Miners see fiscal bill boosting investment, gov't revenue

THE Chamber of Mines of the Philippines (CoMP) said that the proposed fiscal regime for mining, which seeks to impose margin-based royalties and a windfall profits tax, will help encourage more investment in the industry while raising the government's collections.

"The addition of two new income-based taxes makes the increase more palatable as higher taxes are paid at higher operating margins when metal prices are high, and conversely lower taxes are paid when metal prices are low or when operations are not profitable," CoMP Vice-Chairman Gerard H. Brimo said in an e-mail.

"It will help sustain mining operations and encourage quality investment in the mining sector," he added.

Legislators last week approved House Bill (HB) No. 8937, which seeks to create a new fiscal regime for the mining sector. It is set for third and final reading approval in the chamber before Congress goes on recess beginning Sept. 30.

"HB 8937 will enable the government to have an increasing share in the profits during the price upswings and provide the industry some breathing room during downturns," according to Mr. Brimo.

Under the bill, large-scale metallic mining operations within mineral reservations are charged a 4% royalty on gross output of minerals or mineral products extracted.

A margin-based royalty will be imposed on income of metallic mining operations outside mineral reservations.

Miners with margins of between 1% and 10% are subject to a 1% rate. This royalty can rise as high as 5% for those with margins above 70%.

Under the bill, small-scale mining operations will be charged a royalty equivalent to 1/10 of 1% of gross output of minerals or mineral products extracted or produced.

Mr. Brimo said that an income-based royalty for metallic mining operations outside mineral reservations is used in other mineral-rich countries like Chile, Peru, and Canada. It was also recommended by the 2022 Deloitte Financial Services study on the Philippines' mining tax structure, which was commissioned by government agencies.

The measure would also impose a margin-based windfall profits tax on mining operations. Miners with margins of more than 35% up to 40% will be charged a rate of 1%, while those with margins of more than 80% pay 10%.

Global Ferronickel Holdings, Inc. President Dante R. Bravo, however, said that increasing taxes adds to miners' costs.

He noted that the effective tax rate based on the bill is at 60%.

"We are hopeful that even with the new fiscal regime for mining, foreign investment will still pour in. Otherwise, we should also be ready to bring down the taxes to competitive levels by reducing, if not eliminating altogether, the rates based on gross revenue and shift to net income-based rates of taxation," Mr. Bravo added.

According to the proposed law, the Mines and Geosciences Bureau will also require metallic mining companies to submit an assay report for each shipment before they leave port.

The bill also proposes "ring-fencing to prevent consolidation of income and expenses of all mining projects by the same taxpayer to ensure that losses from other mining projects are not deducted from more profitable projects."

All small-scale miners will be required to register with the Mines and Geosciences Bureau, as well as local government units. The bill encourages them to organize into cooperatives to qualify for the awarding of People's Small-Scale Mining Contracts.

However, a study conducted by the Legal Rights and Natural Resources Center (LRC) said that the bill "failed to consider the potential adverse effects or negative externalities (or spillovers) of mining operations."

"Under this scenario, the involuntary costs are deemed imposed on others, especially the impacted communities and the government, rather than those directly responsible for the effects," according to the study by Leon Dulce and E. M. Taqueban of LRC, the Philippine Mining Situation. "In other words, for the mining fiscal regime to be truly equitable, these costs must be fully accounted for," it said.

"Mineral production and money flow are not guarantees of social and economic progress. The proceeds from extraction should be invested in social and economic activities that will benefit the present and future generations," the study concluded. — **Beatriz Marie D. Cruz**

Chinese companies expected to invest in electronics, renewables

THE Board of Investments (BoI) said it received commitments from two Chinese companies for investments in renewable energy and consumer electronics.

The commitments were made on the sidelines of the China-ASEAN Expo, Ceferino S. Rodolfo, BoI managing head and Trade undersecretary, told reporters in an online briefing.

He said that one of the two potential investors is a state-owned company which claims to be the biggest renewable energy company in China and has $15 billion in investible funds for Southeast Asian projects.

"They can allot $1 billion to $5 billion for the Philippines and all of it they would like to put into renewable energy projects. The (funds) can come in as equity or for financing. And of course, they will be the technology partner," Mr. Rodolfo said.

"They have been asking us for introductions to Philippines companies who have been active also in renewable energy projects," he said.

The state-owned firm is involved in solar, wind, and hydropower energy projects.

Meanwhile, Mr. Rodolfo said that the second investor already has operations in Batangas and is involved in specialized segments of the consumer electronics market.

"They are just renting a facility from another company, but right now they have secured five hectares in Batangas, where they will put up a world-class plant," he said.

He said that the second company plans to replicate its China facility in the Philippines and build a research and development hub for software here.

