Marcos orders review of LRT fare hikes' inflation impact

THE Department of Transportation (DoTr) said Tuesday that the Palace has ordered a review of the inflation impact of two commuter rail fare hikes the department had approved in late March.

The Palace decision effectively pushes back the implementation date of the fare hike for Light Rail Transit (LRT) Lines 1 and 2.

The DoTr had approved the requested fare increase of P2.29 on boarding and an additional 21 cents distance for every kilometer traveled.

"This was approved by my office on March 27, and we reported this to the President. And the instruction of the President is to reassess the date of implementation for us to be able to determine the impact on inflation," Transport Secretary Jaime J. Bautista said in a press conference on Tuesday.

Mr. Bautista said the instructions issued by President Ferdinand R. Marcos, Jr. also suspends the fare hike application process for Metro Rail Transit (MRT) Line 3, which had yet to be approved.

Mr. Bautista said the DoTr will discuss the impact of fare increases with the National Economic and Development Authority (NEDA).

"As far as the rate is concerned, it is already approved, but the implementation will be announced after we have conferred with NEDA and we will refer this back to the board of the LRTA (Light Rail Transit Authority)," said Mr. Bautista.

Once implemented, the minimum boarding fee at the LRT-1 and LRT-2 will be adjusted to P13.29 from P11, while the distance fee will be adjusted to P1.21 per kilometer from P1 per kilometer.

The DoTr said the new LRT-1 Single-Journey Ticket (SJT) fare scheme will be a minimum P15 and maximum P35. The previous range was P15-30. For Stored Value Cards (SVC), the minimum will rise to P14 from P12 and the maximum to P35 from P29.

Meanwhile, for LRT-2 the minimum SJT fare will remain at P15 while the maximum will rise to P35 from P30. The minimum SVC fare will rise to P14 from P12, and the maximum will rise to P33 from P28.

Mr. Bautista said that "the proceeds of the fare increase are intended to improve (the train operator's) services, technical and technological capabilities to make mass transportation accessible, convenient and efficient for the riding public."

Assistant Transport Secretary for Railways Jorjette B. Aquino said that the LRTA intends to allocate 97% of the expected incremental revenue for maintenance.

"It is the intention of the LRTA to allocate 97% or about P110 million of the expected P114 million additional rail revenue per year to augment funds for maintenance and other operating expenses," Ms. Aquino said.

LRTA's deficit for 2023 is projected at P8.5 billion, widening from P7 billion in 2022, according to Ms. Aquino.

"It has been actually operating at a loss and relying on government subsidies for its operations and maintenance," she added.

LRT-1, LRT-2 and MRT-3 filed fare hike applications with the Rail Regulatory Unit (RRU) which held a hearing on Feb. 17.

Ms. Aquino said the MRT-3's requested fare increase was not approved after it failed to meet the publication requirement as indicated by the RRU rules of procedure.

"LRTA and LRMC (Light Rail Manila Corp., operator of LRT 1 and 2) timely published their application and petition with notice of hearing in a newspaper of general circulation once a week for three consecutive weeks in accordance with the RRU rules of procedure," she said.

She added that MRT-3, operated by Metro Rail Transit Corp., failed to publish its application 10 days before the hearing. — **Justine Irish D. Tabile**

Water shortage seen likely in 2024 with El Niño looming

PARTS of Metro Manila and nearby provinces will likely experience a water shortage next year with dry spells expected with the El Niño weather phenomenon looming, a former water regulator aid.

"If rains fail to bring up the water level of Angat dam, we won't reach safe levels that will carry us to next year. It's not this year, the concern will be next year if the rains don't come," Ramon B. Alikpala, former chairman of the Metropolitan Waterworks and Sewerage System (MWSS), said in a briefing Tuesday.

Angat Dam supplies about 90% of the water needs of Metro Manila and nearby provinces.

On April 11, the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) reported that the water level at Angat declined to 199.13 meters from 199.37 meters a day earlier.

