

Maharlika restricted to projects that return 10%

PROJECTS funded by the Maharlika Investment Fund (MIF) will be screened out if they do not deliver a return of at least 10%, the level prescribed by the government's economic planners, Finance Secretary Benjamin E. Diokno said.

"We are going to make sure that every project that will be funded will have a rate of return of at least 10%. That is the National Economic and Development Authority (NEDA) cutoff. Many projects even have a 25% return of investment," he said in a chat with reporters on Friday.

Mr. Diokno said the bill creating the country's first sovereign wealth fund will likely be signed by President Ferdinand R. Marcos, Jr. two weeks from now.

Last month, the Senate adopted the House of Representatives' version of the bill. Revisions have also been introduced through discussions within the Senate majority bloc after the bill's approval.

The implementing rules and regulations of the bill are also currently being finalized, Mr. Diokno said.

"The law says you have 90 days to prepare. Even now, we are just asking for comments from relevant parties. We are ready. We will not use the 90 days," he said.

"We're in a hurry, we want to do things the right way. The amendments to the Build-Operate-Transfer law, we did that in 100 days, that's the right thing to do. There's a sense of urgency," he added.

Mr. Diokno said that the MIF will finance big-ticket projects that would have otherwise been funded by the budget.

"Instead of using the budget to fund big projects, it can be funded through the Maharlika. For example, the Bataan-Cavite bridge — we won't put that in the budget. We won't have to borrow money for that," he added.

Mr. Diokno said the search is on for potential board members of Maharlika Investment Corp., which will manage the fund.

"We're going to do a job search... We'll follow the law. We can invite people," he added.

The MIF will be funded by the Land Bank of the Philippines and the Development Bank of the

Philippines, which are required to contribute P50 billion and P25 billion, respectively.

The National Government will also provide P50 billion.

The Bangko Sentral ng Pilipinas will also surrender 100% of its dividends to the fund in the first two years.

Funds may also be taken from the Philippine Amusement and Gaming Corp. and proceeds from privatization exercises and transfers of government funds.

The government has said that the MIF's return on equity could be as much as 8.64% each year.

The MIF aims to promote socio-economic development by boosting returns, optimizing assets, and making strategic and profitable investments in key sectors.

According to the latest version of the bill available on the Senate website, it also aims to "obtain the optimal absolute return and achievable financial gains on its investments; and to satisfy the requirements of liquidity, safety/security, and yield in order to ensure profitability." — **Luisa Maria Jacinta C. Jocson**

Three provincial airports could undergo Swiss challenge this year

THE Department of Transportation (DoTr) said it hopes to kick off the public procurement process for three provincial airports within the year, starting with Swiss challenges on three projects.

"There are three pending proposals with the National Economic and Development Authority (NEDA) right now. Then we will have the other provincial airports which we expect to submit to NEDA in the coming months," DoTr Undersecretary for Aviation and Airports Robert C.O. Lim told reporters last week.

Asked whether the three proposals can undergo Swiss challenge this year, Mr. Lim said: "I think for the three proposals, yes, I believe so as the three are already with the Investment Coordination Committee (ICC)."

The unsolicited proposals for the three airports — Laguindingan Airport in northern Mindanao, Bohol-Panglao International Airport, and Bicol International Airport — were submitted by Aboitiz Infracapital, Inc. during the last administration.

"Remember... They are subject to policy changes, and then they got stranded during

the pandemic. And then, early on last year, the ICC came up with new regulations. They also had to make the changes to their proposals to comply with the new ICC regulations in October," Mr. Lim said.

Aboitiz Infracapital confirmed that its proposals for the regional airport projects are still currently under evaluation.

"We remain optimistic though that the government will find great value and decide in favor of our proposal soon as we share the local government's vision to transform the Bohol-Panglao International Airport into a world class gateway while keeping the distinct Filipino brand identity alive," the company said in a Viber message.

Mr. Lim said that the DoTr is hoping for the NEDA to make its decision on the three unsolicited proposals in July or August.

"We hope that this month or next month, NEDA comes up with a decision and then after that, finishing touches like negotiations will take place and then the Swiss challenge can be within the year," he said. — **Justine Irish D. Tabile**

Water interruptions seen likely as Angat Dam levels dwindle

DECLINING water levels at Angat Dam will likely result in water interruptions and power generation, water and energy regulators said.

On Saturday, the National Water Resources Board (NWRB) reduced the water allocation for Metropolitan Waterworks and Sewerage System (MWSS) to 48 cubic meters per second (CMS) from 50 CMS, according to Patrick James B. Dizon, head of the MWSS Angat/Ipo operations management division.

