Applications under review to hike SRP on basic goods

THE Department of Trade and Industry (DTI) said it is reviewing applications to raise the suggested retail prices (SRPs) of basic necessities and prime commodities (BNPCs).

"The price increases that the manufacturers are asking are ranging from 10 centavos to P7 for food products (1% to 5% increase) and P1.50 to P9.75 for non-food products (6% to 10% increase)," Trade Undersecretary Ruth B. Castelo said in a televised briefing on Tuesday.

Ms. Castelo said that 43 shelf keeping units (SKUs) from 13 manufacturers are the subject of pending price increase applications.

"These products include canned sardines, condensed milk, evaporated milk, powdered milk, coffee, instant noodles, bottled water, canned meat, and toilet soap."

According to Ms. Castelo, the reasons cited for the proposed price increases include surging prices of raw materials.

Ms. Castelo cited higher prices for specific ingredients such as tamban in sardines, flour in instant noodles, and mechanically deboned meat in canned meat.

"These reasons are being verified by the DTI. We are not just absorbing the information given by the manufacturers," Ms. Castelo said.

"We have our own mechanism that can verify the higher raw material costs, as well as the increase in packaging materials and transportation costs, and the acquisition cost for the packaging," she added.

The last SRP bulletin was released on Feb. 8, which permitted SRP increases ranging from 45 centavos to P7 for 76 SKUS, while the prices of 141 SKUs were left unchanged from the previous SRP bulletin issued in August 2022.

Other BNPCs for which prices could rise include 3-in-1 coffee, bread, detergent, candles, and condiments.

Republic Act (RA) No. 7581 as amended by RA 10623 or the Price Act authorizes the DTI and other government agencies to ensure that BNPCs are available to consumers at reasonable prices without denying manufacturers a fair return on their investment. — **Revin Mikhael D. Ochave**

DPWH estimates labor demand from infra program to exceed 3M

THE Department of Public Works and Highways (DPWH) said on Tuesday that the demand for labor to be generated by the government's major infrastructure projects will exceed 3 million workers.

"I think the requirement and the threshold for our infrastructure programs is more than three million workers, skilled and unskilled," Public Works Secretary Manuel M. Bonoan said at a livestreamed Palace briefing.

"And... this is just the start of the big infrastructure development program of the country," he added.

Also at the briefing, Labor Secretary Bienvenido E. Laguesma said he presented his department's labor and employment plan to the Cabinet on Tuesday, which called for increased collaboration with other agencies on creating sustainable jobs and ensuring social protections for workers.

"The plan, which we presented earlier to the President, seeks to ensure rights at work, (compliance with) international commitments including human rights, and maximizing sustainable job opportunities," he said.

Mr. Bonoan said the DPWH welcomes support from the Department of Labor and Employment (DoLE) in staffing the 70,000 ongoing major and minor infrastructure projects this year.

In March, he said the projects, which also include farm-to-market roads with the Department of Agriculture, are valued at about P890 billion this year.

DoLE's employment plan aims to upgrade worker skills, raise the quality of teachers, and modernize training institutions, Mr. Laguesma told an employer conference last month. It also details a protection program for employees.

President Ferdinand R. Marcos, Jr. in his second address to Congress urged government agencies to continue improving the employability of Filipinos.

Mr. Laguesma said the government will continue with upskilling programs offered via the Technical Education and Skills Development Authority.

He expects around 75,000 jobs in the energy industry resulting from investment commitments from companies in Germany, Singapore, the US and the Netherlands, among other planned power projects.

"We want the private sector to be part of our plan to create more jobs with important government agencies," he said. "We want them to see the infrastructure they need to complete these projects as well as the manpower requirement."

The jobless rate eased to 4.3% in May, according to the Philippine Statistics Authority. Job quality improved as the underemployment rate, which measures those employed who are seeking more work or longer hours, decreased to 11.7% from 12.9% a month earlier and 14.5% in May 2022.

Meanwhile, Mr. Bonoan said the government plans to implement more flood control projects in the next two years, which he said will cost about P180 billion. Mr. Marcos ordered the DPWH to resolve flooding, which affected sections of the North Luzon Expressway (NLEX) in Central Luzon.

The DPWH is considering impounding water around the Candaba swamp in Pampanga, among other measures, which include raising the roads to stay above floodwaters.

"That was the instruction we got yesterday so we are now going to look for the funds actually to be able to accomplish raising the (NLEX) bridge to solve the flooding," he said. — **John Victor D. Ordoñez**

MWSS investigating Maynilad water service interruptions

THE Metropolitan Waterworks and Sewerage System (MWSS) said it is investigating the water service interruptions affecting some customers of Maynilad Water Services, Inc. in the South area due to maintenance at its Putatan treatment plant, which draws water from Laguna de Bay.

"It's currently being investigated. We have already asked Maynilad to submit their explanation and we are evaluating whether or not their explanations are valid," Patrick Lester N. Ty said on Tuesday in a text message.

