Philippine Stock Exchange index (PSEi) 6,572.51 ▼64.49 PTS. ▼0.97%

WEDNESDAY, JANUARY 17, 2024 BusinessWorld

PSEi MEMBER STOCKS

AC	Ayala Corp.	P683.00	+P3.00	+0.44%
ACEN	ACEN Corp.	P4.07	-P0.19	-4.46%
AEV	Aboitiz Equity Ventures, Inc.	P48.20	-P0.80	-1.63%
AGI	Alliance Global Group, Inc.	P11.62	+P0.02	+0.17%
ALI	Ayala Land, Inc.	P32.30	-P1.00	-3%
BDO	BDO Unibank, Inc.	P139.20	-P0.10	-0.07%
BLOOM	Bloomberry Resorts Corp.	P9.70	-P0.10	-1.02%
BPI	Bank of the Philippine Islands	P109.00	——	
CNPF	Century Pacific Food, Inc.	P34.30	+P0.40	+1.18%
CNVRG	Converge ICT Solutions, Inc.	P8.80	-P0.51	-5.48%
DMC	DMCI Holdings, Inc.	P10.30	+P0.02	+0.19%
EMI	Emperador, Inc.	P20.95	+P0.10	+0.48%
GLO	Globe Telecom, Inc.	P1,749.00	-P57.00	-3.16%
GTCAP	GT Capital Holdings, Inc.	P628.00	+P11.00	+1.78%
ICT	International Container Terminal Services, Inc.	P248.00	-P0.40	-0.16%
JFC	Jollibee Foods Corp.	P261.60	-P1.40	-0.53%
JGS	JG Summit Holdings, Inc.	P40.00	-P1.90	-4.53%
LTG	LT Group, Inc.	P9.03	——	
MBT	Metropolitan Bank & Trust Co.	P55.50	+P0.20	+0.36%
MER	Manila Electric Co.	P373.20	+P1.00	+ 0.27%
MONDE	Monde Nissin Corp.	P8.08	-P0.20	-2.42%
NIKL	Nickel Asia Corp.	P4.80	-P0.10	-2.04%
PGOLD	Puregold Price Club, Inc.	P28.45	——	
SCC	Semirara Mining and Power Corp.	P31.65	-P0.35	-1.09%
SM	SM Investments Corp.	P875.00	-P15.00	-1.69%
SMC	San Miguel Corp.	P124.20	+P0.20	+0.16%
SMPH	SM Prime Holdings, Inc.	P33.35	-P0.40	-1.19%
TEL	PLDT Inc.	P1,284.00	+P8.00	+0.63%
URC	Universal Robina Corp.	P116.90	-P3.30	-2.75%
WLCON	Wilcon Depot, Inc.	P22.25	-P0.25	-1.11%

Aboitiz's Bohol airport O&M eyed for Swiss challenge

By Ashley Erika O. Jose
Reporter

THE Department of Transportation (DoTr) said companies wishing to match the proposal of Aboitiz InfraCapital, Inc. — which now owns a 33% stake in the Mactan Cebu International Airport — to operate, maintain, and expand the New Bohol-Panglao International Airport may have their chance this quarter.

"The Bohol [airport]... will be ready for the Swiss challenge by the first quarter," Transportation Secretary Jaime J. Bautista told reporters on Wednesday.

Aboitiz InfraCapital, the infrastructure arm of the Aboitiz group, has also submitted proposals for the operations, maintenance, and development of Bicol International Airport in Southern Luzon and Laguindingan International Airport in Northern Mindanao.

"Negotiations for Bohol (airport) is ongoing," Cosette V. Canilao, Aboitiz InfraCapital president and chief executive officer, said in a phone message to *BusinessWorld*.

DoTr Undersecretary Timothy John R. Batan previously mentioned plans to invite other parties to challenge the Aboitiz group's proposal for Laguindingan International Airport in Misamis Oriental in the first quarter. The Swiss challenge allows other companies to submit alternative proposals to a project, with the original proponent having the right to match them.

"The Laguindingan process will set the tone. Once the negotiated terms for Laguindingan are approved, then we'll have more confidence that the government is really committed to the PPP (public-private partnership) program," Ms. Canilao said.

The Aboitiz group secured in 2018 the original proponent status for the New Bohol-Panglao International Airport's operations and maintenance (O&M) under a 25-year concession period.

"The parameters, terms and conditions have already been approved by NEDA," Mr. Bautista said.

"After that, we will report to NEDA, then it will be ready for the Swiss challenge maybe within the first quarter also," he added.

The Bohol-Panglao International Airport in the Visayas is one of the four high-impact projects approved by NEDA in October last year.