Last week, the NWRB said it will automatically modify the allocation for MWSS once the elevation in Angat Dam drops below the 180-meter minimum operating level.

As of 6 a.m. on Sunday, the water level in Angat Dam had declined to 179.56 meters from 179.99 meters a day earlier.

Mr. Dizon said that the reduced water allocation is expected to affect almost 600,000 customers in areas served by Maynilad Water Services, Inc.

"We think it will replenish for the next months; this is consistent with the projection of PAGASA (the government weather service) for the near-normal rainfall in the watershed," Mr. Dizon said in a Viber message on Sunday.

PAGASA said El Niño has started, and is expected to last until next year. Nevertheless, it continues to count on an enhanced southwest monsoon until September.

Mr. Dizon, citing historical records, said even during El Niño years, the dams usually replenish between July and October.

He said that MWSS is not expecting any further reduction in its water allocation as reservoir elevation is only expected to hit a low of 177-178 meters by the end of the month.



PHILIPPINE STAR / KJ ROSALES

This water elevation remains adequate for the current MWSS water allocation of 48 CMS, Mr. Dizon said.

Separately, Energy Undersecretary Rowena Cristina L. Guevara said that the Department of Energy is also monitoring the dam water levels because they can also affect the power supply.

"We are monitoring our hydroelectric power plants, particularly Angat Dam which has 218 megawatts (MW) capacity," Ms. Guevara said in a Laging Handa briefing on Friday.

Ms. Guevara said the department is expecting a reduction in hydroelectric power output of about 75% in December.

She said that due to El Niño the Luzon power grid may likely experience thin reserves which may result in four yellow alerts in the July to August period.

"The National Grid Corp. of the Philippines is preparing ancillary services in case generation supply is inadequate," she said. — **Ashley Erika O. Jose**

The Philippine Health Insurance Corporation (PhilHealth) welcomes the appointment of Mr. Emmanuel "Mandy" R. Ledesma, Jr. as its President and Chief Executive Officer on July 5, 2023.

The entire PhilHealth family expresses its gratitude to His Excellency President Ferdinand R. Marcos Jr. for his full trust and confidence to PCEO Ledesma and commits to provide full support to him as he leads PhilHealth in providing every Filipino with financial access to quality and affordable health care services, whenever and wherever they need them.



OPINION

Providing value for the tech-reliant consumer

(First of two parts)

THE emergence of disruptive technologies along with ongoing global crises are impacting the consumer product and retail (CPR) sector, and the consumer value proposition working today may not be successful tomorrow. With this in mind, regional and local business strategy, Climate Change and Sustainability Services, and CPR leaders from SGV and EY-Parthenon, along with distinguished industry leaders shared the latest insights on the CPR sector in a seminar on June 20, "Getting ahead of the changing consumer and disruption."

Additional EY research has also found that consumers are attempting to maintain their resiliency in the face of ongoing economic concerns and cost-of-living pressures. This has led to them adopting new technologies more frequently, making changes in the way they purchase, live, and work with the goal of making daily life more affordable.

The most recent **EY Future Consumer Index**, which surveyed over 21,000 consumers in 27 countries, examines how consumers worldwide perceive the personal advantages of technology. Insights from the Index also show that the way people consume as well as what they consume is influenced by their experiences using digital tools. This provides opportunities for brands that comprehend and influence these shifting attitudes and foresee the potentially transformative changes these may bring. However, this goes beyond simply choosing appropriate technologies, overseeing their implementation, and developing the infrastructure necessary to support them.

Digital innovation must safeguard and promote the relationship with the customer. Trust, respect, and value in particular are the key factors. Companies must show they can be trusted to use technology securely and responsibly and utilize technology to benefit their consumers. Any innovation a company implements must provide fair value to its consumers. Being unable to strike the right balance between the three factors can result in hard-to-fix damage. However, striking that balance successfully can strengthen relationships with customers and gain their consent to expand and deepen that relationship when new technologies become more widely used.

TECHNOLOGY-RELIANT, VALUE-DRIVEN CONSUMERS

The rate of digital innovation and adoption has become so rapid that users can easily become reliant on new tools without realizing how integrated they've become in daily life. Consumers are relying on digital technologies more and more to simplify their lives, save time and money, work from home, or lessen their environmental impact. According to **Think With Google: Year in Search 2022**, a report that shares insights and trends based on billions of Google searches, Filipino consumers are turning to digital services such as electronic payments to simplify offline in-store purchases, as well as online doctor consultations to save time.

Consumers use digital for a variety of purposes, including managing their finances, selecting what shows or music to enjoy, keeping in touch with friends, keeping track of their health, and many others. For instance, 42% of consumers use a smart device to measure their health and physical activity, and 33% of consumers use facial recognition on their mobile phones.