The west zone water concessionaires said about 43,000 service connections in the areas of Las Piñas, Bacoor and Imus are expected to experience three months of daily water service interruptions between 5 p.m. and 6 a.m. The interruptions will run between Aug. 8 and Nov. 2, Maynilad said in an advisory.

The interruptions stem from maintenance at Putatan Water Treatment Plant 2 in Muntinlupa, Jennifer C. Rufo, head of Maynilad corporate communications, said on Tuesday.

"At present, we do not have excess capacity in the Putatan influence area. As a result, when we implement critical repairs or maintenance activities, there are customers whose service levels are affected," Ms. Rufo said in a Viber message.

Ms. Rufo said Maynilad is currently conducting the replacement of all 14 ultrafiltration (UF) membranes at the facility.

"The UF replacement project is critical to ensure our plant is prepared to handle the expected higher turbidity of Laguna Lake in the coming Amihan season," she said.

However, Ms. Rufo said the service interruptions will ultimately depend on the facility's output.

"I have to stress also, it is possible that the interruptions do not happen as scheduled. Because if the plant can push production, there will be days within the period that customers will have supply. Nevertheless, we want customers to be prepared for the scheduled interruptions as announced," she said.

The completion of Maynilad's Poblacion water treatment plant in Muntinlupa, with an expected capacity of 150 million liters per day, will yield adequate water supply to provide the water requirements of its customers, she added.

"With the completion of the ongoing construction of the 150 MLD Poblacion treatment plant, we will have buffer capacity to ensure uninterrupted service even during maintenance activities," Ms. Rufo said.

In January, Maynilad announced that its Poblacion water treatment facility is 53% complete and is expected to produce 50 MLD of additional water by the end of this year.

Maynilad serves the cities of Manila, except portions of San Andres and Sta. Ana. It operates in Quezon City, Makati, Caloocan, Pasay, Parañaque, Las Piñas, Muntinlupa, Valenzuela, Navotas, and Malabon. It also supplies the cities of Cavite, Bacoor, and Imus, and the towns of Kawit, Noveleta, and Rosario, all in Cavite province.

Metro Pacific Investments Corp., which has a majority stake in Maynilad, is one of three Philippine units of Hong Kong-based First Pacific Co. Ltd., the others being Philex Mining Corp. and PLDT Inc. — **Ashley Erika O. Jose**

CREATE law overhaul of incentive system 'harmed export competitiveness'

THE Corporate Recovery and Tax Incentives for Enterprises (CREATE) law's incentive-rationalization component harmed exporter competitiveness and warrants a review, the electronics industry association said.

"While CREATE's reduction of corporate income tax of local companies is good, the incentives rationalization was ill-advised. With the high cost of operations (power, logistics, labor, cooling water, etc.), exporters have been rendered uncompetitive in the global market," Semiconductor and Electronics Industries in the Philippines Foundation, Inc. (SEIPI) President Danilo C. Lachica said in a Viber message.

Last month, President Ferdinand R. Marcos, Jr. said that he was looking into amending CREATE to address concerns raised by businesses and investors.

Signed in 2021, CREATE reduced tax rates and amended the incentive system to support businesses recovering from the pandemic.

Under CREATE, the corporate income tax rate for micro, small and medium enterprises was lowered to 20% from 35%. Large corporations with taxable income above P5 million also saw rates reduced to 25% from 30%.

The law also grants incentives to registered companies and projects, including income tax holidays, special corporate income tax rates, enhanced deductions, duty exemptions on imports of selected materials, and value-added tax (VAT) zero-rating on local purchases.

However, some incentives like the VAT zero-rating provision have been singled out by export groups.

"Before CREATE, suppliers to exporters were VAT-free. With 12% VAT, local suppliers will not be competitive. Exporters will just import raw materials and kill local suppliers," Mr. Lachica said.

CREATE requires claimants to VAT exemptions to prove that their local purchases are "directly and exclusively" used in their registered activities in order to enjoy the zero rating.

"I think there were certain provisions in CREATE in the beginning (that) created some confusion, especially those in the Philippine Economic Zone Authority (PEZA) zones. We approached the previous admin, and they were agreeable at the time to sort of have a remedy for that, (but) I think they have to make it clear," Philippine Chamber of Commerce and Industry President George T. Barcelon said by telephone.

The government has released various circulars and regulations to address such concerns.

In April, the Bureau of Internal Revenue (BIR) allowed local suppliers of goods and services to registered export enterprises to forego BIR approval for VAT zero-rating of items they provide to locators. Instead, their VAT zero-rating may be claimed on the strength of certifications to be issued by investment promotion agencies such as PEZA.

Finance Secretary Benjamin E. Diokno said that the government will continue to review its tax reform measures, including CREATE.

"We continue to review the tax system. As I said, we inherited a superior tax system... That does not mean the tax system is perfect, so we continue to review it," he told reporters on Friday.

Ateneo de Manila economics professor Leonardo A. Lanzona said that the CREATE law runs "contrary" to the government's fiscal consolidation objectives.

