

Column for Business Mirror
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July 23, 2012

The Entrepreneur

Keeping Investments

THE announcement by Ford Philippines that it would shut down its assembly plant in Santa Rosa, Laguna, was a jolt to the growing euphoria brought about by the unexpected 6.4-percent growth of the economy in the first quarter, the increasing prospects for a credit upgrade and heightened investor confidence in the country.

The shutdown of the only car-exporting company in the Philippines will not really have a big impact on the domestic automotive industry. An estimated 250 people are expected to lose their jobs while those in Ford dealerships will not be affected because the company will continue bringing in completely built units from its plants in other Southeast Asian countries.

The bigger impact would be on the Philippines's attractiveness to foreign investors. Ford, which has invested about \$270 million since the start of operations in Laguna in 1999, has exported more than 80,000 vehicles from 2002 to the present.

The primary reason for stopping assembly operations, according to Ford Motor Co. Asean President Peter Fleet, was the lack of a supply base and the small size of the domestic automotive market.

I understand that automotive industry groups are preparing a road map aimed at resuscitating car manufacturing in the country. They maintain that the Philippines still has advantages for car manufacturing, such as low labor costs, a large pool of skilled labor, suitable industrial sites and improving infrastructure.

I sincerely hope their plan will succeed because I have always believed that we need to promote manufacturing industries to generate employment. We cannot depend solely on the business-process outsourcing sector, where job opportunities are limited to college students or graduates.

While the automotive industry prepares its road map, the government should look at other factors behind the impending shutdown of the Ford plant than the lack of economies of scale and supply problems. Smuggling could be one of these other reasons.

At the same time, there's a lesson to be learned from the Ford shutdown. While we try to attract investments we should also exert efforts to ensure that investments are here to stay. The government should have the flexibility in dealing with investors so it can encourage them to bring their capital in and stay here.

What I'm saying is that we should not look at investment incentives as reducing tax collections even before the investments come in. I agree that the incentives should be rationalized, but it should consider industries that need support through tax holidays or lower taxes, particularly the sunrise industries that emerged after the adoption of the incentives program.

Somebody should also monitor investments. That person or entity should establish and maintain a continuing dialogue with investors who are already here to find out their needs, discuss their problems and help them solve those problems. And the monitoring agency or official should have direct access to the President to ensure prompt and decisive action to help investors.

The Department of Trade and Industry (DTI) would be the appropriate agency to exercise this function, and the DTI secretary the best person to establish and maintain constant dialogue with investors. After all, the primary mandates of the department include promoting the Philippines as an investment destination.

My proposal is only to pay more attention to encouraging businessmen to stay and continue investing in the Philippines. We are already on the radar screen of foreign investors. Some are already coming in, some are looking at opportunities for investments, and some need a little more convincing.

Let's give incoming investors the red carpet treatment. Better yet, make the red carpet treatment permanent, as long as they stay here. More often than not, the feeling that one is always welcome is more persuasive than tax holidays, even for profit-oriented investors.

It's an inevitable reality that we need investments to boost the growth of our economy and for the investments to stay and sustain the growth.

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