This disruption from technology presents business opportunities across real and digital worlds, such as providing a seamless consumer shopping experience through an omnichannel, orchestrating a digital ecosystem to best serve consumers along the consumer life journey, and designing a new meta-retail experience through the metaverse. Olivier Gergele, APAC Consumer Products & Retail Leader - EY Parthenon, said at the CPR seminar, "Though the metaverse isn't ready, it will change the way we do business. It will be especially important to know its implications for us as retailers in the industry."

People are also placing more importance on issues that directly affect them as individuals than those that feel like collective challenges, such as their concern for the environment. Many are trying to cut back on their expenditure, though how they handle their finances depends on where they reside. Consumers around the world are focusing even more on value, with 64% of consumers believing private-label products to be just as good as branded ones and 73% reporting shrinking pack sizes but unchanging prices.

The Index indicates that consumers have drastically boosted their use of both established and developing technologies at work and at home during a time when consumers are more concerned about a wide range of economic and personal problems. There is a significant pivot toward two concerns in particular: finances and health.

SUITS THE C-SUITE
MARIA KATHRINA S. MACAISA-PENA

When using new technology to engage consumers, retailers and consumer product businesses should keep these financial and health concerns in mind. Digital innovation can play a significant role in enhancing organizational performance by maintaining competitive prices, identifying efficiencies, and enhancing marketing. **Trendipedia 2023**, a consumer behavior study conducted by Tetra Pak, identifies two new trends in the Philippines, Malaysia, Singapore, and Indonesia: "flexi-shopping" and "eatertainment." In flexi-shopping, consumers adopt a flexible mindset and reduce spending when needed but indulge in additional benefits they deem valuable, such as those related to health. The eatertainment trend shows that consumers, particularly Gen-Zs, look to be entertained with new flavors and trends in the online space, which brands should explore to reach them.

However, it is important to weigh the need to address any ongoing business challenges against a longer-term strategy that already considers the benefits brought about by ongoing technological change. Companies also need to be careful not to take any actions that will prevent them from participating in long-term progress for the sake of short-term advantages. Brands that let their customers down run the danger of losing future digital relationships with them, and consumers will be more likely to reject digital innovations that don't provide them with what they want. To understand how consumers feel about the digital advances that are permeating every area of their life today, it is crucial to pay attention to how consumers perceive these advances.

NEW TECHNOLOGIES RAISE TRUST ISSUES

Customers and new technologies often have contradictory connections — consumers can become very dependent on a tool while also expressing concern about the risks it poses to their psychological and financial well-being. For instance, people take for granted that their mobile devices are always connected, but at the same time, they want to disable notifications and reminders because they can find continuous connectivity to be too much.

Familiarity by itself cannot establish trust. For example, the use of AI (artificial intelligence) is becoming increasingly popular in areas such as customer care and an increasingly common part of brand engagement for many consumers. Moreover, disruptive business models leverage AI capabilities for robust decision-making. For example, the CPR presentation at the SGV CPR event revealed that Amazon heavily relies on consumer data it obtains from its platform for marketing and personalization costs. These costs aim to attract a higher wallet share from consumers and increased consumer engagement. However, many consumers are apprehensive about how AI may be used, with 24% of respondents fearing it may fully replace their jobs.

Though the availability and accessibility of digital innovation continue to grow, the same cannot be said for trust in technology and its usage of personal data. Each annual release of the Index has seen no significant change in the willingness of consumers to share data with companies or brands. Consumers remain wary over how much data they provide — as much as 55% say they are very concerned about identity theft and fraud, 53% are very concerned about data security/breaches, and 53% are very concerned about companies selling their personal information to a third party. This shows how much consumers want to weigh the benefits of sharing data against the risks and the value they receive in exchange.

According to Ashish Midha, Managing Director and CEO of ZALORA Philippines and Indonesia, speaking at the CPR seminar, "What's important is to show people what's relevant to them. It is a very fine line to balance between personalization and privacy, and it should be value-adding to the customer. One can very easily do the wrong thing, so it's better to err on the side of conservatism."

In the second part of this article, we will discuss how technological innovations must prioritize providing tangible benefits to the consumer, how technology will redefine the consumer of tomorrow, and how companies must build trust with, earn the respect of, and provide value that consumers will appreciate.

This article is for general information only and is not a substitute for professional advice where the facts and circumstances warrant. The views and opinions expressed above are those of the author and do not necessarily represent the views of SGV & Co.

MARIA KATHRINA S. MACAISA-PENA is a business consulting partner and the consumer products and retail sector leader of SGV & Co.