The dam has a minimum operating level of 180 meters and a normal high-water level of 212 meters, which is considered the level that provides an adequate safety margin for supply during the dry months.

PAGASA has said that El Niño is likely to develop in the second half of this year and run until next year.

"A new operating dam is much needed because Angat Dam can no longer keep up with the spiking demand for water. Simultaneously, there is also overpopulation and climate change, which call for an immediate solution," Mr. Alikpala said.

Leonor C. Cleofas, MWSS administrator, said in a Viber message Tuesday that the MWSS has a water security roadmap that will address the growing demand for water.

She said that the MWSS is still confident that the water supply is sufficient to ride out the dry months.

"With the elevation of Angat we can get past the dry season. For next year, we have additional sources of water that will come online," Ms. Cleofas said.

Delfin Sespene, an engineer with the MWSS site operations and management department, said the water regulator has once again requested that the National Water Resources Board (NWRB) increase the allocation from Angat to 52 cubic meters per second (CMS).

"Actually, we will be presenting to them tomorrow (Wednesday). We have a board meeting with NWRB. If NWRB does not approve, we have augmentation measures in case they cannot provide the 52. but we are hopeful," Mr. Sespene said.

The MWSS normally draws 48 CMS from Angat. The NWRB temporarily raised the allocation for MWSS to 50 CMS between April 1 and 15. — **Ashley Erika O. Jose**

DBM releases P43B for senior citizen health insurance

THE Department of Budget and Management (DBM) said it approved the release of P42.93 billion to cover the health insurance premiums of senior citizens for one year.

Around 8.6 million enrolled senior citizens are expected to benefit from the release, the DBM said.

Under the 2023 budget, about P79 billion is allocated to cover health insurance premiums for indirect contributors, including seniors.

All senior citizens are covered by the National Health Insurance Program of the Philippine Health Insurance Corp.

At the end of February, the DBM said 61.4% or P3.23 trillion of the 2023 national budget has been released to national agencies and local government units.

This leaves P2.033 trillion remaining to be distributed from the P5.268-trillion 2023 budget.

Meanwhile, government agencies' cash utilization rate hit 86% at the end of February, the DBM said.

The National Government, local governments, and state-owned firms used 86% or P451.09 billion in Notices of Cash Allocation (NCAs) issued to them in the first two months of the year. This left P76.37 billion in unused NCAs. — **Luisa Maria Jacinta C. Jocson**

Crunch time seen for PHL power prices when LNG contracts renew

ELECTRICITY prices are likely to rise when power generators sign new supply deals for liquefied natural gas (LNG), with price volatility in the fuel likely to be passed on to consumers, the Institute for Energy Economics and Financial Analysis (IEEFA) said Tuesday

"As contracts are renegotiated, generation companies will push to pass through volatile imported fuel costs to consumers... If LNG costs are passed on to households and businesses, the Philippines may continue to struggle with high electricity prices," Sam Reynolds, an energy finance analyst, said in an IEEFA report.

In its report, IEEFA said the LNG outlook is clouded by the uncertainty of access to the fuel by the installed base of gas-fired power plants.

"Two recent power contract disputes demonstrate the difficulty of pricing imported LNG into the Philippine market and cast doubt on the economic viability of LNG expansion plans," IEEFA said.

IEEFA was referring to the power supply agreement (PSA) between Manila Electric Co. (Meralco) and a unit of San Miguel Global Power Global Power Holdings Corp., South Premiere Power Corp. (SPPC).

SPPC is the administrator of the gas-fired power plant in Ilijan, Batangas.

Last year, SPPC together with another unit of San Miguel Global Power, San Miguel Energy Corp. (SMEC), applied for a rate increase with the Energy Regulatory Commission (ERC) after claiming that both its units incurred a combined loss of P15 billion. The rate increase was meant to recover P5 billion of the losses.

