

MRT-3 solicited bid, expiring contract draw concerns

By Revin Mikhael D. Ochave
Reporter

THE government's choice of a solicited scheme for the operations and maintenance (O&M) of the Metro Rail Transit Line 3 (MRT-3) could be challenging as the build, lease, and transfer agreement with its operator is set to expire next year, according to analysts.

"Solicited mode could bring more competition, especially with new PPP (Public-Private Partnership) Code and revised

Public Service Act. The latter removes the 40% limit on foreign ownership in railways," Rene S. Santiago, former president of the Transportation Science Society of the Philippines, said in a Viber message on Monday.

"However, it could lead to delays — especially with the Department (DoTr) of Transportation's plan to merge the MRT-3 and LRT-2 (Light Rail Transit) privatization," he also said, adding that the two projects should have separate biddings and concessions as the two lines have different technologies.

San Miguel Corp. was declared the original proponent for MRT-3's O&M contract in 2022, followed by another bid submitted in September last year by Metro Pacific Investments Corp. (MPIC).

The PPP Center said it is hoping to release the study on LRT-2-MRT-3 bundling by the second quarter of the year.

The build, lease, and transfer (BLT) agreement of MRT-3 operator Metro Rail Transit Corp. (MRTC) is set to expire in 2025.

"The DoTr should clarify whether its solicited bidding

proceedings will be concluded in time with the expiration of the original build-lease-transfer deal in 2025. This is a critical concern because the BLT contract obligates the government to pay at least P600 million a month in equity rental payments to its private partner," Terry L. Ridon, a public investment analyst and convenor of think tank InfraWatch PH, said in a Viber message.

Under the BLT agreement, Sobrepeña-led MRTC is mandated to turn over the MRT-3 to the government once the contract expires in 2025, which

includes the operations of rail system and assets maintenance.

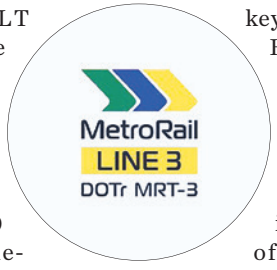
Under the BLT agreement with the Sobrepeña group, the government pays P7 billion a year as equity rental payments, or about P600 million to P900 million a month, depending on inflation.

Mr. Ridon said it would be "unacceptable" if the BLT agreement will be extended due to DoTr's failure to meet the deadline and

conclude the privatization proceedings.

MPIC is one of the three key Philippine units of Hong Kong-based First Pacific, the others being Philex Mining Corp. and PLDT Inc.

Hastings Holdings, Inc., a unit of PLDT Beneficial Trust Fund subsidiary MediaQuest Holdings, Inc., has a majority share in *BusinessWorld* through the Philippine Star Group, which it controls.



FINANCE SECRETARY RALPH G. RECTO

Recto,
from SI/1

The agency's roster of undersecretaries includes Catherine L. Fong of the Privatization and Corporate Affairs Group, Maria Edita Z. Tan of the International Finance Group, and Bayani H. Agabin of the Legal Affairs Office and Revenue Integrity Protection Service.

Also included are Chief Economist Zeno Ronald R. Abenoja, officer-in-charge Karlo Fermin S. Adriano of the Fiscal Policy and Monitoring Group and officer-in-charge Dakila Elteen M. Napao of the Revenue Operations Group.

At the turnover ceremony on Monday, Mr. Diokno described Mr. Recto as a "seasoned policy maker and an undeniable patriot."

"He has sponsored several key economic and tax reforms that have transformed our economy for the better and reignited the country's growth potential," said Mr. Diokno, who returns to the Monetary Board.

The DoF said Mr. Recto is also scheduled to have briefings with heads of DoF-attached agencies and bureaus throughout the week.

Agencies and corporations under the DoF include the Bureau of Internal Revenue (BIR), Bureau of Customs (BoC), Bureau of the Treasury (BTr), Bureau of Local Government Finance, Insurance Commission, National Tax Research Center and Philippine Guarantee Corp.

The newly appointed Finance chief earlier said he would be continuing strategies under the Medium-Term Fiscal Framework, as well as push for the immediate passage of priority tax reforms.

Mr. Recto also said he would use measures to protect consumers from high prices and make sure to meet the revenue collection targets for the year.

The government is targeting to generate P4.235 trillion in revenues this year, equivalent to 15.5% of the gross domestic product (GDP), according to the latest Development Budget Coordination Committee (DBCC) statement.

This year, the BIR is tasked to raise P3.05 trillion, while the BoC is expected to collect P1 trillion.

Latest data from the Treasury showed that the National Government's budget deficit narrowed by 10.1% to P1.11 trillion in January to November.

Revenue collection rose by 8.8% to P3.6 trillion as of end-November, as tax revenues went up by 7.3% to P3.18 trillion and nontax revenues jumped by 22.9% to P381.9 billion.

Mr. Recto said he will support the passage of the Capital Markets Development Act, push reforms in public and private pensions and ensure that the Maharlika Investment Fund is managed judiciously.

Meanwhile, the Financial Executives Institute of the Philippines (FINEX) in a statement on Monday welcomed Mr. Recto's focus on improving revenue collection, accelerating investments and freeing up resources for social services.

"FINEX looks forward to working with (Mr. Recto), especially on matters affecting the capital markets and the financial sector of the economy," it added.

The Bankers Association of the Philippines in an earlier statement said Mr. Recto would be crucial in the "reformation of fiscal and economic policies, together with balancing political realities."

"While the Philippine economy continues to grow due to its strong fundamentals, it is currently facing local and global economic headwinds such as inflation," BAP President Jose Teodoro K. Limcaoco said.

"The country needs an experienced economist who can navigate the ongoing challenges of this operating environment, and (Mr. Recto) is an ideal fit for this job," he added. —

Luisa Maria Jacinta C. Jocson

BusinessWorld
TOP 1000
CORPORATIONS IN THE PHILIPPINES

DISCOVER YOUR COMPETITIVE EDGE

Uncover yearly rankings of corporate achievements!

Explore Financial Analytics | Benchmark Success Stories

FORGING A PATH TOWARD A SUSTAINABLE PHILIPPINES, INC.

Print Edition - P750

Grab a copy now at bworld-x.com!

SCAN THIS QR CODE