Safeguard measures for LPG cylinders ruled out

THE Tariff Commission (TC) said that it is not recommending the imposition of safeguard duties on imported liquefied petroleum gas (LPG) steel cylinders.

In a report, the TC ruled there was no need to impose safeguard duties in the absence of any serious threat to domestic competitors.

Under the Safeguard Measures Act or Republic Act 8800, tariffs may be raised to aid Philippine industries affected by an undue increase in imports.

The TC has been investigating the safeguard duty application since December.

The Department of Trade and Industry (DTI) had sought the imposition of safeguard duties against imported LPG steel cylinders, in support of an application filed by Ferrotech Steel Corp.

The company said that imports of LPG steel cylinders between 2017 and 2021 had surged, affecting Philippine manufacturers.

"LPG steel cylinders were imported into the Philippines in increased quantities relative to domestic production. The increase in the volumes of imports relative to domestic production can be considered recent, sudden, sharp and significant enough," the TC said.

In its application the companies were proposing a 10 years of safeguard measures on such imports.

Ferrosteel and another company, FSC Metal Corp. represent about 92% of total domestic production of LPG steel cylinders, according to the DTI.

The TC said after investigation, it found no threat to local industry.

"In the absence of a positive determination of serious injury or threat thereof, neither can the causal relationship between increased imports of LPG steel cylinder and serious injury or threat thereof to the domestic industry be established," it added. — **Adrian H. Halili**

MRT-4 project cost to change after monorail plan abandoned

THE DEPARTMENT of Transportation (DoTr) is seeking approval to adjust the project cost of Metro Rail Transit Line 4 (MRT-4) ahead of a possible loan signing this year.

The cost adjustment proposal will go before the National Economic and Development Authority (NEDA) following a shift from the originally proposed monorail format to a metro rail configuration.

"We are still targeting to have this approved by the ADB (Asian Development Bank) board as well as AIIB (Asian Infrastructure Investment Bank) board within the year... we need to get NEDA board re-approval right now," Transportation Undersecretary Timothy John R. Batan said on the sidelines of a forum last week.

NEDA approval is required before major government projects can change scope or costing, Mr. Batan said.

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He said the monorail configuration will have limited capacity.

"We saw that we need to change from monorail technology to conventional heavy metro rail technology," he added.

Mr. Batan have no details about the magnitude of the cost change, which the DoTr has yet to finalize.

The move towards a greater-capacity solution followed a review of the passenger projections for the MRT-4 service area.

"We saw that demand was higher than expected for Eastern Metro Manila," he added.

The MRT-4 will run 12.7 kilometers from the Epifanio de los Santos Avenue (EDSA)-Ortigas Ave. junction to Taytay, Rizal. It will have 10 stations.

Once operational, the MRT-4 is expected to serve more than 400,000 passengers daily, the DoTr has said.

In May, ADB said it is working on approving the proposed $1-billion loan to fund the construction of MRT-4, while AIIB said last year that the Philippines is seeking a loan of about $537.4 million from the Beijing-based bank. — **Ashley Erika O. Jose**

Flood-control focus urged for infrastructure projects

By Beatriz Marie D. Cruz
Reporter

THE GOVERNMENT must realign its infrastructure spending priorities to give more weight to flood control projects, analysts said.

"There is a need to revisit the number, breadth and extent of flood control facilities that are currently operational and make plans to build more," Terry L. Ridon, and public investment analyst and convenor of think tank InfraWatch PH, said in a Viber message.

The Department of Budget and Management (DBM) reported that infrastructure spending in May rose 31.4% year on year to P136.4 billion.

Month on month, spending rose 14.7%.

Rene S. Santiago, former president of the Transportation Science Society of the Philippines, cited the need to update flood-related infrastructure due to the need to respond to climate change.

"An infrastructure built for a 20-year rainfall is expected to be overwhelmed once in 20 years. To the consternation or befuddlement of our engineers, it appears that the 20-year cycle has shortened to 10; most likely due to climate change," he said via Viber.

"The recent flooding produces the perennial blame-game. Even if our flood control programs had been completed — and they are not — flooding will occur. Only a question of when, not if."