Valued at P4.5 billion through a public-private partnership scheme, this airport upgrade project is expected to serve approximately 3.9 million passengers per year once completed, up from its current capacity of two million passengers.

Aboitiz InfraCapital is also a member of MIAC consortium, one of the four groups that have submitted bids for the P170.6-billion PPP project to upgrade the Ninoy Aquino International Airport.

ERC to take San Miguel rate hike plea to Supreme Court

By Sheldeen Joy Talavera
Reporter

THE Energy Regulatory Commission (ERC) will go to Supreme Court to challenge a Court of Appeals (CA) decision favoring San Miguel Corp.'s power arm in a rate hike plea, the commission's chair said on Wednesday.

"We received [the copy of CA's decision]. We will bring the matter up to the Supreme Court," ERC Chairperson Monalisa C. Dimalanta said in a Viber message to *BusinessWorld*.

"I think we have until end of the month to file the petition before the SC," she added.

In its decision dated Dec. 28, the CA said that it "finds no merit in the arguments set forth in their respective motions for reconsideration."

"Accordingly, there is no cogent reason to reverse the Court's decision dated June 27, 2023," it added.

The ruling of the ERC, promulgated on Sept. 29, 2022, denies the rate hike petition jointly filed by the Manila Electric Co. (Meralco) and San Miguel Global Power Holdings Corp. (SMC GP).

But in a resolution promulgated on June 27, 2023, the CA granted the motion for certiorari filed by San Miguel Energy Corp. (SMEC), now Sual Power, Inc., and South Premiere Power Corp. (SPPC) annulling and setting aside the ERC's decision for "grave abuse of discretion amounting to lack or excess jurisdiction."

The CA ruling issued in June 2023 was the latest development in the case involving both units of SMC GP — SPPC and SMEC — and Meralco.

In 2022, the parties jointly filed a rate hike petition with the ERC. However, the regulator denied the petition, stating it had no basis as the power supply agreement is a fixed-rate contract.

Meanwhile, credit research provider CreditSights has maintained its "Underperform" recommendation on SMC but acknowledged its perpetual bonds (perps) from April 2024 to May 2025 due to "relatively lower refinancing risks, backed by funding options."

The fundraising options cited include revenues generated by the capacity added from its 600-megawatt (MW) Mariveles coal plant and the 300-megawatt-hour Masinloc battery energy storage system.

CreditSights also observed that SMC GP is expected to remain dependent on its parent conglomerate for funding support.

"While we believe SMC GP can roll over or refinance most of its bank loan debt given its strong backing by parent SMC that enjoys solid banking relationships, the situation is much trickier for the refinancing of its $ perps," the Fitch unit said.

PAGCOR to set up online casino towards 2nd half

THE Philippine Amusement and Gaming Corp. (PAGCOR) is set to launch its online casino this year, its chairman said.

"Maybe towards the second half of this year, *casinofilipino.com* will be set up," PAGCOR Chairman and Chief Executive Officer Alejandro H. Tengco told reporters on Jan. 15.

PAGCOR has no estimate yet on how much the online casino will contribute to its gross gaming revenues or GGR.

"No projections yet. But if you will look at our revenues generated from electronic gaming, I believe it will be also a substantial amount. A plus factor is the Casino Filipino brand," Mr. Tengco said.

"The worldwide trend is very clear. The trend is now there is a shift from traditional land-based casinos to online gaming," he added.

PAGCOR recently said the country's GGR hit a record high of P285.27 billion in 2023, up by 33.1% from the P214.33 billion in 2022. The previous high was in 2019 when the country's GGR reached P256.49 billion.

The country's integrated resorts shared the biggest revenue at P207.48 billion, followed by the electronic games sector at P58.16 billion.

KAYSHA-UNSPLASH

"Our 2023 results exceeded even our most optimistic projections, and it proves beyond doubt that the Philippine gaming industry has fully recovered and is now poised for sustained growth in the medium- to long-term," Mr. Tengco said.

PAGCOR is seeking to hit P336.38 billion worth of GGR this year on the back of new integrated resorts.

"We are projecting that our licensed casinos from the Entertainment City, Metro Manila, Clark, Cebu, and the Fiesta Casinos in Rizal and Poro Point will contribute as much as P256.63 billion to our 2024 GGR," Mr. Tengco said. **— Revin Mikhael D. Ochave**

Adjusted VAT exemption for housing seen to boost property sales

By Luisa Maria Jacinta C. Jocson *Reporter*

THE increase in the value-added tax (VAT) exemption threshold for housing will incentivize more consumers to purchase properties, according to analysts.

