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TRUTH SHALL PREVAIL

Charges

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To be sure, the next administration should not suspend excise taxes on oil products. The long-term costs of doing so will be tremendous.

Suspending the excise taxes will undermine our fiscal stability. It will deprive government of the means to pay down our COVID-19 debts, force larger deficits and entail even more borrowing. It will put us on a march to another debilitating debt crisis.

Furthermore, as the latest paper released by the Philippine Institute for Development Studies demonstrates, suspending the excise taxes will benefit the rich more than the poor. The top 10 percent of Filipino households accounts for 50 percent of total fuel consumption. Tightly targeted subsidies are the only responsible way to deal with high fuel prices.

There are other ways to reduce the cost-push causing inflation. One of those is the elimination of unwarranted charges imposed on the transport of vital commodities.

A large shipping group from the central Philippines, for instance, calls on the new administration to scrap port charges arbitrarily imposed by the Philippine Ports Authority (PPA) on cargo. Being an archipelago, 95 percent of prime goods such as rice, vegetables and other crops are transported through our ports.

During the pandemic, the PPA imposed higher charges on goods passing some of our busiest ports such as Zamboanga and Tacloban. As a result, handling costs increased from 371 percent to as high as 406 percent. Charges on containerized goods increased by 109 percent. Charges on prime goods rose by about 91 percent.

The added charges are, of course, passed on to the consumers. They add to price increases. The fact that new charges were imposed during the height of the pandemic strikes one as unduly callous.

There are other new measures taken by the PPA that add to transport costs. By adopting the policy of putting ports under a single operator, the PPA encourages monopolies.

Without consulting stakeholders, the PPA is now requiring shipping lines to participate in a Unified Electronic Ticketing System. Shippers are arguing that this system has no proven advantage and puts the PPA in competition with private ticketing service providers.

The PPA now requires shipping lines to install tracking devices on their containers. This is another instance of added costs without evident savings benefits.

The domestic shipping industry is asking the new administration to review all these new charges that add to the already high cost of domestic shipping. By rationalizing these charges and removing new requirements that add costs instead of savings, government can help reduce the cost-push that keeps our inflation rate elevated.

A review will go a long way towards tempering price pressures on vital commodities, especially food.

Save jobs

Apart from holding down prices where we can, the new administration must exert every effort to save jobs – especially against unfair competition.

The Tariff Commission is currently winding down its hearings on a petition filed by domestic cement manufacturers. The manufacturers are asking the Commission to extend safeguard measures to protect the domestic industry from unfair competition. The existing safeguard measures expire this year.

From nearly nothing in 2013, imports of Vietnamese cement now constitute about 91 percent of total imports of the commodity. Last December, the DTI imposed provisional anti-dumping duties on specific Portland cement brands from Vietnam. The extraordinary duties were imposed after the DTI arrived at a preliminary determination that nine out of 16 Vietnamese cement exporters have been dumping their products on our market.

In 2020, the DTI issued an order for Vietnamese exporters to stop labeling their cement bags as "Product of the Philippines." In fact, the cement bags were wholly repackaged cement from Vietnam. The mislabeling is obviously intended to mislead consumers.

Vietnam's cement production capacity substantially exceeds its domestic demand, especially as the pandemic slowed economic expansion. It works better for them, evidently, to dump their excess production rather than close plants.

The problem, however, is that the dumping could cause permanent damage to our own cement industry. Investors risked billions of pesos to build our own cement production capacity. The industry pays billions in taxes and provides employment for thousands of Filipinos.

Should dumping of Vietnamese cement force the closure of our cement plants, our industry may never rise again. Dumping of Vietnamese cement poses an existential challenge to our domestic manufacturing. It is a deadly plague threatening Filipino jobs.

To be sure, all our manufacturers are handicapped by higher energy costs here. The cement industry illustrates the challenge at the starkest. About 70 percent of the final cost of cement is energy costs. Since our energy rose to become one of the highest in the region, our manufacturing sector became seriously hobbled.

Until we are able to bring down the comparative costs of our energy supply, what is left of our manufacturing sector will need safeguard measures. In the case of cement, the established dumping practices of exporting countries such as Vietnam makes the case for safeguard measures all the more compelling.

It is up to the Tariff Commission to decide on the extension of safeguard measures for domestic cement products. It has to determine that dumping is indeed happening. Therefore we will not violate the general rule on fair competition if safeguard measures are put in place.

That decision is forthcoming. On it will depend the survival of many Filipino jobs and the wellbeing of many Filipino families.

There are certainly a thousand other factors defining our competitiveness – or lack of it. But at the moment, preventing dumping is a trench we must hold.