MRT-3 O&M deal auction targeted for first quarter

THE Department of Transportation (DoTr) said it is hoping to auction the operations and maintenance (O&M) contract for Metro Rail Transit Line 3 (MRT-3), and two other big-ticket railway projects by the first quarter of 2025.

"We are working on the terms of reference (for MRT-3). The bidding will be maybe next year," Transportation Secretary Jaime J. Bautista said on the sidelines of the Philippine Economic Briefing last week.

The DoTr is still determining the scope of the O&M contract that will be bid out.

"The railway system is very difficult to make profitable by itself. For the LRMC (Light Rail Manila Corp.) O&M, it was defined in terms of how much is their share," Mr. Bautista said.

The DoTr is now working with the Asian Development Bank to develop a public–private partnership (PPP) MRT-3 project, Transportation Undersecretary Timothy John R. Batan said.

"From DoTr, we continue to develop our solicited PPP MRT-3 project. We are being assisted by the Asian Development Bank (like we did) for NAIA (Ninoy Aquino International Airport)," Mr. Batan told reporters at the same briefing.

He said the DoTr may auction the contract by the first quarter of 2025.

The DoTr aims to privatize MRT-3 before the contract expires next year under the build, lease, and transfer agreement with MRT-3 operator Metro Rail Transit Corp.

The government has received two proposals for the MRT-3 project but the DoTr has expressed its intent to offer the project via the solicited route.

Mr. Batan said the Metro Pacific Investments Corp. (MPIC)-Sumitomo consortium recently submitted an unsolicited proposal for the MRT-3.

"There was a recent resubmission of the unsolicited proposal under the new PPP code. The Metro Pacific Sumitomo consortium (are) the proponents of the recent resubmission," Mr. Batan said.

Under the new PPP code, submissions of unsolicited proposals are sent to the PPP center for an initial completeness evaluation.

However, the unsolicited proposal of the MPIC consortium was returned by the PPP Center for not being complete, Mr. Batan said.

In 2022, San Miguel Corp. was declared the original proponent for the MRT-3 O&M contract.

In January, MPIC Chairman, President and Chief Executive Officer Manuel V. Pangilinan said the company is working on a potential partnership with SMC and even considering submitting a joint proposal for the O&M of MRT-3.

Meanwhile, Mr. Bautista said the DoTr may also conduct auctions for the O&M contracts of two major railway projects next year.

"That will be next year, simultaneously with the (planned bidding) of MRT-3," he said when asked on the government's timeline for auctioning the Metro Manila Subway Project and the North-South Commuter Railway (NSCR) contracts.

Last week, Philippine National Railways (PNR) said the northern part of the NSCR is now 60% complete, with the Clark to Valenzuela leg expected to be finished within the next two years.

In March, the PNR suspended the operations of PNR's Tutuban-Alabang commuter operations to fast-track NSCR construction.

The P873-billion project is being co-financed by the Japan International Cooperation Agency and the Asian Development Bank. It will have 35 stations and three depots.

Once fully operational the entire NSCR system is projected to reduce travel time between Clark and Calamba to two hours, against the current four to 4.5 hours.

MPIC is one of the three key Philippine units of Hong Kong-based First Pacific Co. Ltd., 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. — **Ashley Erika O. Jose**

13 projects added to PPP pipeline

THE Public-Private Partnership (PPP) Center said 13 additional PPP projects are now awaiting, most of which are local government projects.

"These are in various stages of the project development process. Some are in the more advanced stages, while others are still undergoing investment studies," PPP Center Deputy Executive Director Jeffrey I. Manalo told reporters last week.

Among the additional 13 new projects are the Pampanga Bulk Water Supply Project worth P18.7 billion, the Civil Aviation and Immigration Security Services project (P16.9 billion), and the Department of Health's Digital Infrastructure for the Philippine National Cancer Registry and Next-Gen Clinical Research (P2.21 billion).

The PPP Center had also delisted four proposals, — the Cavite Tagaytay Batangas Expressway Project, an unsolicited proposal for the EDSA Bus Rapid Transit (BRT), an unsolicited proposal for the Development, Operations, and Management of the Davao International Airport, and an Advance Passenger Processing and Passenger Name Record project for the Bureau of Immigration.

The delisted projects were either rejected by the implementing agencies or not included in the list of approved projects.

This would bring the total number of projects in the government's pipeline to 136, valued at P3.03 trillion. Of these, 103 are national projects, while 33 are local.

Some 68 are transportation projects, 25 property development, and 16 information and communications technology.

These were followed by health (7), agriculture and food security (4), power and energy (3), water and sanitation (6). One project involves tourism, and one is yet to be determined.

The PPP Center said that most of the additional projects were unsolicited proposals endorsed to implementing agencies for their decision to proceed with detailed evaluation or rejection.