The DTI also met with another company which has expressed preliminary interest in entering the Philippine market.

"At this point, (it just wants) to penetrate the Philippine market for electronic products. It does not have any plans yet in investing in an assembly line which is what we would like," Mr. Rodolfo said.

The BoI did not identify any of the potential investors.

The BoI said it approved projects worth P725.93 billion as of Sept. 12, close to exceeding the full-year total of P729 billion in 2022. — **Justine Irish D. Tabile**

Second MRT-3 proposal triggers review of rules for unsolicited bids

THE Department of Transportation (DoTr) said it is reviewing the rules governing the handling of multiple unsolicited proposals after receiving a second bid for the operations and maintenance of Metro Rail Transit (MRT) Line 3.

Transportation Undersecretary Timothy John R. Batan said the department is consulting the Public-Private Partnership (PPP) Center on how to proceed.

San Miguel Corp. was declared original proponent for the rail line's operations and maintenance (O&M) contract last year, followed by another bid this month submitted by Metro Pacific Investments Corp. (MPIC). The unsolicited MPIC O&M bid was submitted to the DoTr for the operations and maintenance of MRT-3.

"There are rules on how to handle multiple unsolicited proposal submissions. We are confirming with the PPP Center," Mr. Batan told reporters on the sidelines of NAIA-PPP pre-bid conference last week.

"We received (the MPIC bid) and we are processing it according to the IRR. We just note that there was a previous submission from the previous administration and that is what we are coordinating with the PPP center on how to properly address this," Mr. Batan said, adding that the department still needs to confirm whether the previous unsolicited proposal from the previous administration is valid.

Mr. Batan added that the DoTr is working with the Asian Development Bankand International Finance Corp. of the World Bank on the terms of reference (ToR) for the solicited proposal to privatize the Light Rail Transit line 2 and MRT-3.

Meanwhile, Transportation Secretary Jaime J. Bautista said that the privatization of the Ninoy Aquino International Airport (NAIA) has so far attracted six bidders.

The DoTR has identified these companies as GMR Airports International; San Miguel Holdings Corp.; Manila International Airport Consortium; Spark 888 Management; Asian Airport Consortium; and Turkey's Cengiz Insaat Sanayi ve Ticaret A.S.

Mr. Bautista said that according to the draft concession agreement, the winning bidder is required to pay an upfront payment of about P30 billion and an annual P2 billion, plus a share of revenue.

"Based on the study that we did; it will be good for them — the investors will be able to earn a reasonable rate of return on their investments. If the government will be able to share in the revenue and while we think about it, there will be an improvement in the service which I think will be the most important considering we have an airport which is very congested," he said.

According to the NAIA-PPP concession agreement, the contract term for the project is 15 years, extendable by another 10 years.

This project will be a rehabilitate-operate-expand-transfer arrangement, as provided for under the Build-Operate-and-Transfer Law.

"Discussions on an extension will be conducted on year eight. The extension is based on performance by the winning bidder, based on certain KPIs (key performance indicators)," Mr. Batan said.

Mr. Batan noted the concessionaire must fulfill the KPI conditions set out in the agreement; failure to achieve performance benchmarks will result in rejection of the 10-year extension bid.

The DoTr has set the deadline for bids on Dec. 27. It has said that it expects to announce the winning bidder by the first quarter of 2024.

In August, the government invited bidders for the P170.6-billion public-private partnership to modernize and operate the main gateway airport. The modernization hopes to increase the current annual passenger capacity of the airport to 62 million from 35 million.

Separately on Sunday, NAIA was ranked the 15th most-connected airport, according to the 2023 Megahubs Index compiled by OAG, a global travel data provider.

"We are pleased that MNL is able to ride the momentum brought about by the strong and consistent travel rebound from the COVID-19 pandemic, as well as the LCC (low-cost carrier) penetration in our region. We are likewise grateful for the confidence the international carriers have extended to us," Manila International Airport Authority Officer-in-Charge Bryan Co, said in a statement Sunday.

Manila's climb to 15th follows a rating of 29th in 2019. The OAG report said Philippine Airlines had a 32% share of flights.

"NAIA being the country's main gateway makes it incumbent upon us, as the airport authority, to expand the destinations Filipinos, as well as our guests, can fly to and from Manila," he said. — **Ashley Erika O. Jose**

OPINION

Navigating the supply chain maze

SUITS THE C-SUITE

JAN RAY G. MANLAPAZ *and* MARY ANDREA T. BACANI

Supply chain management is regarded as a critical function focused on operational efficiency and controlling costs, but it has been elevated into a board-level discussion in the wake of the pandemic. Supply chain professionals are now managing significant disruptions like inflation and price increases stemming from a volatile economy, labor shortages, and the growing consumer demand for faster and more dependable deliveries. The desire for better, more cohesive planning might be a priority for professionals — but it can be difficult given the day-to-day challenges from pressures and unplanned disruptions.