"The overall goal of CREATE was precisely to attract investors and to accelerate the economic recovery after the pandemic. The proposed amendment indicates that the current law was unable to accomplish these two goals. If the plan is to reduce VAT, this would already be on top of the income tax reductions incorporated into the law, making the proposed amendment an obvious bonanza to investors," he said in an e-mail.

"Reducing VAT cannot be possible if the plan is to reduce the overall debt obligations in the face of the decreasing prospects for overall economic growth due to the global economic slowdown," he added.

At the end of March, the National Government's debt-to-gross domestic product (GDP) ratio stood at 61%, still above the 60% threshold considered manageable by multilateral lenders for developing economies.

The government is aiming to reduce the debt-to-GDP ratio to less than 60% by 2025, and further to 51.1% by 2028.

Mr. Lanzona said that the government should instead focus on other measures to ramp up investment.

"It is time for the government to do away with simply revising tax measures in order to attract investment. There are other ways of increasing investment that involve structural reforms that will improve the productivity of our domestic resources, including the upskilling of our workers," he said.

"An investor reading our CREATE law (will conclude that) it doesn't give them flexibility in availing of local goods and services subject to VAT," Mr. Barcelon added.

The Finance department has estimated foregone revenue resulting from CREATE at P80.4 billion in 2022, against the P68 billion posted in 2021. This included P59.2 billion arising from the reduction in corporate income tax rates. — **Luisa Maria Jacinta C. Jocson**

Falling interest payments seen benefiting other gov't programs

THE decline in interest payments could lead to more funding for other government programs, the Department of Finance (DoF) said.

"Interest payments have been declining, freeing up fiscal resources which can be reallocated to support the government's priority programs," the DoF said in a statement on Tuesday.

The DoF estimates that interest payments accounted for 10.1% of the National Government's (NG) expenditures between 2016 and 2022, much lower than the 23.3% share between 1986 and 2015.

NG interest payments in the five months to May rose 4.1% year on year to P229.574 billion, according to the Bureau of the Treasury.

Interest on domestic debt declined 11.5% to P152.604 billion, while interest on foreign debt rose 60% to P76.97 billion.

Finance Secretary Benjamin E. Diokno noted that interest payments are equivalent to 11.6% or P670.5 billion of the 2024 budget.

"This allows us to spend more on socioeconomic programs and projects in our priority sectors such as education and infrastructure," he said.

"When assessing the debt burden component of the budget, it is crucial to solely consider interest payments and net lending," he added.

A total of 12% or P699.2 billion of the proposed budget has been allocated to address the debt burden.

In the first five months, the NG debt service bill nearly doubled to P819.526 billion. Some 71.99% of the debt service bill consisted of amortization payments.

The DoF said amortization payments are "not included in the expense item since they are not classified as expenditure; hence they are not automatically appropriated."

"The settlement of debt obligations incurred from expenses was recorded in the past. Therefore, principal amortization only represents the fulfillment of financial responsibilities arising from previously recorded expenses," Mr. Diokno said.

According to the Budget of Expenditures and Sources of Financing report, the NG's principal payments next year are projected at P1.24 trillion.

The government is projecting the NG debt-to-gross domestic product (GDP) ratio to decline to 60% by the end of 2024.

At the end of March, outstanding debt as a share of GDP was 61%, still above the 60% threshold considered manageable by multilateral lenders for developing economies.

The NG's borrowing plan amounts to P2.46 trillion next year. This is 11.5% higher than the P2.207 trillion set for this year. — **Luisa Maria Jacinta C. Jocson**

Two Japan ODA packages signed for disaster resilience, PCG projects

THE Japanese Embassy in Manila has signed two official development assistance (ODA) agreements with the Philippines worth a total of ¥31.1 billion, or around P12 billion.

"The government and people of Japan hope these ODA will expedite the enhancement of the Philippines' stability and security," Japanese Ambassador to the Philippines Koshikawa Kazuhiko said in a statement.

The ODA packages cover the third phase of the Post-Disaster Standby Loan (PDSL) worth ¥30 billion and a ¥1.1-billion grant for the Philippine Coast Guard's (PCG) satellite data communication system.

The embassy said that Mr. Koshikawa and Foreign Affairs Secretary Enrique A. Manalo signed the exchange of notes on the loan facility and grant project on Tuesday.

The post-disaster loan will "support swift recovery in the aftermath of natural and health-related disasters, providing a quick-disbursing budgetary support for the Philippines' calamity response programs."

The loan's repayment period is 30 years after a grace period of 10 years. It also has a fixed interest rate of 0.01%.

"With Typhoon Egay having attacked the Philippines just last month, it is evident that our countries are frequently exposed to natural disasters such as typhoons, earthquakes, and volcanic eruptions," Mr. Koshikawa said.

The loan will also help the Philippine government by "easing its funding and budgetary constraints, to execute more swift and flexible initial responses to severe disasters in the coming years," he added.

The first phase of the post-disaster standby loan was approved in 2013, which supported rehabilitation efforts due to Typhoon Yolanda. In 2020, the second phase of the loan helped finance the Philippine government's post-pandemic recovery. — **Luisa Maria Jacinta C. Jocson**

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