Nigel Paul C. Villarete, senior adviser on PPP at the technical advisory group Libra Konsult, Inc., said the high infrastructure spending recorded in May was likely due to the advanced preparation of some projects included in the budget.

"While most projects were identified during the budget preparation in the last quarter of the preceding year, the time of execution depends on how ready they are for implementation," he said via Viber.

"If there are many projects ready for actual implementation for the budget year, they will have a head start in spending."

The DBM noted that "sizeable disbursements" made by the Department of Public Works and Highways (DPWH) for the construction of roads, bridges, flood control structures, hospital buildings, and multi-purpose building projects were behind the infrastructure spending performance in May.

Solid spending was also reported as a result of the armed forces modernization program, and direct payments made by development partners for the South Commuter Railway Project, the DBM added.

In the first five months of the year, infrastructure spending rose 21.7% year on year to P472.1 billion. This was linked to completed DPWH projects and the speedy processing of payment claims.

Ruben Carlo O. Asuncion, chief economist at Union Bank of the Philippines, Inc., said the government is expected to continue rolling out infrastructure spending in the coming months to "help cushion any soft growth patches due to high borrowing costs and elevated inflation."

The government targets spending on infrastructure equivalent to 5-6% of gross domestic product.

Finance dep't to enlist GSIS or Maharlika help in disposing of mining assets

By Beatriz Marie D. Cruz
Reporter

THE DEPARTMENT of Finance (DoF) said it may enter into a joint venture (JV) with the Maharlika Investment Corp. or the Government Service Insurance System (GSIS) to effect the sale of government mining assets.

"We are exploring a JV — possibly with GSIS or Maharlika. So, they will be in charge of finding a partner... if there's an upside (which we think there is), the government still benefits," Finance Undersecretary Catherine L. Fong told *BusinessWorld* via Viber.

The Privatization and Management Office (PMO), an arm of the DoF, is in charge of disposing of government assets and idle property to the private sector.

Delays in the privatization of mining assets have been attributed to the costly process of determining their value, Ms. Fong said.

The PMO said it is still finalizing the valuation of the Basay mining project in Negros Oriental.

"It's ready for sale because the title is clean. The problem is we only have a desktop valuation. The real value will only be determined with drilling."

The PMO has been relying on technical assistance from donors to help value the Basay mine.

Privatization aims to generate additional revenue for the government.

Other mining assets are tied up in litigation, delaying their disposal, the PMO said.

"The others have pending cases. Then we'll have to value them like Basay. The drilling is a little expensive. That's where we're stuck," Ms. Fong said.

"The value of the desktop study is (low) versus the potential value, if only we could verify the quality and size of the remaining minerals. That's why it's hard to sell at this point when we only have the desktop study."

Other mining assets that the government plans to sell include Marcopper Mining Corp. in Marinduque, Maricalum Mining Corp. in Negros Occidental, Pacific Nickel Philippines, Inc. in Surigao del Norte, and the North Davao Mining property in Davao del Norte.

The DoF plans to raise P40 billion from privatization this year.

Meanwhile, the Bureau of the Treasury (BTr) reported that privatization revenue in June surged year on year.

According to the Treasury, the National Government (NG) raised P12.22 million from privatized assets in June, up 252.16% from a year earlier.

The PMO raised P3.24 million from the P2.1-million sale of Northern Cement Corp., and the P1.14-million sale of Nonoc Mining.

The NG also collected P8.93 million from leases and P50,000 in interest income, BTr said.

No revenue was generated from the Al Amanah Islamic Bank and the Metro Manila Development Authority, the BTr said.

The Presidential Commission on Good Government, Philippine Mining Development Corp., and other offices also did not raise privatization revenue, it added.

In the six months to June period, the NG collected P411.52 million from privatized assets, up 673.97% from a year earlier.

In 2023, the PMO collected P1.94 billion in revenue, exceeding its target by 168%.

OPINION

How AI is transforming the accounting and auditing professions

IN BRIEF:

- Artificial intelligence is poised to reshape the professional services industry by increasing efficiency and creating approximately 58 million jobs according to the World Economic Forum.
- Broader AI adoption relies on responsible, equitable, and people-centered approaches to overcome challenges and transform the accounting profession.