The pandemic truly underscored how connected the world is and the vulnerability of the supply chain process. As noted at the World Economic Forum, supply chain disruptions have resulted from factors that include geopolitical uncertainties, climate change, and inflation. The rising cost of living could also reduce the availability of goods and impact demand.

With these pressures mounting, the need to optimize supply chains with new and emerging technologies becomes clear. This makes it imperative to consider integrated supply chain planning in organization planning cycles.

This is the first article in a supply chain series that will first look at integrated supply chain planning, the digital supply chain, greening the supply chain, and finally, how the Regional Comprehensive Economic Partnership (RCEP) can impact supply chains in ASEAN.

The digital world is constantly evolving, with innovative technologies ranging from AI to the metaverse. Yet, the logistics industry still relies on antiquated systems and processes, creating risks for organizations. Businesses must consider adopting digital solutions to create value, mitigate risks, and optimize trade flows.

Given the growing pressure to optimize supply chains with novel tools and technologies, it is imperative for organizations to prioritize their integrated supply chain planning. Accordingly, companies should balance two critical areas: sales and operations. It will be vital to focus on a sustainable planning approach that underscores stability and long-term growth with the following priorities:

PEOPLE: CROSS-FUNCTION COLLABORATION

Managing talent effectively is crucial to integrated planning. Organizations should first consider how they can leverage their people to truly collaborate in creating, executing and monitoring plans to realize strategic objectives. It is essential to upskill key individuals across business functions to boost collaboration, identify gaps in skills, and prepare them for the increasing pace of the modern supply chain.

It is also crucial for organizations not to execute plans in silos but in a holistic alignment with various business functions. Businesses must build plans by aligning the sales and marketing, procurement, operations, supply chain, and finance functions. Furthermore, having a cohesive business plan can help companies optimize inventory, manage resources, and cut costs. Bridging customer service and fulfillment functions can also enable further strategic planning to meet developing consumer demands and instill stakeholder trust.

PROCESSES: INCREMENTAL IMPROVEMENTS VERSUS A SIGNIFICANT OVERHAUL

The supply chain process depends on technology, but this may involve legacy platforms and outdated applications that are incompatible. It could be time for organizations to overhaul their platforms, though this will be costly and may not be a priority in the budget yet. Alternatively, gradually adopting intelligent tools could improve process outputs without putting a heavy financial strain on organizations. Proper planning and using an integrated business planning (IBP) tool could also help. IBPs can capitalize on the Cloud's considerable data processing capabilities, driving significant progress in crucial areas.

IBPs tools can bridge enterprise resource planning (ERP), customer relationship management (CRM), and financial planning platforms to provide a comprehensive business view, allowing organizations to track their progress versus their plans. These tools also facilitate scenario planning for a dynamic landscape, tactical planning that utilizes historical and market data, predictive analytics for trend forecasting, and machine learning algorithms to forecast demand that will help businesses plan and operate more effectively.

DATA AND METRICS: INPUTS AND PROGRESS MEASUREMENT

While planning tools can be helpful, high-quality data and experience-led dashboards are imperative to create a timely and accurate internal business view that appraises external market conditions and generates meaningful business insights. Consequently, organizations should define standard terms for consistency and suitable key performance indicators (KPIs) to measure progress. Board oversight and data governance will be requisite to establish appropriate policies and practices, thereby managing standards, guidelines, and data security. Finally, organizations must use data quality assessments, documentation and dashboarding tools, and lifecycle management to reduce the risks of data degradation and loss.

While managing supply chain issues is a complex task, addressing the pain points of this manifold process is necessary to drive long-term value and results.

OPTIMIZING THE SUPPLY CHAIN

Supply chain disruptions are ubiquitous — and staying abreast of these developments is vital to identifying opportunities, managing risks, and future-proofing organizations.

Volatile economies, more complex and interconnected regional and global supply chain ecosystems, and highly evolving consumer demands signify that business leaders should focus on integrated supply chain planning. Embracing the IBP concept and leveraging available tools could be a game-changer because digital solutions can elevate and streamline the supply chain process, significantly improving user and customer experiences, while outdated systems can compound business risks. However, businesses should integrate technologies into existing infrastructures in an end-to-end manner and not in silos.

Optimizing the supply chain entails focusing on significant areas like people, processes, and data and metrics. It is crucial to find the balance between planning and execution while carving a path for sustainability and long-term growth.

The next article in this series will discuss what is next for the digital supply chain and how supply chain leaders have the opportunity to reimagine their supply chains for the future.

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 authors and do not necessarily represent the views of SGV & Co.

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