The company cited a "change in circumstance" after surging fuel costs breached the price range assumed during the execution of the contracts with Meralco. The ERC denied the petition, saying this had no basis as the PSA is a fixed-rate contract.

SPPC's PSA with Meralco was the subject of a writ of preliminary injunction issued by the Court of Appeals, indefinitely suspending its power deal with Meralco.

Meanwhile, San Miguel Global Power expects an LNG shipment to arrive within this month.

Linseed Field Power Corp., a unit of Atlantic Gulf & Pacific Co., said it has completed the conversion of a vessel into a floating storage unit for gas.

Linseed will serve as the operator of the LNG re-gasification facility which will be rented by San Miguel Global Power's SPPC.

"As a result, consumer power bills could increase further. The cost of the country's first LNG cargo was undisclosed, but at current LNG prices in Asia, IEEFA estimates that rates from LNG-fired power generation in the Philippines could be roughly PHP9/kWh (kilowatt-hour). And based on average global LNG prices last year, LNG-fired power could cost as much as PHP16/kWh," IEEFA said.

In March, Meralco announced that the two subsidiaries of San Miguel Global Power — Excellent Energy Resources, Inc. (EERI) and Masinloc Power Partners Co. Ltd. (MPPCL) — had terminated their PSAs with Meralco.

EERI had proposed to supply power from its natural gas-fired power plant starting in 2024, while MPPCL offered 600 megawatts from its coal-fired power plant by 2025.

San Miguel Global Power terminated the deal after the PSA application exceeded the date it should have been approved by the ERC.

"LNG-to-power contracts in the Philippines may be constantly subject to legal risks given the high costs and inherent volatility of LNG prices in global markets. Ultimately, however, fixed pricing terms are essential to protect consumers from the high costs associated with decisions to rely on foreign LNG," IEEFA said.

"As PSAs for coal and LNG-fired power are renegotiated, however, there is still a major risk that highly volatile fossil fuel costs are passed through to consumers for decades to come," it added. — **Ashley Erika O. Jose**

DIEGO SAN-UNSPLASH

ASF contained to 0.3% of barangays nationwide, DA says

THE Department of Agriculture (DA) said Tuesday that the 137 barangays where African Swine Fever (ASF) has been detected represent a tiny percentage of the national total.

"If you're looking at the effects of ASF nationwide, we are looking at 137 barangays... only 0.3% of the total," DA Deputy Spokesperson Rex C. Estoperez said in a briefing.

About 25% of the 81 provinces have outbreaks, though he added that presenting the outbreak data by barangay presents a "more realistic" picture.

Mr. Estoperez reiterated that the Bureau of Animal Industry's (BAI) protocols are based on the guidelines set by the World Organization for Animal Health (WOAH), after Cebu province pushed back on the cull policy, citing its authority under the Local Government Code.

The first ASF outbreak in the Philippines was detected in 2019.

BAI responds to outbreaks by culling all swine within a 500-meter radius to control the spread of the disease.

Mr. Estoperez called for the cooperation of local government units (LGU) pending availability of vaccines for the disease, which are still undergoing clinical trials.

"We are committing all our resources, especially in the regions where we will have the support of local government units to prevent the spread of this virus," he said.

In a statement Tuesday, Camarines Norte Rep. Luis Raymund F. Villafuerte called for a state of calamity declaration in ASF-affected areas.

Calamity declarations enable the government to move more quickly on funding emergency measures.

He called for the deployment of money from the contingency fund, and asked that budget planning for the succeeding General Appropriations Acts allow for fast-tracking vaccines.

Mr. Villafuerte noted the need for the BAI to step up because the continued presence of the disease could lead to pork shortages, a spike in inflation, and rising imports.

Samahang Industriya ng Agrikultura (SINAG) Executive Director Jayson H. Cainglet said that hog losses this year due to ASF have been valued by the industry at at least P10 billion.