SUITS THE C-SUITE
VIVIAN C. RUIZ

While AI has the power to revolutionize accounting, its real strength lies in supporting the work of highly skilled professionals.

Artificial intelligence (AI) can transform the business landscape for accountants and auditors. Given the fast-paced technological advancements in data mining; machine learning, which in turn fuels generative AI (GenAI); and quantum computing, which can speed up and enhance machine learning, the potential to transform the accounting and audit professions is immense.

As technology continues to evolve, so do accounting and audit professionals as they gain access to huge amounts of data and leverage AI to streamline workflows. Besides data analysis, AI can also be used to improve various accounting and audit processes to save time, reduce human error, and increase efficiency.

Despite AI's potential, fears persist that it could replace humans by performing tasks faster and more accurately. However, experts from the World Economic Forum (WEF) predict that automation will result in an increase of 58 million jobs, with two-thirds of which being highly skilled. While AI has the power to revolutionize accounting, its real strength lies in supporting the work of highly skilled professionals.

TECHNOLOGICAL ADVANCEMENTS AND APPLICATIONS

Following a technological lull, the past years saw an uptick of AI applications across various industries. This nascent period saw AI becoming more adept at handling, organizing, and analyzing large sets of both structured/quantitative and unstructured/qualitative data. The digital revolution, which is data-rich, has also sparked interesting AI use cases in different fields.

For example, lease accounting analysis is usually performed by humans; although, some pilot programs show that AI tools could execute the same task more quickly. That is, AI can possibly review up to 80% of the contents of simple lease arrangements, thus allowing humans to focus on more challenging tasks or, in this case, more complex leases.

Nevertheless, AI cannot replace the judgment, experience, and creativity that humans bring to their work. Making value judgments and weighing opportunity costs are still out of the scope of AI.

PREDICTIVE CAPABILITIES

Overall, one of AI's main strengths lies in its predictive capability. AI could help audit teams reasonably predict future risks and recalibrate their approaches. Additionally, AI presents interesting opportunities for accounting areas like fraud detection.

Another lucrative area for AI is anomaly detection, the predictive value of which underscores AI's evolution and allows auditors to work more efficiently. Consequently, organizations must ensure that their AI algorithms are compatible with their current infrastructures and workflows, which requires a balance in planning, training, and monitoring.

REAL-WORLD INTERACTIONS AND IMPLICATIONS

AI's second developmental phase, shaped by its interactions with the world, can be seen in voice recognition and similar tools. Other technologies like the Internet of Things (IoT), the network of physical devices and objects connected to the internet that collect and share data, could enable AI to synergize with the material world. This shift is often called the Fourth Industrial Revolution.

AI will impact not only audit work but also talent recruitment since it will demand new, diverse profiles, rather than replace existing talent. As such, the industry will need skilled individuals across a wide range of disciplines; moreover, they must understand accounting, its industry, and emerging technologies such as AI, blockchain, and machine learning. By keeping pace with technological advancements, organizations can continue to deliver high-value, high-quality audits.

BUILDING CONFIDENCE IN AI ADOPTION

Goldman Sachs forecast that global AI investment could reach $200 billion by 2025. However, survey data from the International Data Corp. (IDC) — a global market intelligence firm — showed that only 22% of organizations are planning to adopt AI tools, with 52% citing a lack of specialized talent as the top blocker. Moreover, an EY survey showed that 65% of CEOs believe that more work is needed to address various AI-related risks like data privacy, misinformation, and intellectual property.

Building stakeholder trust takes time, and it requires a balanced approach that encourages innovation while minimizing risks. As such, EY has started shaping responsible AI guidelines and frameworks through the EY.ai Confidence Index, a tool that integrates ethical, societal, and public policy considerations.

DRIVING SUSTAINABLE GROWTH THROUGH AI

AI will reshape the global economy, which will come with new risks and opportunities. Organizations must identify opportunities, leverage AI, and create long-term value to gain a competitive advantage over their peers.

Leaders face the critical task of navigating change management, clarifying AI-related misconceptions, and establishing AI governance. With responsible and people-centered approaches to AI, organizations can drive sustainable growth, empower talent, and transform the accounting and audit professions.

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.

VIVIAN C. RUIZ is the vice chair and deputy managing partner of SGV & Co.