Mr. Manalo said about five projects are in the advanced stages of the PPP process, and are expected to be awarded by the end of 2024.

Among the projects are the Tarlac-Pangasinan-La Union Expressway expansion project, the expansion and upgrade of Laguindingan Airport in northern Mindanao, the New Bohol Airport, the UP-PGH Cancer Center, and the Dialysis Center for the Baguio General Hospital and Medical Center.

"Those are the five projects that we expect to be awarded by end 2024. And then for possible award by end of this year or next year, (another) three," he added.

The PPP Center has said that it is seeking to submit 15 PPP projects to the National Economic and Development Authority-Investment Coordination Committee for approval this year. — **Adrian H. Halili**

Indirect exporters to Europe urged to comply with EU carbon rules

EVEN COMPANIES that do not export to Europe will need to comply with the European Union's (EU) Carbon Border Adjustment Mechanism (CBAM), the Philippine Exporters Confederation, Inc. (Philexport) said.

In a statement on Friday, Philexport, citing an official of SGV & Co., said that Philippine direct and indirect suppliers to the EU also need to familiarize themselves with the rules.

Lucil Vicerra, indirect tax services leader and global trade and customs partner at SGV, said that CBAM must be viewed as a mechanism that will steer Philippine businesses towards "remaining competitive in the global market."

"Acting now, while recognizing that it is a longer-term endeavor, will lead to a competitive advantage over regional peers," Ms. Vicerra said.

"By meeting CBAM requirements, businesses can demonstrate environmental responsibility, maintain current EU business, capture additional market share, and establish themselves as industry leaders," she added.

She said that even exporters not directly exporting to the EU could still be affected if their customers that buy their materials and products export to Europe.

"CBAM does not only cover direct exports from the Philippines to the EU; it also covers indirect imports," Ms. Vicerra stated.

She said that if an exporter from another country exports a product for which some materials were made in the Philippines, the direct exporter will need to ask the Philippine exporter for the carbon emissions data.

"The responsibility is there for Philippine companies that are indirectly exporting to the EU (to) understand what is being required of us," she added.

She said that although the indirect exporters from the Philippines will not be affected by the policy in terms of cost, the exporters may lose out to other CBAM-compliant manufacturers if they are not able to comply with the direct exporters' requirements.

"This could happen if the non-EU manufacturer is unable to comply with the requirement to calculate and provide the carbon emissions data, and the non-EU distributor is unable to provide its customers with the emissions data from the supplier and manufacturer," she said. — **Justine Irish D. Tabile**

OPINION

Building efficient and resilient supply chains with GenAI

IN BRIEF:

- *Businesses are focused on advancing their AI supply chain pilot projects into fully functioning applications.*
- *GenAI can serve as a dynamic tool and a force multiplier in fortifying supply chains.*
- *Despite its limitations, GenAI provides a multiplier in what technology and humans can achieve together in building efficient and resilient supply chains, whether in planning, sourcing, making or moving.*

SUITS THE *C*-SUITE

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

Companies are turning more to AI for demand planning and procurement within their supply chains, and are also investigating its potential for streamlining processes and enhancing efficiency in final-stage delivery.

In the wake of the global pandemic, businesses remained focused on advancing their artificial intelligence (AI) supply chain pilot projects into fully functioning applications. Companies are turning more to AI for demand planning and procurement within their supply chains, and are also investigating its potential for streamlining processes and enhancing efficiency in final-stage delivery. However, the rapid emergence of Generative AI (GenAI), brought to prominence by ChatGPT, has dramatically shifted perceptions about the capabilities of AI.

GenAI is adept at producing new content that includes images, text, audio, or video, drawing from its training data. This technology isn't new, but recent developments have streamlined its use and enhanced its practical value. As funding flows into this technology, leaders are swiftly assessing how it affects their operations and business structures, aiming to capitalize on its benefits. For those who diligently and strategically engage with innovation while maintaining an awareness of its limits — rather than impulsively chasing trends — GenAI can serve as a dynamic collaborative partner and a force multiplier in fortifying supply chains.

What might have once been considered fictional is now part of serious conversations. AI applications are already being put into practice in real-world scenarios throughout the entire supply chain. These are made possible by GenAI's capabilities to organize and sort information based on visual or textual inputs, rapidly assess and adjust strategies, plans, and the distribution of resources in response to live data, produce various types of content on-demand, leading to quicker reaction times, summarize vast amounts of data while highlighting essential insights and patterns, and quickly help retrieve relevant information and deliver immediate responses, whether through voice or text.

While it does have its limitations, GenAI provides a multiplier in what technology and humans can achieve together in building efficient and resilient supply chains, whether in planning, sourcing, making or moving.

