

SUNDAY | MARCH 4, 2018

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Price uncontrol

I would cringe from embarrassment, and hide from plain view of the store owner, as my mother bargained for the price of a bundle of *pechay* (Chinese cabbage), or a kilo of *liempo* (pork belly). She would scout the entire Antipolo market just to get a price in one store cheaper by 10 centavos.

The bargaining would get worse and my embarrassment more intense when I joined my mother around Divisoria then to buy some textiles for our school clothing. (I can still remember that the chemicals from the textiles in those cramped stores hurt my eyes worse than when peeling onions.)

Probably the most emotional time my mother had while bargaining was when we were trying to buy this five-foot, very leafy, and very natural-looking Christmas tree that I really liked. She did not get emotional because of the stiff store owner, but because I pulled out P100 to add to her P300 to buy the P400 Christmas tree. It's from my savings from the allowance she

gives me, I told her. It was the first time in a bargaining session that I didn't feel embarrassed. Instead, I felt like a problem solver – before, I felt like an underage, underweight “kargador” (porter) of that five-foot disassembled tree in a rectangular box. Sure, all that was more than 35 years ago.

If you felt that we were poor, you probably don't know half of what it means to be an average family then, when prices (though subject to bargaining) felt lower, and even the centavo had purchasing power.

Fast forward to today – foreign clients and visitors ask me, “Are your lives better because of the tax reform?” My answer invariably is that it will get difficult before it becomes much better. I add that if the tax collected goes to where it is supposed to go, it will look like a new country.

All things aspirational though are not the first things that come to mind for anyone whose net take-home pay increased (from tax cuts) but whose monthly expenses increased even more. Excise tax on sugary products did not result to a price increase exclusive to sugary drinks.

Even the prices of 3-in-1 coffee and milk drinks that are not supposed to be subject to the new excise tax have invariably increased. For that matter, maybe blame all the increase in prices to increased logistics and utility costs coming from the new oil and coal tax.

All that are found in wet and dry public markets are also in supermarkets nowadays. When the public notices a more than 20 percent increase for certain products in the supermarket (and much more for the

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price of beauty salon service) they ask, is there really no price control law we can hang on to?

First off, the only prices that can be controlled are for basic commodities (e.g., rice, milk, eggs, coffee and medicine) and for prime commodities (e.g., beef, school supplies and construction materials). The rest of the goods and services are not subject to price control. Basic and prime commodities can be subject to price control during calamities and emergency situations. But under normal conditions, there are only two situations when they can be subject to government control: when there is price manipulation (hoarding, cartels), or when there is unreasonable increase in prices or profiteering that can allow the president to step in. This is why the DTI (Department of Trade and Industry) monitors prices even during times without calamities.

It is a paradox that "profiteering" can be a breach when the point of going to business is to make a profit. So the price control law simply says that more than 10 percent increase in the prices of basic and prime commodities from the previous month is *prima facie* evidence of profiteering. *Prima facie* evidence means business can still show that the increase is reasonable – due to increase in costs, and even economic conditions.

I would say that the main reason why the government slows down on clampdown is that you cannot compel people to stay in business and control their prices. They can choose to close anytime. It is no one's obligation to sell basic goods or prime commodities to the public.

What we want to see though are more of these disruptive marketing strategies that you can see in Canada or the US, for instance. Some stores there guarantee the lowest price and offer to match or refund based on the lowest price buyers can find elsewhere for the same product. New players can come in via more relaxed rules and this competition can bring down prices. Transparency through e-commerce that can allow the public to scout which stores or supermarkets offer the best prices will help. Competition is the best price control – plus one other thing.

It is easy to say that a buyer is bound by his bad bargains. Practically though, when prices are fixed in stores, the public is in no position to bargain. There is, however, a "conscience" that now occupies a prominent position in boardrooms and decision-making. It's called "stakeholder interest." Stakeholders include the owners – and they also include the customers.

The kind of corporate governance that is able to balance these stakeholders' interests builds a lasting brand and sustainable business. It will also keep the loyalty of any mother and boy buying ingredients for a Sunday meal, or a leafy tree for Christmas, from hard-earned savings.