bad. By promoting collaboration, achieving consensus, and establishing consistent two-way communication with those driving the execution, leaders can highlight that everyone contributes. Successful transformation executives have reportedly spoken with employees directly to ascertain their concerns. Others made investments in technological platforms that enabled two-way communication and united diverse viewpoints.

Key driver: Leaders must invest in their own transformation and place a strong emphasis on teamwork and communication.

INSPIRE: CREATE A VISION EVERYONE CAN BELIEVE IN

Vision establishes the transformation tone and foundational framework. In order to find a compelling vision, leaders must look outside of themselves, their company, and their sector. They should cast a wide net to find inspiration and employ future-back planning to locate exciting new opportunities, creating a

compelling vision that can inspire everyone. Compared to 26% of respondents in a low-performing transformation, 47% of those in a high-performing transformation thought the vision was compelling and clear.

As much as 71% of employees think that this can increase the success of a transformation, making it imperative for leaders to effectively convey why change is necessary rather than merely state what they must do if they want the vision to become a reality. Instead of just encouraging their people to understand the vision, leaders must nurture genuine belief in it.

Compared to 25% of respondents in low-performing transformations, 50% of respondents in high-performing transformations said that leadership made it obvious why the organization needed to change.

Key driver: Leaders must manifest a vision that everyone can support, motivating employees to go above and beyond.

CARE: BUILD A CULTURE THAT ENCOURAGES AND EMBRACES ALL OPINIONS

Emotions are the key to a successful transition, but if the business is unprepared, it can doom the transformation to failure. In the study, 50% of the employees who went through a successful transformation felt that transformation was merely another word for layoffs. Workers involved in poorly executed transformations reported feeling ignored, unsupported, and stressed both during and after the transition. Leaders admitted in follow-up meetings that they were shocked by these results and were not aware of the severe toll that a poorly executed change had taken on their workforce.

In addition to giving enough emotional support to minimize anxiety and burnout, leaders must be able to manage emotions to keep employees motivated and engaged. According to the prediction model used in the study, extending emotional support increased the average likelihood of transformation success by 17%.

Understanding the emotional condition of the workforce during the transformation process will help leaders spot early warning signs and make the necessary modifications to set the transformation back on track.

Key driver: Leaders will have to pay close attention to what their people are saying, identify the cause of their anxiety, and try to solve problems in a way that is both productive and emotionally supportive.

In the second part of this article, we will discuss the next three key drivers: setting clear responsibilities and preparing for change, using technology to quickly drive visible action, and finding the best ways to connect and collaborate.

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