The Bureau of Internal Revenue (BIR) recently issued Revenue Regulations No. 1-2024, which increases — for VAT-exemption purposes — the selling price threshold of the sale of house and lot, and other residential dwellings to P3.6 million from P3.199 million previously.

"This adjustment was made by virtue of Section 109 of the National Internal Revenue Code which mandates that every three years the subject amount should be adjusted to its present value using the consumer price index as published by the Philippine Statistics Authority," the BIR said.

BIR Commissioner Romeo D. Lumagui, Jr. in a statement said that the adjustment shows the "just and service-oriented taxation" by the government.

Colliers Philippines Associate Director for Research Joey Roi H. Bondoc said that this new regulation will help make economic and lower mid-income residential segments more affordable to Filipinos.

"This is particularly important for households that are receiving remittances from Filipinos working abroad that fuel the demand for these residential units," he said in an e-mail.

He said that horizontal development hubs will likely benefit from the latest revenue regulations, specifically in Bulacan, Pampanga, Tarlac, Cavite, Laguna, and Batangas.

"It will be interesting to see how developers with substantial exposure in affordable and economic housing segments will respond to this given that in the previous years we also saw the increase in land values as well as prices of construction materials," Mr. Bondoc added.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said in a Viber message that the increased threshold would encourage more residential property sales.

"Definitely, this would encourage more residential property sales as partly incentivized by the tax exemption with the higher threshold.

Emissions,
from S1/1

A carbon pricing scheme encourages companies to reduce their own emissions in order to minimize their tax exposure. Proceeds typically go towards supporting greenhouse gas mitigation projects.

The Philippines currently does not have any explicit form of carbon pricing.

"Despite our miniscule contribution to global carbon emissions at 0.48%, the Philippines bears the brunt of the worsening effects of global warming," Mr. Recto said.

The Philippines is targeting to reduce greenhouse gas emissions by 75% by 2030.

Mr. Recto said the system aims to push businesses and individuals to reduce their carbon footprint and ultimately contribute to a low-carbon economy.

"All these while helping us mobilize financial resources to bolster our fiscal space for stronger economic recovery," he added.

The Finance chief also noted that it will be crucial to identify an "optimal combination" of pricing instruments that is mutually beneficial to all stakeholders.

"We must extend our focus beyond mere transformations within industrial sectors. Emphasizing research and development for low-carbon technologies and incentivizing behavioral change is equally crucial," Mr. Recto said.

A study by the International Monetary Fund (IMF) last year showed that the Philippines could generate up to $7 billion in revenues through a carbon pricing scheme.

Implementing a carbon price of $50 per ton by 2030 could reduce carbon dioxide emissions to 144 million tons or 13% below baseline levels, it added.

"The work should also not just focus on ambition, it should assess the fiscal impact — how different sectors will be affected, how jobs will be affected — so that the policy makers around here can see the different dimensions of the problem and can adopt a policy that is environmentally sustainable, socially just, and economically sound," World Bank Country Director for the Philippines Ndiame Diop was quoted saying.

The Department of Environment and Natural Resources (DENR) is also working with ADB and UNDP to explore carbon markets and carbon trading.

Meanwhile, the Climate Reality Project Philippines manager Nazrin Camille D. Castro said that the Finance department's study on carbon pricing is a welcome development, however, it must be approached with "utmost caution," especially for tools such as ETS.

"The Philippines, at the moment, faces limitations in institutional capacity, regulatory infrastructure, and data management. If left unaddressed, these can cripple any form of ETS, making it more of a burden than a solution," she said in a Viber message.

"Any future ETS must be meticulously designed and shielded by robust safeguards. Stringent caps, aligned with the Philippine Nationally Determined Contribution, are crucial to ensure genuine climate progress," she added.

Ms. Castro said there is a need for good governance and strict regulations to "prevent market manipulation and leakages that will allow polluters to simply shift their emissions to unregulated sectors or regions, negating the overall reductions."

"Equity must also be a cornerstone of our approach. ETS can disproportionately harm low-income communities through cost pass-through, job losses, and worsened pollution if permit allocation and trading mechanisms are not designed fairly," she said.

"ETS should be designed with a transparent allocation process, revenue redistribution for clean energy projects in affected areas, and auctions designed to favor smaller companies," she added.

Ms. Castro said the DoF must also ensure that the ETS prioritizes direct emission cuts as companies should not be encouraged to rely on offsets.

"Offsets, while tempting, are a slippery slope. Their unreliability casts doubt on actual emissions reductions at source... A sustainable future cannot be built on isolated strategies. It demands a holistic approach. Carbon pricing and ETS are pieces of a broader puzzle. We implore the DoF to pursue them alongside essential measures like renewable energy investments, energy efficiency promotion, and ecosystem protection," she added.