PLANNING

GenAI streamlines engagement across technology-driven planning activities. Modern GenAI applications are also capable of proposing multiple strategies in case of unforeseen complications. The area of risk management stands out as particularly promising, especially in anticipating risks that supply chain planners might not have previously contemplated. Numerous organizations are leveraging AI to sift through extensive historical sales data, market movements, and other factors to construct real-time models of demand. In addition, GenAI enables the formulation of ideal inventory quantities, manufacturing timetables, and distribution strategies to efficiently satisfy consumer needs.

AI can assist in orchestrating production and timetabling by taking into account elements such as changes in customer orders, production capacity, resource availability, and the priority of orders. Similar to its capabilities in forecasting demand, GenAI can devise production plans, scheduling sequences, and efficiently allocate resources to reduce bottlenecks and optimize production efficiency.

Currently, AI can be utilized to scrutinize historical data, market dynamics, climatic trends, and geopolitical occurrences, among other information sources, to pinpoint potential risks within the supply chain. Rather than relying on preset dashboards, for instance, GenAI can be prompted to generate on-the-spot risk evaluations, simulate various scenarios, and craft strategies for risk mitigation to aid planners in proactively overseeing and reducing risks.

SOURCING

Beyond negotiating, GenAI offers a chance to enhance supplier engagement and oversight, providing guidance on subsequent actions. These useful tools can quickly pull information from extensive contracts, potentially helping prepare for discussions about contract renewals. In managing suppliers, companies can utilize natural language processing to derive insights from supplier communications and various data points. It can support the supervision and analysis of supplier interactions, pinpoint potential problems, and foster stronger supplier partnerships.

Moreover, GenAI can assist in the process of choosing suppliers by evaluating a broad spectrum of supplier data and producing insights. By considering aspects such as supplier performance, capabilities, pricing, and risk assessments, GenAI algorithms can offer suggestions or rankings to support well-informed decision-making.

MAKING

GenAI is revolutionizing the supply chain by significantly accelerating the journey from concept to commercialization, even when it involves new materials. Organizations are educating algorithms on their proprietary data and then employing AI to uncover methods to enhance productivity and efficiency. Predictive maintenance is yet another area where GenAI can pinpoint which machinery or production lines are at risk of malfunctioning and when, thereby enhancing overall equipment effectiveness (OEE) — a critical metric in manufacturing.

In product design, GenAI can rapidly generate and assess numerous design alternatives based on set criteria, drastically accelerating the innovation cycle. This approach can be applied to a wide range of design challenges, from engineering new components for industrial machinery to creating consumer goods that are more efficient, robust, or visually attractive. Informed by data from factory machinery, GenAI models can also devise new maintenance strategies that align with predicted failure times of equipment. This enables manufacturers to fine-tune their maintenance timetables to intervene only when necessary, minimizing operational interruptions and expenses while also prolonging machinery lifespans.

In addition, GenAI can be used to unearth new materials and refine existing ones. By analyzing extensive data on material characteristics and experimenting with various combinations, it can recommend new materials with specific desired traits or enhance the properties of current materials. This innovation could lead to the development of materials that are more efficient, sustainable, or durable for manufacturing purposes.

MOVING

Although GenAI application in the field of logistics isn't new, the generative aspect introduces new levels of adaptability. For example, it can be used for route optimization for reduced fuel usage, the prioritization of specific shipments, or integration of various factors into an accessible platform.

GenAI can optimize global trade by assessing a wide range of factors, such as tariffs, customs rules, trade agreements, and shipping expenses, to propose the most effective and economical routes and strategies. This helps businesses to maneuver through intricate global trade networks, ensuring compliance while cutting costs. Additionally, GenAI can improve the design of logistics networks by considering elements such as warehouse locations, transportation links, and demand patterns to generate efficient configurations. This results in shorter delivery times, decreased expenses, and heightened service quality.

One of the significant challenges in logistics is real-time routing, which GenAI can address by constantly refining and enhancing delivery or collection routes in response to evolving conditions such as traffic, weather, and delivery priorities. This leads to heightened efficiency, lower fuel usage, and greater customer satisfaction.

REALIZING VALUE WITH GENAI

GenAI is a potent instrument with its own set of constraints, but it should not be mistaken for a strategy in itself. Organizations must focus on the business benefits and establish a roadmap, guided by the following steps:

Focus on domain-wide transformation. Identify use cases with significant potential, aiming to create an integrated ecosystem that complements traditional business practices and unlocks new opportunities.

Coordinate and collaborate. Discuss the broader implications of using GenAI and pinpoint the competencies needed across various departments, extending beyond just the technical roles.

Maintain an open mindset while being mindful of risks. Launch exploratory pilot projects to gain insights, secure early successes, and work towards a model that can be expanded and adopted on a larger scale.

Utilizing AI in supply chain management can help organizations become more resilient and sustainable while transforming cost structures. With recent developments that make AI easier to use and more effective in realizing value, organizations must evaluate how its advances can impact their sectors.

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.

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