Mr. Cainglet said via Viber that the farmgate price of pork has been between P190 and P220 per kilo, with retail prices at around P400 per kilo.

According to DA monitoring reports Tuesday, markets in Metro Manila sold pork belly (*liempo*) at retail for between P340 andP420 while pork shoulder (*kasim*) was priced at between P310 and P350. — **Sheldeen Joy Talavera**

Manufacturing output growth eases in Feb.

FACTORY PRODUCTION grew at the slowest pace in two months in February, signaling weakening demand.

Preliminary results of the Philippine Statistics Authority's (PSA) latest Monthly Integrated Survey of Selected Industries (MISSI) indicated that manufacturing, as measured by the volume of production index (VoPI), expanded 7.2% year on year in February.

This reading was lower than the revised 11.2% in January and 69.8% growth posted a year earlier. It was also the slowest uptick since December's 4.6%.

The February result brought average factory output growth to 9.2% for the year to date, much lower than the 40% average in the first two months of 2022.

Domini S. Velasquez, chief economist at China Banking Corp., said in a Viber message that the slower growth in VoPI in February points to a weakening manufacturing sector in the face of waning global demand.

Capital Economics' emerging Asia economist, Shivaan Tandon, said the February slowdown may be driven by the fall in output for computer, electronics and optical products.

"The global electronics sector is struggling after a pandemic-induced boom. The Philippines has a large electronics sector which makes the economy particularly vulnerable to the ongoing downturn in the sector," Mr. Tandon said in an e-mail.

The VoPI reading was in line with the manufacturing Purchasing Managers' Index (PMI), which hit 52.7 in February, slowing from the 53.5 posted a month prior.

The PMI is a leading indicator for future manufacturing activity, as it reflects forward demand expectations in the form of raw material orders for use by factories in a few months' time. A reading above 50 indicates an expansion in expected manufacturing activity.

According to the statistics agency, three categories were mainly responsible for the slower growth in February, led by food products, slowing to 6.4% from 14% in January.

The contraction in output of computer, electronic and optical products deepened to minus 14.2% from minus 6.9% previously.

Nonmetallic mineral products posted a contraction of 2.7%, a turnaround from the 17.8% rise a month earlier.

The PSA said five other categories out of 22, posted slowdowns in February. These include transport equipment (27.3% form 33.6%), electrical equipment (22.3% from 58.9%), and beverages (22% from 26.7%).

Meanwhile, five categories posted higher growth, led by machinery and equipment (34% from 33.4%), basic metals (30.8% from 15.2%), and printing and reproduction of recorded media (17.4% from 6%).

Four categories declined while four posted deeper contractions compared with January.

February capacity utilization averaged 72.6%, lower than the revised 72.8% in January. The February reading was higher than the 70.1% rposted in February 2022.

Nearly all categories exceeded 50% utilization, the PSA said in its report.

Philippine Chamber of Commerce and Industry President George T. Barcelon expects the manufacturing sector to remain on a growth track in the next few months.

"Now, it's a question of how to sustain (it)... and one of the concerns is that food prices have been high, affecting consumers," he told *BusinessWorld* by phone.

In February, inflation cooled for the first time in six months to 8.6%. It had hit a 14-year high 8.7% in January. In March, inflation eased further to 7.6%.

Mr. Barcelon said the cost of fuel has also gone up, which will likely affect logistics and manufacturing costs.

"In the next few months, we expect factory output to moderate further. The key risk for the sector is higher-than-expected wage hikes, if granted," Ms. Velasquez said.

Mr. Tandon said he expects manufacturing output growth to slow further.

"The lagged impact of monetary policy tightening at home and abroad is set to weigh heavily on both domestic and external demand. High inflation at home also constitutes another major headwind."

Mr. Tandon noted that if there is no turnaround in electronics output, the manufacturing sector is set to undergo a weak patch for the coming quarters, and gross domestic product (GDP) growth will slow to 5.5% in 2023. — **Abigail Marie P. Yraola**